

PATHWAYS TO PROSPERITY

Assessing the Influence of Remittances and Diaspora Investments
on Entrepreneurship Development in Sub-Saharan Africa

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Executive Summary

In recent years, remittance inflows to Sub-Saharan Africa (SSA) have increased substantially, exceeding Official Development Assistance (ODA) and Foreign Direct Investment (FDI). Various scholars argue that remittances and diaspora investments (DI) could play a crucial role in many SSA countries, supporting household consumption, improving access to education and healthcare, reducing poverty and enhancing economic development. While there is a wealth of literature on the topic of remittances and entrepreneurship development separately, the effect of remittances and DI on entrepreneurship development and specifically in SSA, is understudied. Hence, this research attempted to identify how remittances and DI are perceived to enable entrepreneurship development in SSA.

The report relies on three qualitative methodological approaches: literature analysis, document analysis and 20 semi-structured interviews. It specifically focuses on three case studies: The Gambia, Senegal and Zimbabwe. These countries are in the top 10 of SSA countries receiving remittances in terms of absolute and relative percentage of the GDP.

Through an analysis encompassing the dimensions of a) sources and recipients, b) scale, c) purpose, d) transaction costs, e) access to capital and financial inclusion, f) employment, g) education and skills development, h) dependency and i) technological factors, three key messages have been identified. First, the study underscores an untapped potential of remittances and diaspora investments for entrepreneurship development in SSA. The current connection between remittances and their role in fostering entrepreneurship is not as strong as initially anticipated. Second, although traditional channels like banks and Money Transfer Operators (MTO) still dominate the remittance market, digital platforms are starting to gain momentum. This highlights the growing influence of technology, but requires efficient digital infrastructure, improved digital literacy and risk mitigation against illicit transactions. Third, a strong prospect emerges to extend the focus beyond monetary remittances to include intellectual remittances as well as capacity building at both inter-border and intra-border levels.

Other notable outcomes that include barriers such as high-interest rates and stringent loan requirements lead entrepreneurs to rely on alternative financial sources like family savings or remittances. Purposes of remittances extend beyond entrepreneurship development and consumption to include investments in education, health, real estate and infrastructure. Besides, MTOs are the primary channels for receiving remittances, yet SSA faces the highest average costs, deviating from SDG 2030 targets.



Based on the analysis and key messages, the report presents the following policy recommendations: (1) simplify the business startup process through addressing barriers such as poor financial system, problems of accessibility, financial inclusivity and inadequate market competition, (2) reduce transaction costs, in line with the SDG10.c, and channel regulatory efforts towards fostering the growth of Remittance Service Providers (RSP), (3) carry out infrastructure reforms such as access to payments systems, robust networks, reliable electricity access, in tandem with regulatory reforms to bridge the digital remittance channel disparities across countries and accelerate the digital transformation, (4) support entrepreneurs beyond monetary aid by setting up innovation grants, implementing mentorship programs, a digital platform for diaspora and entrepreneurs as well as education courses focused on entrepreneurship (5) create a favorable environment for FDI and instill diaspora confidence to invest in their home country through, for example, diaspora bonds.

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List of Acronyms

AFDB	African Development Bank Group
BOP	Balance of Payments
DDI	Diaspora Direct Investment
DI	Diaspora Investment
ED	Entrepreneurship Development
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ILO	International Labor Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
MTO	Money Transfer Operators
ODA	Official Development Aid/Assistance
QDA	Qualitative Data Analysis
RBZ	Reserve Bank of Zimbabwe
RSP	Remittance Service Providers
SDGs	Sustainable Development Goals
SMEs	Small and Medium-sized Enterprises
SMS	Short Message Service
SSA	Sub-Saharan Africa
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UN DESA	United Nations Department of Economic and Social Affairs
UK	United Kingdom
USA	United States of America
WB	World Bank

**“I AM DOING THIS BECAUSE I REALLY
BELIEVE IN THE POWER OF YOUTH”**

**- AN ENTREPRENEUR FROM ZIMBABWE ON BEING ASKED
WHY SHE STARTED HER OWN BUSINESS**

1. Introduction

In recent years, remittance inflows to SSA have increased substantially, exceeding ODA and FDI (IMF, 2021). Although recovering from a small shock due to the COVID-19 pandemic, personal remittances represented 2.6% in 2021 as percentage of the region's GDP, which corresponds to a twofold steady increase in the last 20 years. As a point of comparison, FDI consists of 3.8% of SSA's GDP (WB, 2022). Various scholars argue that remittances could play a crucial role in many SSA countries, supporting household consumption, improving access to education and healthcare, reducing poverty and enhancing economic development (see among others: Ahmada & Coulibly, 2012; Akobeng, 2016; Baldé, 2011; Williams, 2016; Zoomers, 2013). Nonetheless, challenges such as insufficient legal and regulatory frameworks, unstable political environments, unaccounted informal flows and high transaction costs pose risks to their potential success (Nyasulu, 2021). According to the IMF, around 43% people in the SSA region do not have access to formal financial services (IMF, 2023), hence remittances could also play an important role in financial inclusion (Ajefu & Ogebe 2019).

The COVID-19 pandemic acted as a catalyst in accelerating the adoption of digital channels for remittances (Ardic et al., 2022). This shift towards digitalization holds significant potential for enhancing financial inclusion and comes with a range of advantages, including reduced transaction costs, heightened security, and faster processing for both senders and recipients. Despite these notable benefits, poor digital infrastructure, lack

of documentation and unequal access to resources remain a challenge (Hare, 2022). Therefore, there exists a vast opportunity to expand the reach of digital remittances in the region, benefiting more individuals and facilitating greater financial inclusion (Harper, 2023).

In addition to remittances, diaspora investments (DI's) could respectively play a crucial role in supporting small businesses in SSA. Africans living abroad are investing in businesses and startups in their home countries, providing much-needed capital and expertise (Ewijk, 2014; Rella, 2019). Kshetri (2013) even describes the diaspora as an important "agent of change" in entrepreneurship-related institutions in SSA. Diaspora investors have an understanding of the local market and business environment, making them valuable partners for small business entrepreneurs (Lange et al., 2019; Lietaer, 2019). Thus, they could provide much-needed (seed) capital for small businesses, helping them to start and grow their operations. Diaspora investors can also bring valuable business knowledge and connections to small businesses in Africa and offer advice and guidance based on their own experience gained abroad.

Both remittances and DI could thus potentially create an enabling environment for entrepreneurship development in Sub-Saharan Africa and have the potential to unlock the region's sustainable economic growth.

1.1 Research aim and research question

Given the potential importance of remittances and DI's to the region's economic development, this topic merits additional research. While there is a wealth of literature on the topic of remittances and entrepreneurship development separately, the effect of remittances and DI on entrepreneurship development specifically in SSA, is understudied. Hence, the question underpinning this study is how remittances and DI are perceived to enable entrepreneurship development in SSA. To gain further insights into the topic of the perceived effects of remittances and DI on entrepreneurship development, this study specifically focuses on three case studies: The Gambia, Senegal and Zimbabwe because there is a dearth of research on this topic in these countries.¹ These three cases are in the top 10 of SSA countries receiving remittances in terms of absolute terms and relative percentage of the GDP (WB & Knomad, 2022).

In addition to the academic relevance, the social relevance of this project should be emphasized. The three concerned SSA countries are striving for sustainable economic development (Michael & Stephen, 2000; Kim, Ha & Kim, 2017; Mukoka, 2018; Sinatti, 2019). Remittances and DI play an important role for the three rapidly developing countries, especially when considering the respective share of

remittances in their GDPs (WB, 2023). People may rely on remittances to make a living or, as in this case, to build a business. Current research focuses mostly on remittances and economic growth or remittances and financial development, however, there is little to no evidence for the effect of remittances and DI's on entrepreneurship development for specifically The Gambia, Senegal and Zimbabwe.²

1.2. Chapter outline

The organizational structure of the report is as follows: the next chapter outlines academic literature including the conceptualization of the used terms. Next, the methodology chapter details the research approach. Chapter 4 presents the analysis of conducted interviews and research, in which specifically sources and recipients, scale, purpose, transactions costs, access to capital and financial inclusion, employment, education and skills development, dependency and technological factors are examined. This builds up to Chapter 5, which argues that three key messages of this study include (1) the untapped potential of remittances and DI for entrepreneurship development in SSA, (2) the growing influence of technology and (3) broadening the scope of monetary remittances to intellectual remittances. Based on the key findings, the final chapter of the report provides recommendations by the authors.

¹See e.g. Acosta, Calderon, Fanzylber & Lopez (2008); Adams (2006); Anyanwu (2011); Ardic, Adjei & Baijal (2022); Azizi (2020); Beine, Lodigiani & Vermeulen (2012); Beyene (2014); Giuliano, Ruiz-Arranz (2005); Kapur (2003); Ratha (2005); Tauris (2015); Williams (2016).

²The practical reports (academic research is lacking) of Vasconcelos & Isaacs (2022), Vasconcelos & Isaacs (2023) or IOM Zimbabwe (2022) do, for example, examine Remittances in Senegal, the Gambia and Zimbabwe, however do not link this with entrepreneurship development.

2. Literature Review

The literature provides no clear evidence on whether remittances promote or enhance entrepreneurship development. Vasco (2013), for example, counters that neither migration, nor remittances, at either the household or city level, have an impact on the likelihood of a household owning a business in rural Ecuador. He elaborates on how education, credit and infrastructure are the most important determinants of rural entrepreneurship. Several overarching topics regarding the effects of remittances can be identified in the literature: a) development, b) investment and growth and c) employment. Before examining those, the next section conceptualizes the terms used as drawing connections between DI's, remittances and entrepreneurship development is complex and multifaceted.

2.1 Conceptualization

2.1.1. Diaspora

Academic arguments about who belongs to the 'diaspora,' hence executing the 'diaspora investment,' vary widely. Ratha's definition of the 'diaspora' defined as a "foreign-born population" is repeatedly used (2011, p. 149).³ This paper follows the line of Gelb, Kalantaryan, McMahon and Perez-Fernandez (2021) who state that the diaspora includes "descendants of migrants over more than one generation, that is, all people living (on a temporary or permanent basis) outside the country of their birth or ancestry, who maintain effective and/or economic ties with their birth/ancestral country, or who could be encouraged to develop such ties" (p.11).⁴ The literature frequently discloses the notion that such diasporas are an essential source of investment.⁵

2.1.2. Diaspora Investment

DI's encompass a broad range of conceptual domains, delineating transnational networks and including aspects such as brain gain, knowledge and migration return, remittances, and economic-, political- and social capital through international networks and strategic alliances (Debass & Ardivino, 2009). This paper focuses on financial asset-producing instruments that allow diasporas (as defined above) to invest in organizations in their home countries. Gelb et al. (2012) classify diaspora investment instruments into three categories: bonds, equities, and loans. Bonds include diaspora bonds and remittance securitizations. Equities encompass private equity, venture capital funds, diaspora mutual funds, and individual shares. Loans consist of remittance-linked housing loans, diaspora loan platforms, equipment leasing, diaspora bank accounts, and pooled collateral remittances (Agunias & Newland, 2012; Gelb et al., 2012).

³This definition, however, excludes descendants and does not align with Grossman's (2018) six core attributes of diaspora: transnationalism, community, dispersal and immigration, outside the homeland, homeland orientation and group identity.

⁴Emotional, religious, ethnic or national

⁵See e.g. Dunlevy, 2006; Ndofor-Tah, 2000; Ojo, Nwankwo & Gbadamosi, 2013

2.1.3. Remittances

There is generally more agreement to what the term remittances entails. In the context of this paper, we adhere to the WB's definition of remittances as this is often cited in the literature as well as in line with international reporting norms: (inward and outward) remittances are "the sum of personal transfer and compensation of employees as compiled in the national BOP data collected by the IMF" (WB, n.d.).

2.1.4. Entrepreneurship

Lastly, this study adopts OECD's formal definition of entrepreneurship, often used by UNCTAD: "the phenomenon associated with entrepreneurial activity as the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets" (OECD in: Ahmad & Seymour, 2008, p. 9)⁶. In this research, micro, small and medium enterprises (MSMEs) are defined as enterprises employing 1 to 250 individuals (WTO, 2017).

2.2 Effects of remittances on development and inequality

The link between remittances and development is debated in the literature; three main theories regarding this can be discerned (Larsson & Angman, 2014).

The Developmental Optimistic School believes that remittances, along with the experience, skills, and knowledge acquired by migrants abroad, enhances development in recipient countries (Adenutsi, 2010; Anyanwu & Erhijakpor, 2010; Haas, 2007). Remittances from migrants to their home countries play a vital role as a source of income for households and as tax revenue for governments in low and middle-income nations. Furthermore, these remittances are a significant resource for addressing crises such as the Covid-19 pandemic (Yoshino, Taghizadeh-Hesary & Otsuka (2020; in Abdullahi, 2021). This is because unlike private capital flows, which tend to be pro-cyclical, remittances exhibit counter-cyclical behavior and greater stability (Ratha, 2006). Migrants and diasporas contribute to promoting trade and FDI, establishing businesses, and encouraging domestic entrepreneurship (Mohamoud & Formson-Lorist, 2014).

The Developmental Pessimistic School which emerged in the late 1960s suggests that migration and remittances do not foster sustainable development (Adenutsi, 2010). This is because diaspora remittances are mostly used for short-term consumption or non-productive investments like real estate instead of long-term investments that can drive sustainable economic growth (Mohamoud & Formson-Lorist, 2014).

⁶The AFDB defines entrepreneurship development as "the process of enhancing entrepreneurial skills and knowledge through structured training and institution- building programs"(AFDB, 2011, p. 122). While this study seeks to identify the effects of remittances and DI on the development of entrepreneurship associated with entrepreneurial activity as such, it is open towards discovering whether remittances and DI contribute to education and skills development, enabling possible entrepreneurs to start their own enterprises.

This school also argues that the emigration costs implies that the poorest individuals lack the necessary funds to migrate (Adenutsi, 2010; Chami et al, 2008; Haas, 2007) and consequently, this situation potentially widens the income gap in developing nations.

The third school, the Developmental Pluralistic, which emerged in the 1980s and 1990s, suggests that the impact of remittances on development is context-dependent and cannot be strictly categorized as positive or negative (Adenutsi, 2010; Haas, 2007; Taylor, 1999).

Nevertheless, remittances have been recognized as a tool for reducing inequality within and among countries in the SDG 2030 Agenda. But this link is highly debated. While some studies indicate that they have a reducing effect,⁷ on the other hand, certain studies suggest an increasing effect on inequality,⁸ and others find no significant impact.⁹ For instance, a study examining the evolution and determinants of remittances across the income distribution, focusing on Mexico, concluded that remittances had a positive impact on reducing inequality at a macro level (Kóczán & Loyola, 2018).

The SDG Goal 10 of reducing inequalities, specifically target 10.c, aims to reduce the transaction costs of migrant remittances to less than 3% and eliminate corridors with costs exceeding 5% (Sona & Simon, 2021). However, during Q4 of 2022, the global average cost of sending \$200 remained high at 6.2%, which is double the SDG10.c target of 3%. With an average cost of 8% in 2022 Q4, SSA is the most expensive region to send money to (WB & Knomad, 2023).

⁷See e.g. Acosta et al., 2006; Brown & Jimenez, 2007; Gubert et al., 2010; Jones, 1998; Loritz, 2008; Margolis et al., 2013; Mughal & Anwar, 2012; Taylor et al., 2009 in Kóczán & Loyola, 2018

⁸See e.g. Adams, 2006; Adams et al., 2008; Barham & Boucher, 1998; Bouoiyour & Miftah, 2014; Möllers & Meyer, 2014 in Kóczán & Loyola, 2018

⁹See e.g., Beyene, 2014; Yang & Martinez, 2005 in Kóczán & Loyola, 2018

2.3 Effects of remittances on investment and growth

The studies on the linkages between remittances, investments and growth have mostly concluded that there is a positive relationship between the three in the remittance-receiving countries.

Lartey (2013), for example, concludes that an increase in remittances leads to an increase in investment, suggesting that remittances help finance productive investment independently of the financial system and thus increase economic growth in SSA. Therefore, according to his results and conclusion, there is evidence for the presence of an investment channel through which remittances affect growth.

These results are supported by Giuliano & Ruiz-Arranz (2005). Using a panel of 70 developing countries, their findings indicate that remittances help alleviate credit constraints for the poor, compensate for the lack of financial development, improve capital allocation and thus accelerate economic growth. This means that remittances promote growth in countries with weak financial systems. In contrast, the growth driven by remittances is less important the more developed the financial system is.

To provide a study that qualitatively supports these findings, the authors Ojo et al. (2013) present useful evidence. By conducting twelve interviews in SSA, the researchers address entrepreneurial growth and economic rejuvenation through circular migration and diaspora

entrepreneurship. The researchers examine the investment channels through which diaspora African's influence SSA economic development, the externalities of the diaspora and the network effects that can compensate SSA home countries for their loss of human capital. Overall, African DI can be a more stable source of seed capital than foreign investment, especially in non-profitable sectors, in part because 'home country effects' radically alter perceptions of business risk. The urge to invest "back home" seems to stem from nostalgic feelings and/or patriotic fervor. This point is important because most SSA economies are permanently associated with high business risks. Aiding entrepreneurship in these economies through the diaspora may help mitigate this negative perception (Ojo et al., 2013).

2.4. Effects of remittances on employment

At a microeconomic level, prior research has explored the impact of remittances on the labor force status of recipients. The popular press tends to report that families who receive remittances reduced their job efforts (e.g., Chami et al., 2008; Frank, 2001).

However, thorough assessments to either confirm or disprove these anecdotal observations is missing. Amuedo-Dorantes and Pozo (2006) found that, depending on the recipient's gender, the nature of the job and the household's location,¹⁰ remittances might lead to an increase or decrease in the number of hours worked.

¹⁰E.g., rural or urban.

Findings of Cox-Edwards and Rodriguez-Oreggia (2006) indicate that persistent remittances have a limited effect on labor force participation, which aligns with the notion that remittances play a role in a household's overall income generation strategy. Another discussed aspect is the brain drain phenomenon, where emigration of educated individuals leads to a loss of human capital that cannot be offset by remittances.¹¹

Rodriguez & Tiongson (2001) argue that the 'labor supplies' (encompassing participation and hours worked) of both migrants and non-migrants are intertwined. When non-migrants receive remittances from migrants, they may choose to reduce their labor supply in exchange for more leisure time. Consequently, their earnings from the local labor market decreases. It is important to note, however, that this study does ignore the endogeneity of remittances in relation to labor supply. In contrast, Baskot (2020) found that remittances have a positive effect on both total and youth employment. His study adds to previous research that suggests remittances can reduce employment, while slightly increasing self-employment through consumption and capital accumulation (Funkhouser, 1992; Petreski & Mojsoska-Blazevski, 2014). To conclude, there is mixed evidence regarding the effects of remittances on employment.

offset by remittances, is also considered (Adenutsi, 2010; Acosta, 2006; Beine et al, 2012; Gibson & McKenzie, 2012; Ozden & Schiff, 2006; Stark & Byra, 2012).]

3. Methodology

3.1 Research design

As mentioned in §1.1, this study executes qualitative case study research (Bennett, 2004). Remittances and DI serve as the explanatory variable, and entrepreneurship development as the explained variable (Munck, 2004). The choice of this method has the advantage of providing a relatively large amount of information about the processes and mechanisms through interviews and observations. As contextualization, analytical depth and various perspectives are crucial for this research, this study is primarily qualitative. In general, qualitative research is an effective approach to assessing whether and how a variable is significant to an outcome (Baxter, 2008). Within qualitative research, experiences, interpretations, and ideas are central (Kohlbacher, 2006; Reiter, 2013).

¹¹See e.g. Adenutsi, 2010; Acosta, 2006; Beine et al., 2012; Gibson & McKenzie, 2012; Ozden & Schiff, 2006; Stark & Byra, 2012

3.2 Data collection and analysis

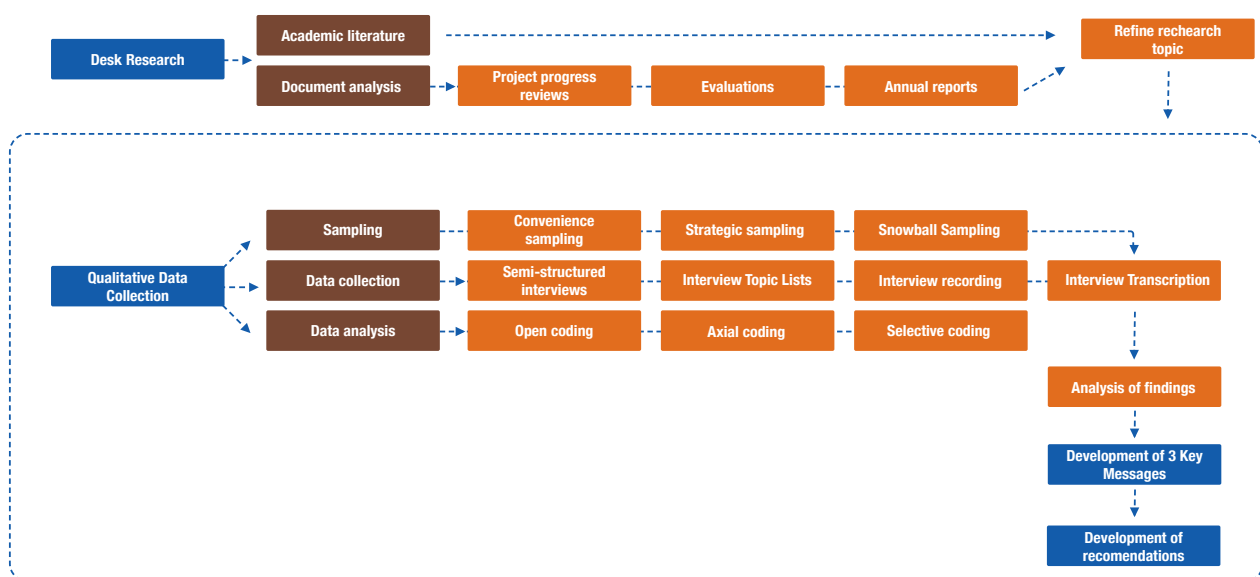
The sources for this paper are derived via three qualitative methodological approaches: literature analysis, document analysis and semi-structured interviews (Krippendorff, 2000). Both the literature and document analysis were done in several languages, to reduce potential bias that comes with a focus on one language. The document analysis contains project progress reviews, evaluations, policy papers, annual reports and other publications and documents concerning remittances in Senegal, The Gambia and Zimbabwe.

In order to get a full picture of the enabling effects of remittances and DI on entrepreneurship development through the eyes of the receiver, 20 semi-structured interviews were conducted with entrepreneurs, experts and associations operating in the countries concerned. Semi-structured interviews allow space for the interviewee to express their own experiences, but also ensures that all relevant topics are covered (Bengtsson, 2016; Bryman, 2016; Schaeffer, 2003).

Based on the literature review, topic lists were prepared for the interviews (see Appendix I and II). All topic-lists deliberately start open-ended and do not give an indication of any direction where the research might be going. Interviews were conducted in either the English or French language.

When operating qualitative analysis, the data must be categorized to choose the most significant elements to clarify the research question and integrate into the research project (Hermann, 2008; Yin, 2009). To provide structure in the analysis and account for thematic analysis, the QDA program Atlas GDA was used. For this purpose, all interviews were recorded, transcribed, coded¹², and categorized.

Figure 1: Methodological flowchart (Compiled by authors)



¹²The process of coding proceeded through three stages: open coding, axial coding and selective coding (Boeije, 2014).

3.3 Choice of interviewees

This research employed distinct sampling methods. Interviewees were collected strategically so that they were relevant for answering the research question on various levels. Besides, snowball sampling was used, in which interviewees were approached through earlier interviewees (Bryman, 2016; Guthrie, 2010). To reach the target population, entrepreneurial organizations in the countries were mapped and contacted, as well as experts in the field. In total, this led to an outreach of 124 different organizations and individuals. Out of these, several organizations responded, providing either new contacts, information or resulting in successful interviews. The table below provides descriptive data of all the respondents.

Table 1: Overview of entrepreneurs

Entrepreneur	Origin	Education ¹³	Business	Age	Gender
1	Senegal	3rd degree	Agriculture	52	Male
2	Senegal	2nd degree	IT	27	Male
3	Senegal	2nd degree	Construction	36	Male
4	Senegal	3rd degree	Transport	36	Male
5	Senegal	3rd degree	IT	33	Male
6	The Gambia	3rd degree	Agriculture	35	Male
7	The Gambia	3rd degree	Online Retail	23-35 ¹⁴	Male
8	The Gambia	3rd degree	Online Retail	27	Male
9	The Gambia	3rd degree	Agriculture	33	Male
10	The Gambia	1st degree	Retail	30	Female
11	Zimbabwe	3rd degree	IT	24	Male
12	Zimbabwe	3rd degree	Agriculture	28	Male
13	Zimbabwe	3rd degree	Manufacturing	39	Male
14	Zimbabwe	1st degree	Retail	25	Male
15	Zimbabwe	2nd degree	Management	27	Female

¹³1st degree meaning primary school; 2nd degree high school and 3rd degree university / diploma / tertiary education.

¹⁴Due to data concerns, the Interviewee did not want to share his exact age. Therefore he provided his age range.

Table 2: Expert Organizations

Organization	Name	Based in
1	African Diaspora Network (ADN)	United States of America
2	Centre for Financial Regulation and Inclusion (CENFRI)	South Africa
3	Entreprise d'Entraînement Professionnel (EDEP)	Senegal
4	African Foundation for Development (AFFORD) / Invest Salone / UP!	United Kingdom / Sierra Leone
5	Africa Darena Ventures	Zimbabwe

The average age of the interviewed entrepreneurs is 32, which is close to the median age of Africa's working population (Sharma, 2017).¹⁵ It is notable that due to data constraints, our sample has an overrepresentation of male participants. This does not align with the 2018 report from the WB, which indicates that compared to other regions, Africa has the highest number of female entrepreneurs. The research team tried to find more female entrepreneurs, but due to limitations this was not possible. In the remainder of the report, entrepreneurs are indicated with the letter "E" and expert organizations with the letter "O".

¹⁵The median age of entrepreneurs in Africa is 31, which is notably younger than the average ages of their counterparts in e.g. Latin America (35) and East Asia (35) (Sharma, 2017).

3.4 Research ethics and limitations

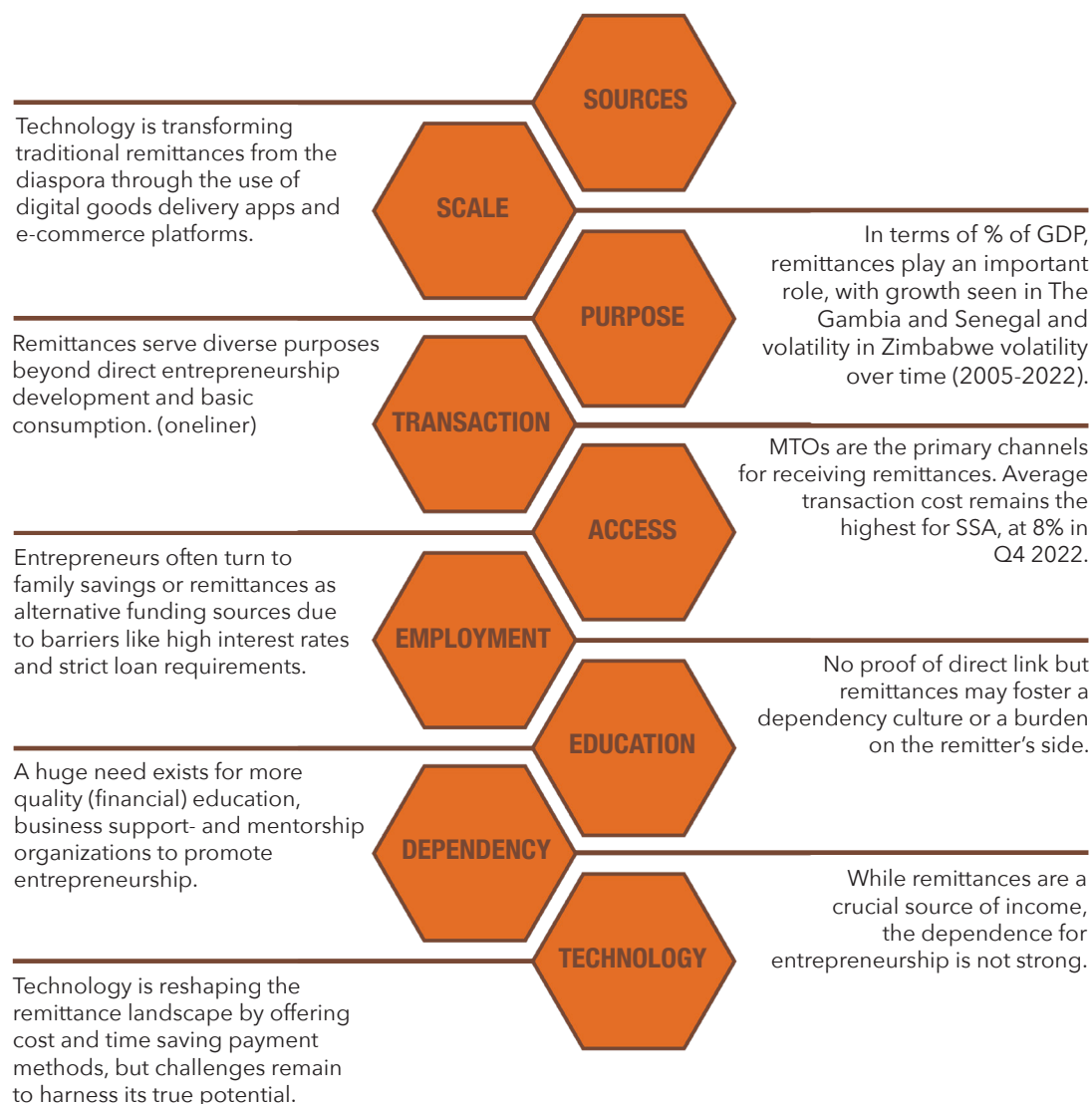
Within qualitative research as such, it is particularly important to address ethical issues and potential limitations in terms of external reliability and internal validity. While conducting this study, the researchers ensured adherence to the Geneva Graduate Institute Research Ethics Guidelines. To avoid causing them any harm and ensure their confidentiality, care has been taken to not use names of the interviewees and the descriptive data provided has been used with their consent (Bryman, 2016).

The limitation of researcher bias was mitigated by developing and discussing beforehand a standardized interview protocol with a semi-structured questionnaire and prompts that are open-ended and non-leading. An establishment of guidelines to ensure awareness of potential biases and how to avoid them was made. Another limitation of this research which was beyond the control of the researchers is desirable responses or withholding of information due to concerns about confidentiality, trust or privacy by the interviewee. To ensure that the accuracy and reliability of the gathered information is not compromised, a briefing about maintaining confidentiality was established before collecting any data, including their agreement to participate and to publish research findings.

4. Analysis

This chapter discusses the most important findings of the research, linking the concepts of entrepreneurship development and remittances. Figure 2 summarizes the findings.

Figure 2: Summary of Findings (compiled by authors)



4.1. Sources and recipients

Evaluating the sources of DI's and remittances necessitates tracing the sources of remittances and the main remittance corridors that exist in the three countries.

TABLE 3: MAJOR REMITTANCE CORRIDORS		
Recipient country	Top sender countries	Source
The Gambia	USA, Italy, UK	Remittance Prices Worldwide (WB), RemitSCOPE Africa 2023
Senegal	France and Italy	Remittance Prices Worldwide (WB), RemitSCOPE Africa 2023
Zimbabwe	Australia, Canada, South Africa, UK	Remittance Prices Worldwide (WB)

The analysis of sources of remittances and DI's in Zimbabwe, Senegal, and The Gambia, however, faces methodological challenges. It was encountered that many interviewees do not directly receive remittances in a typical sense from friends and family abroad.¹⁶ An important finding is that almost all enterprises are built around money from abroad, in the form of payments from clients. This indicates that the diaspora does play a substantial role in the enterprises. Technological advancements have facilitated this process, with many diasporans in SSA resorting to digital goods delivery apps, third-party services, or e-commerce platforms to send aid. Entrepreneurs who run such businesses then provide goods and services to the families of the diaspora back in their home countries. This phenomenon not only supports the families back home, but also enables the growth of businesses in the local market.

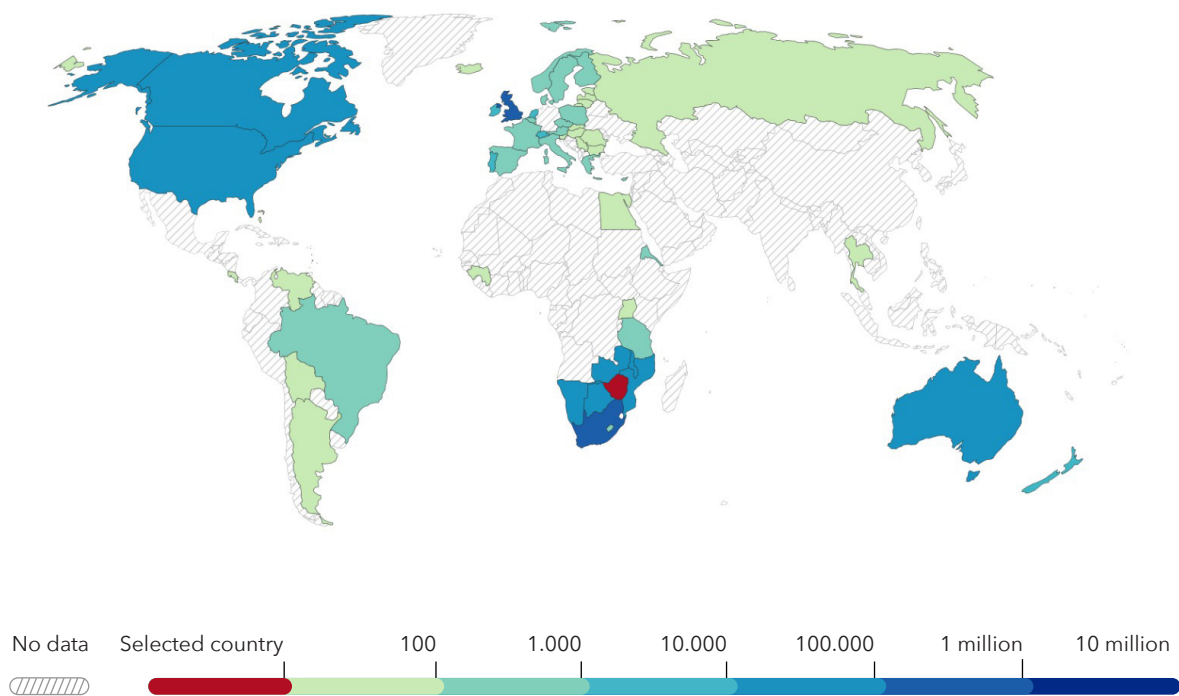
For instance, E8 operates an e-commerce business that serves as a platform for over 150 local vendors to sell their products. This entrepreneur's business relies heavily on the support of the diaspora community, with up to 70% of the business being supported by high-spending clients from abroad.

¹⁶ Or they could not provide data on that prior to the interviews.

The remittance landscape for some entrepreneurs, like E11, involves receiving funds from friends and family members. However, the lack of harmonization in the remittance process, because of the novel ways these funds are received with the growing importance of digital channels, adds complexity to analyzing their sources.

Figure 3: Emigrants from Zimbabwe - Where did they move to?, 2020

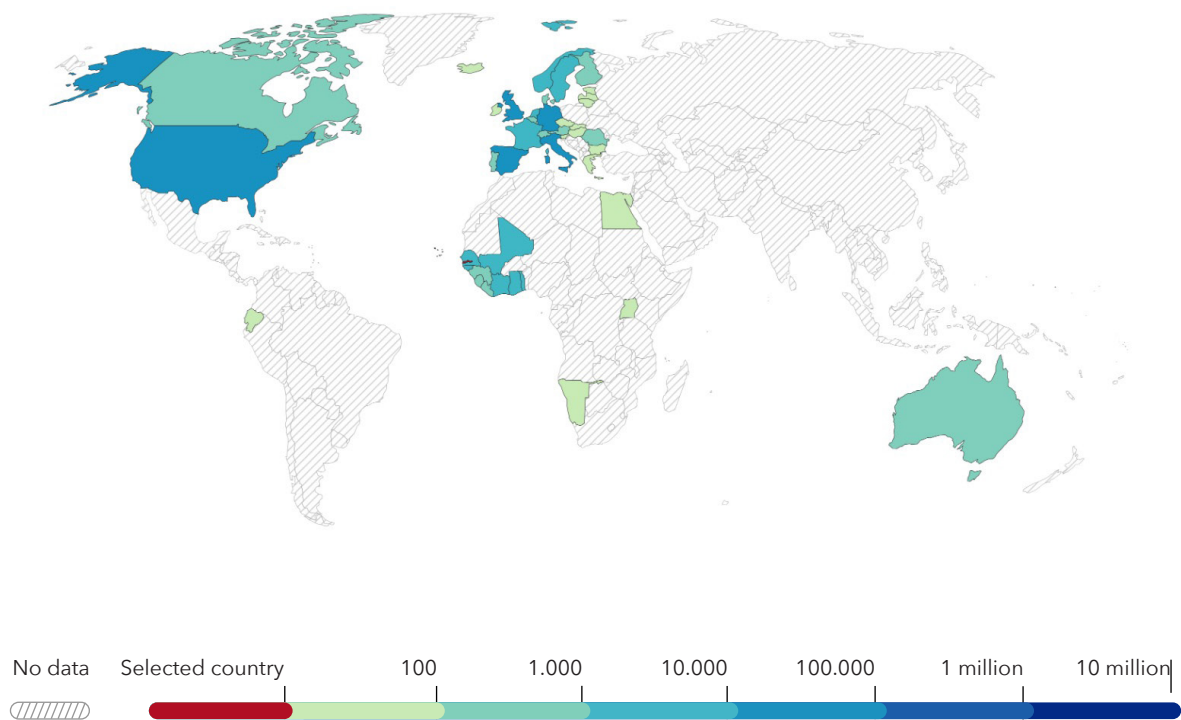
The total number of people born in Zimbabwe that now live in another country. This is a measure of emigrant stocks - it is not the annual flow of emigrants. The value for Zimbabwe is the total emigrant stock living in another country.



Note: For the majority of countries, being classified as an immigrant is based on place of birth: this means someone who has gained citizenship in a new country is still counted as an immigrant if they were born elsewhere. For some countries, place of birth information is not available; in this case the source defers to place of citizenship.
 Source: Our World in Data (2022)

Figure 4: Emigrants from Gambia - Where did they move to?, 2020

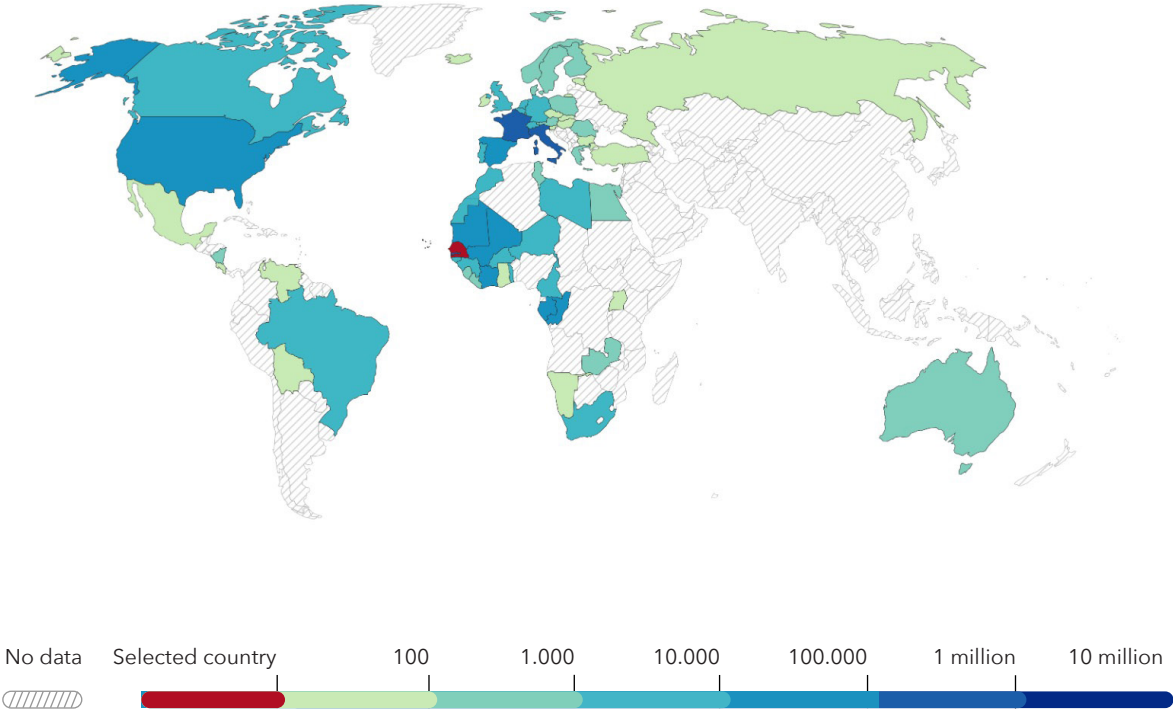
The total number of people born in Gambia that now live in another country. This is a measure of emigrant stocks - it is not the annual flow of emigrants. The value for Gambia is the total emigrant stock living in another country.



Note: For the majority of countries, being classified as an immigrant is based on place of birth: this means someone who has gained citizenship in a new country is still counted as an immigrant if they were born elsewhere. For some countries, place of birth information is not available; in this case the source defers to place of citizenship.
Source: Our World in Data (2022)

Figure 5: Emigrants from Senegal - Where did they move to?, 2020

The total number of people born in Senegal that now live in another country. This is a measure of emigrant stocks - it is not the annual flow of emigrants. The value for Senegal is the total emigrant stock living in another country.

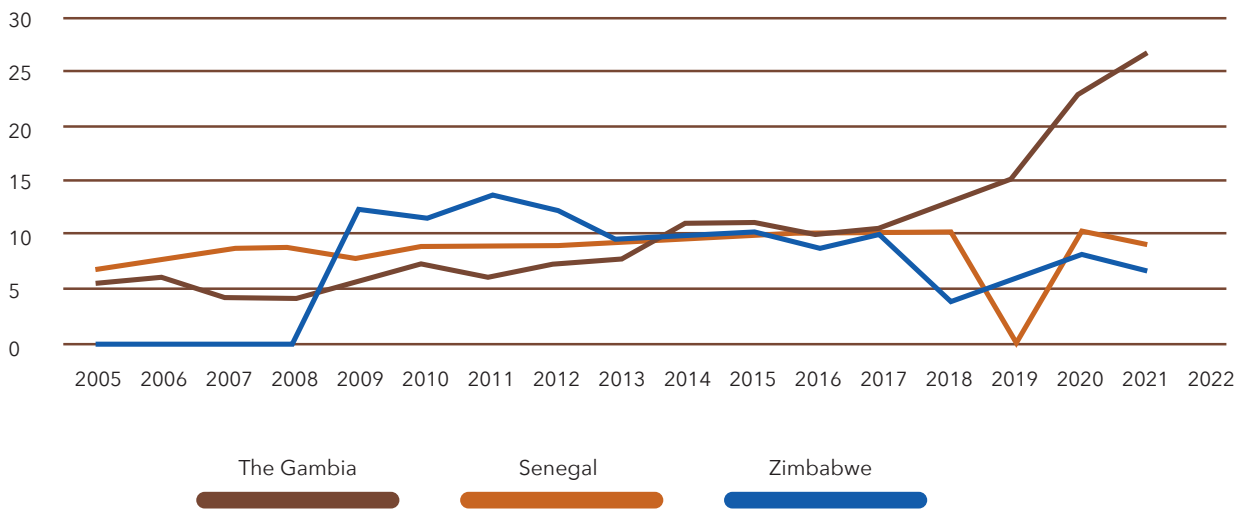


Note: For the majority of countries, being classified as an immigrant is based on place of birth: this means someone who has gained citizenship in a new country is still counted as an immigrant if they were born elsewhere. For some countries, place of birth information is not available; in this case the source defers to place of citizenship.
 Source: Our World in Data (2022)


4.2 Scale

Figure 6: Personal remittances received as percentage of GDP (compiled based on WB Data, 2022)

PERSONAL REMITTANCES, RECEIVED (% OF GDP)



From the conducted interviews, it emerged that remittances play an important role for the people in the countries concerned. Figure 6 reveals that remittances constitute a significant portion of The Gambia's GDP. Starting from 2017, there was a notable rise in remittances, with the percentage relative to GDP increasing from 10% to 27%. In Senegal, there was a significant decrease in remittances in 2019 to only USD 138.000, which deviates from the general trend. Unfortunately, the data source does not provide an explanation for this decline. Over time, as Senegal's GDP grew, remittances also displayed growth, except for the abovementioned decline in 2019. Examining Zimbabwe's remittances, the chart demonstrates a volatility over time between 0% and 14% (WB, 2023).



While the data provides valuable insights into remittance flows to the reviewed countries, it is important to interpret the graphs cautiously. The estimates primarily focus on remittances sent through official channels, excluding smaller transactions made by migrants through alternative channels.¹⁷ The inclusion of informal transfers¹⁸ also varies depending on the data sources used by different central banks. As a result, official figures are likely to underestimate the true scale of the phenomenon, especially within South-South corridors (Irving et al., 2010).

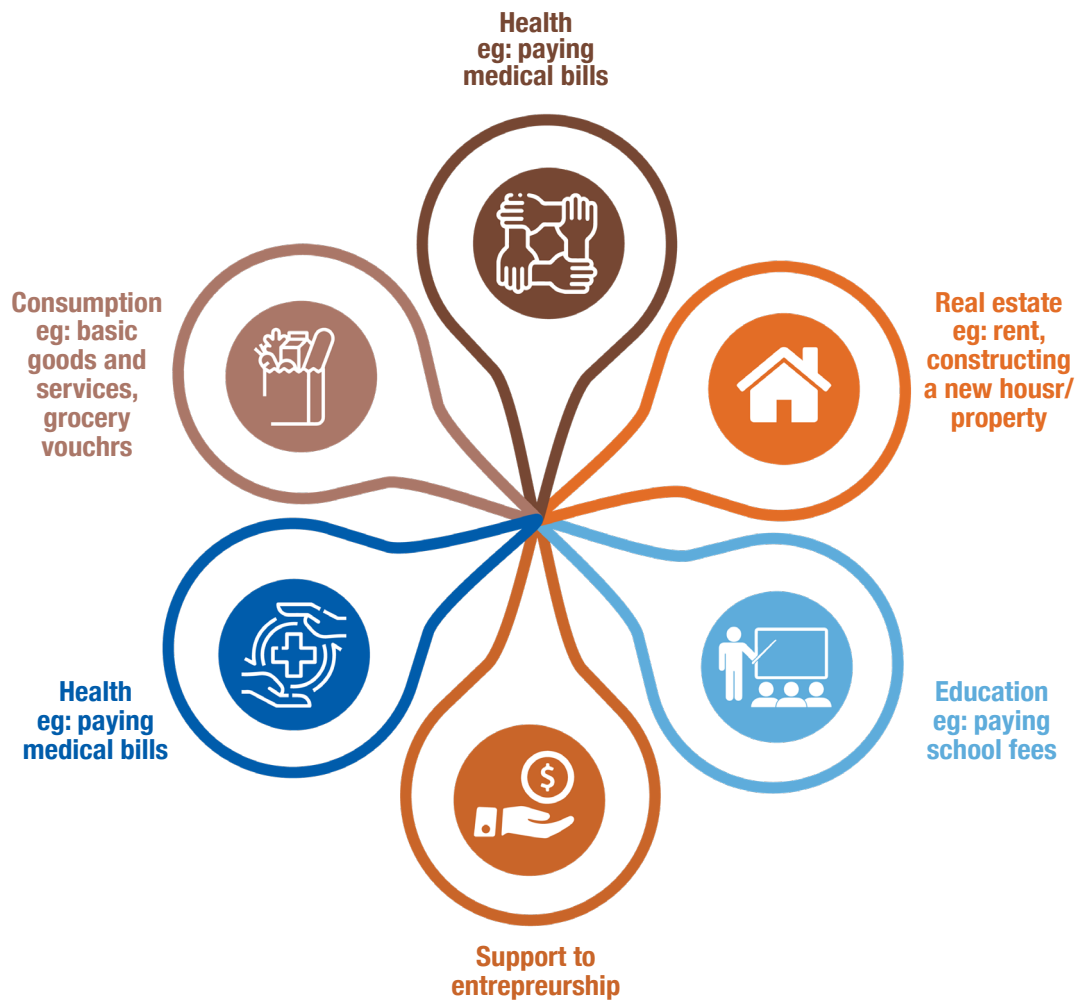
Furthermore, when analyzing remittance estimates over time, it is crucial to acknowledge that the reported growth in global remittances in recent years may be more attributable to changes in measurement methodologies than actual increases in the magnitude of these financial flows (Clemens & McKenzie, 2014).

¹⁷Such as MTOs, post offices, or mobile transfer companies

¹⁸Such as those facilitated through friends, relatives, or transport companies returning to the migrants' communities of origin

4.3 Purpose of receiving

Figure 7: Purposes of Receiving Remittances



In the literature, it is theorized whether the remittances are spent on consumption or invested. Remittances that are invested or saved in a financial institution can have a multiplier effect on the economy and lead to development, while those spent on consumption have to be financed by future remittances or other sources of income (Makina, 2010).

For instance, remittances make up approximately 5.3% of Zimbabwe's GDP (WB, 2022). Despite their growing extent and importance, diaspora remittances are underutilized as an alternative source of investment capital (Muzapu & Havadi, 2021), also because most cash transfers are spent on daily consumption, leaving little money for investment and capital formation (Maimbo & Ratha, 2005; Maphosa, 2007).¹⁹

In some interviews, it was found that remittances played a direct role in supporting entrepreneurship. For instance, E11 received initial funding from his brother in Turkey to establish his business. He also regularly receives financial assistance from a friend in the US to further grow his enterprise. E11: "It's mainly for business purposes. I don't get money from them just to live a luxurious life. No, no, no...". As clarified by E11, these remittances are solely used for business investments, such as upgrading equipment or ordering machines from abroad.

¹⁹According to Orozco and Lindley (in Ncube and Gomez, 2015), in Zimbabwe, "approximately 85% of remittance money is sent to support family, 4% to build homes, 3% to invest in a business, and 2% to support friends."

Further analysis reveals limited evidence of a link between remittances and entrepreneurial support. Expert organizations emphasized alternative purposes for remittances, such as education and school fees in The Gambia and Senegal. Interestingly, E11 received remittances even before starting a business, primarily for supporting education. In countries like Zimbabwe, where cash shortages and currency devaluation are challenges, “for-purpose remittances” take the form of vouchers²⁰ to preserve the value despite currency fluctuations. This highlights a unique use case for remittances in a cash-strapped economy. Additionally, O5 mentioned how remittances are used for real estate and infrastructure development, including building houses or supporting housing needs of family members.

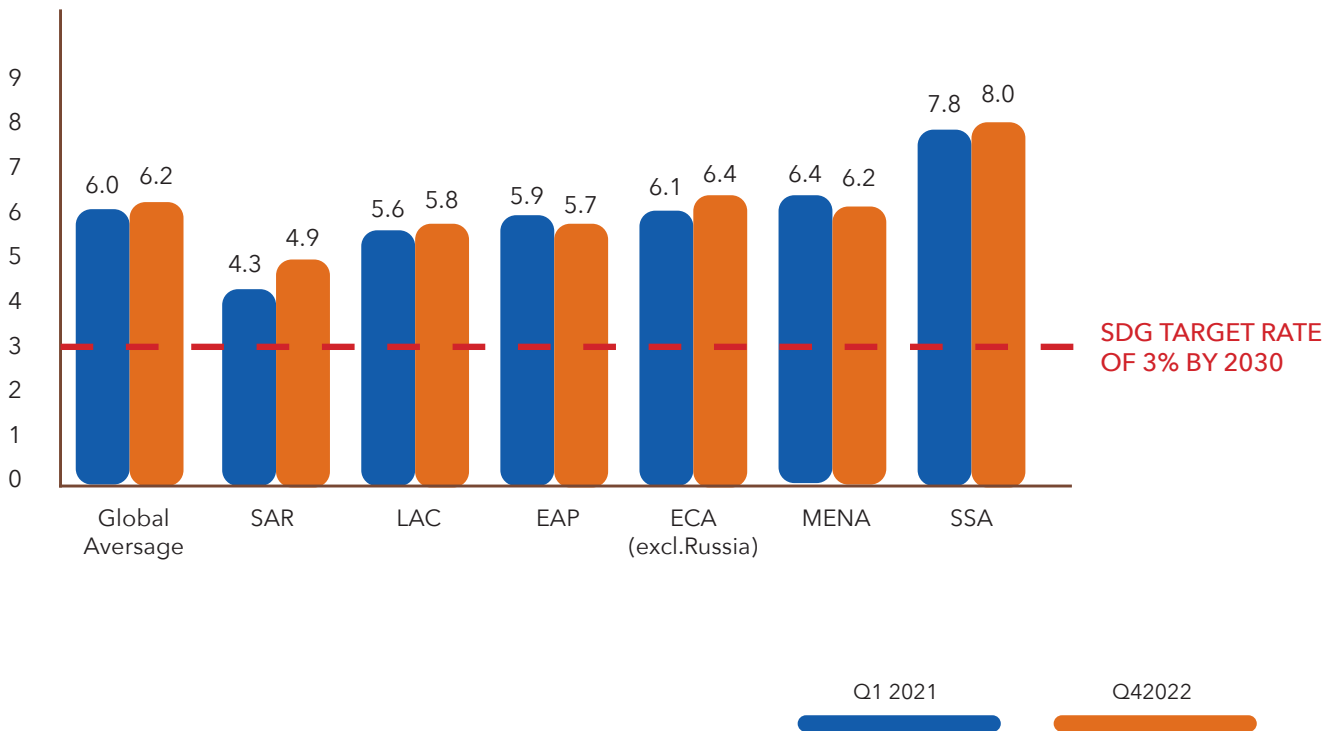
In terms of the direct purpose for which remittances are channeled, a survey by O1 found that the most common reason for sending remittances are primarily to cover education expenses, followed by food, medical bills, rent, and construction costs. Cultural factors also strongly influence remittance patterns, with emotional connections and a sense of responsibility driving the motivation to send money. Recent immigrants feel a moral obligation to support their families, prioritizing their well-being above their own, according to O1.

It can be concluded that a clear-cut pattern does not emerge in terms of the purpose towards which the remittances are directed in case of the three countries. Remittances serve diverse purposes beyond direct entrepreneurship development and basic consumption, including investments in education and health, support for real estate and infrastructure, and fulfilling cultural obligations.

²⁰Such as grocery vouchers

4.4 Transaction costs

**FIGURE 8: HOW MUCH DOES IT COST TO SEND \$200?
REGIONAL REMITTANCE COST, 2021-22**



Source: World Bank's Remittance Prices Worldwide database.

Note: Red dotted line represents the SD 10 target of 3 percent. EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SAR = South Asia; SDG = Sustainable Development Goal; SSA = Sub-Saharan Africa.

Cost of remittances have received considerable attention over the past few years. SSA has the highest average cost of sending remittances, at 8% in the fourth quarter of 2022 (WB & Knomad, 2023). Sending \$200 from South Africa to Zimbabwe, for example, costs an astonishing 12.24% on average. In contrast, the France-Senegal remittance corridor is one of the least expensive, with an average cost of 4% for sending \$200 (WB, 2022). These statistics indicate a deviation from achieving SDG target 10.c of 3%, particularly in many intra-region remittance corridors within SSA.

Studies have found that different transaction fees charged by banks and MTOs, characteristics of the sending and recipient countries, and corridor-specific factors contribute to the cost difference in sending remittances, rather than foreign exchange margins. Factors like migrant population, shared language, shared border, and distance between sender and receiver also play an important role. For instance, a shared border may reduce the need for regulated remittance services if it is expensive compared to traveling across the border. Additionally, the enabling environment and payment systems in the financial sector of both countries can also impact the costs (Ardic & Nataranjan, 2021).

According to the interviewees, the primary channels for receiving remittances are MTOs such as Mukuru, World Remit, Western Union, Moneygram, Orange, Wave, and RIA, among others. Typically, when remittances are sent, the recipient receives a notification on their phone, visits the service provider's branch, fills out a form, and instantly receives the money. However, there are challenges, particularly on the collection side, related to cash liquidity. At times, these branches may not have sufficient cash, leading to long queues and hours of waiting for recipients. Despite this drawback, MTOs are still preferred over local banks due to the longer processing times and higher transaction fees charged by banks (also in WB & Knomad, 2023). With a variety of options available, recipients often make the choice based on which provider offers the lowest transaction fees and best exchange rates, according to O1.



It takes mainly a day or less than 12 hours. It can be sent in the morning at 8 and I can collect it in the afternoon. It will be reflected once it has been processed, it reflects on my phone as an SMS. Then I go to the branch to collect the money. And then in terms of interest when they charge you it depends on the amount but usually 10% of the amount that you're sending. On receiving there is no charge. But the one that is sending is charged 7-10% .

-E11



In an interview discussing the transaction costs of remittances and the SDG Goal 10.c, the last mile provision and distribution of transfer services are identified as ongoing challenges. O1 expressed concerns about the SDG goal 10.c, stating that imposing a 5% cap on costs may result in excluding many people from accessing remittance services. Serving remote areas in Africa with limited infrastructure is expensive for service providers due to the need for agents, cash availability, and security measures. Costs incurred are not driven by profit-seeking but are rather the actual expenses, due to the prevailing economic conditions and underdeveloped infrastructure in certain African corridors. It was also mentioned that reducing costs in more populated corridors makes sense to increase competition, but smaller corridors may not attract sufficient market interest. Nevertheless, high remittance costs lead to informality in money transfers, such as using "Hawala"²¹ or informal digital channels, creating a vicious cycle which negatively impacts formal markets and necessitates price increases. The informality, in turn, affects the ability to send larger amounts frequently, impacting consumption patterns.

This is intriguing as it aligns with previous research which suggest that formal remittance channels are often inaccessible to low-income individuals due to higher fixed costs, leading them to opt for cheaper informal alternatives (Gibson, McKenzie & Rohorua, 2006; Yang, 2011). However, a study revealed that in the South Africa-Zimbabwe corridor, migrants prefer informal options like cross-border buses and taxis for their speed and convenience, with transaction costs not being a decisive factor (Chisasa, 2021). A WB study (n.d.) highlighted several factors that contribute to high remittance costs in SSA, including factors such as slow legal reforms, costly compliance procedures, informal migration, limited cost-effective digital channels, and inadequate rural infrastructure (Ardic & Nataranjan, 2021).

To overcome these challenges, SSA needs to adopt emerging technologies, particularly by leveraging the expanding realm of FinTech and encouraging the use of formal channels for remittance transfers. This approach can help reduce remittance costs within the region if simultaneously, the associated obstacles of financial inclusion, internet accessibility, and digital literacy are addressed.

“

In payments everything is a scale game. You can only decrease prices if you have enough transactions that run through your system (...). End of the day, the markets in Africa, because of the small amounts being sent, aren't as lucrative as other corridors, apart from the bigger, very obvious remittances corridors.

- O2

”

²¹It is an informal fund transfer system that runs in parallel to - and usually independently from - the formal banking system" (Chêne, 2008, p.g.2)

4.5 Access to capital and financial inclusion

A clear pattern regarding the challenges associated with accessing capital and the financial market can be perceived. Acquiring a loan from banks in these countries proves to be an arduous task, due to multiple factors. First, it is widely confirmed by the interviewees that the interest rates in each country are remarkably high. Second, the stringent requirements for loan guarantees pose a hurdle. Banks typically insist on borrowers providing proof of a consistent monthly income, which becomes problematic for individuals employed under fixed-term contracts which many private companies do, as E13 mentioned.

Consequently, individuals lacking permanent employment face difficulties in obtaining loans from banks. Thirdly, banks demand high receivables and collateral such as real estate, vehicles or other valuable assets. However, as many individuals lack possession of such assets, this becomes an additional barrier to securing a bank loan.

The above challenges raised by the interviewees regarding loan acquisition are verified by various researchers.²² Nevertheless, it is worth noting that remittances can mitigate the challenge of providing collateral. As Kakhkharov (2019) points out, remittances can be used to purchase tangible assets such as cars and jewelry, which can then serve as collateral for future loans.

E1 highlighted that acquiring a loan in Senegal for businesses operating within the informal sector is practically impossible. Furthermore, due to the current inflation rate in Zimbabwe, loans disbursed in local currency depreciate rapidly, resulting in a reduced value within just a few months (E13). This can be confirmed by looking at the inflation rates of previous years. The inflation rate in average consumer prices in Zimbabwe was in 2022 at 193.4%. In 2021 the rate was at 98.5% (IMF, 2023).

When looking for alternative options to access capital, the outlook is dire. According to E2 and O5, business angels are common in developed countries. However, this is not the case in the countries under review, which is confirmed by Disse and Sommer (2020). Moreover, finding credit in the informal market may prove even more difficult due to higher interest rates (E1; E11).

Given the challenges associated with accessing capital or the financial market, entrepreneurs in these countries turn to alternative sources to initiate or expand their businesses, such as utilizing family and personal savings, or remittances. This focus on the usage of own resources and remittances is emphasized by O3, who articulates that entrepreneurs commonly seek financial support from their diaspora connections for business endeavors instead of banking options.

²²see e.g. Diop 2019; Munanga 2013; Tomaselli et al., 2013

“

Les jeunes entrepreneurs ne se rapprochent pas des banques (...) Au début, les entreprises, les jeunes entrepreneurs préfèrent se rapprocher des gens de la diaspora plutôt que de nos banques parce qu'ils n'ont pas les moyens de supporter les taux d'intérêt.

Translation by the authors: Young entrepreneurs don't approach banks (...) At first, companies and young entrepreneurs prefer to approach people in the diaspora rather than our banks because they can't afford the interest rates.

- E3

”

This sentiment is further validated by the insights provided by E11, who highlight that a significant number of entrepreneurs rely on funds from family members, leveraging the substantial diaspora network. It underlines the potential impact of remittances on entrepreneurial development as discussed by Woodruff and Zenteno (2001), who estimate that about one-third of the capital invested in micro-enterprises is due to remittances.

4.6 Employment

It is difficult to establish a clear link between remittances and employment. No proof can be found that an increase in the amount of remittances received, would lead to a decrease in the amount of hours worked, as the literature suggested, nor vice versa.²³ However, many interviewed experts acknowledge the risk of a 'dependency culture'. There are instances where this is perceived as a burden on the remitter side: the ability to build capital or savings for themselves decreases when sending more remittances, which could lead to working less "so it doesn't look like I actually have anything to send back: [...] people know that you live abroad. So, the requests don't end, there's always going to be somebody that asks, so you need to be very protective of your funds" (O1). An interesting suggestion is to mitigate this 'dependency culture' by decreasing the frequency of remittances. This would also stimulate remittances actually being spent on entrepreneurship development, instead of e.g., household consumption or infrastructure construction: "You know when someone sends you money, they are sending you maybe 400-500 USD and you can do whatever you want with it. And then you'd be like, hey can you send me maybe like 2000USD once, and then let's start a business.

In that case I will be able to self-sustain myself. You don't have to send me money once again. [...] So now it's less remittances from him ever since I started my business because I am able to self-sustain myself now" (E11).

Overall, a more positive impact on employment is described. As remittances allow consumption of services and products like food supplies, medical supplies and a recently increasing amount of infrastructure/real estate, they result in a great demand for these goods and services (Chimhowu, Piesse & Pinder, 2005; Grigorian & Melkonyan, 2011). Hence, this indirectly leads to employment creation: an increase in the size of the business in specifically these sectors (O5; Akkoyunlu, 2009; Anyanwy, 2011; Haas, 2009).

²³See e.g. Acosta, 2006; Adenutsi, 2010; Amuedo-Dorantes & Pozo, 2006; Baskot, 2020; Chami et al., 2008; Frank, 2001; Funkhouser, 1992; Gibson & McKenzie, 2012; Nimi & Ozden, 2006; Schiff, 2007 Cox-Edwards & Rodriguez-Oreggia, 2006; 2014; Rodriguez & Tiongson, 2001; Stark & Byra, 2012.

4.6.1 Gender and youth

Considering DI, multiple interviewees indicate that there are different impediments regarding the gender aspect. For instance, female entrepreneurs encounter challenges in obtaining land access or regarding gender pay gaps (O4; E10; Abor & Quartey, 2010; Mandipaka, 2014; Filmer, 2014). Furthermore, 9 interviewees strongly emphasize youth unemployment and the disadvantaged status of youth within the hierarchical and patriarchal societies in SSA. Some interviewees indicate that for potential entrepreneurs, remittances and DI are an interesting alternative to traditional financial means: “young entrepreneurs prefer to get closer to people from the diaspora than from our banks because they do not have the means to support the rates of interest” (O3). According to O2, an effect of remittances is that it decreases child labor, as the children can be sent to school instead of working for their parents.



The idea of the harder you work, the more you make doesn't apply anymore. Now you can come out of school without getting a job. This makes for a lot of entrepreneurship spirit, especially under the youth (...). If I cannot get a job, why not create a job for myself, and then employ other people. (...) Everyone is buying something, selling something, fixing something for a price. That is how people trying to make their lives... Build a legacy. (...) And I really believe in the power of youth. Everyone has that feeling that the next generation should live a better life than me. So, I am working so much now to make that possible. If for me, I managed to go to high school, then I want for my children that they can go to high school and to university. To start their business, for example. It is really important.

- E15



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“Nous avons eu deux ans pour observer les problèmes des jeunes dans ce pays, en Afrique et partout, mais surtout au Sénégal. On voit que les jeunes sont très fatigués pour, par exemple, trouver du travail après la formation. Il y a d’autres aussi qui ne sont pas formés mais qui sont allés à l’école et qui ont décroché de l’école très tôt et qui n’ont rien à faire dans la rue. Et tous ces gens-là sont de potentiels migrants (...) Les accompagner aussi par rapport à l’entrepreneuriat. Parce que l’entrepreneuriat est une bonne alternative pour lutter contre les problèmes de migration en Afrique.

Donc, si les jeunes sont initiés à l’entrepreneuriat et qu’on les accompagne, il ne faut pas que l’accompagnement. Que ce soit seulement on s’envoie de l’argent et on vous oublie. Non, il faut former les jeunes”
(O3)

Translation by the author: « We’ve had two years to look at the problems facing young people in this country, in Africa and everywhere, but especially in Senegal. We see that young people are very tired, for example, to find work after training. There are also others who are not trained, but who went to school but dropped out very early and who have nothing to do on the streets. And all these people are potential migrants. (...) We also need to support them in entrepreneurship. Because entrepreneurship is a good alternative for combating the problems of migration in Africa.

So, if young people are introduced to entrepreneurship and we support them, we mustn’t just support them or just send them money and forget about them. No, you have to train young people. You have to train them.” (O3)

”

4.7 Education and skills development

The above-discussed unemployment rates have led to the exposure and ability to work in the diaspora, which has created a skills gap in the countries of origin, or a so-called “brain drain”.²⁴ For Zimbabwe specifically, it is mentioned that currently, the situation has stabilized: “the number of people going through our education systems is high [...] now we have more people remaining and less people leaving” (O5). This research tried to determine whether it was perceived that investing in education of the new generation today through remittances or DI’s, might be done to improve the capabilities in developing new businesses entering the formal economies.

All interviewees express the necessity for (more) support in quality education as catalyst for entrepreneurship development, aligning with extensive scholarly inquiry, which duly recognize the significance of educational attainment and skills enhancement. Education increases the likelihood of employability (O2; Krasniqi, 2014; Kshetri, Rojas-Torres & Acevedo, 2015; Tarus, 2015).

The majority of our interviewees received tertiary education. However, an entrepreneur having received tertiary education and now working in online retail, indicated that “Generally, there isn’t really like money for parents to invest from or something like that. I’m the first generation to even go to school, like none of my parents can recognize the alphabet. So, there is not really an option to raise money from friends and family, I just have to do it myself” (E7).

Furthermore, a general result is that interviewees do not have their enterprise in the field they were formally educated in. For instance, E12, studied for electrician and chaplain, however, now works on poultry and horticulture. E15 added to this that she mostly sees school to “achieve credentials. Most of the things that are useful for me I learn on the internet [...].” The internet’s profound role, particularly in terms of its accessibility and cost-effectiveness, in acquiring the requisite skills for starting a business, is repeatedly highlighted. It is worth noting that many universities prioritize the cultivation of entrepreneurial skills, as exemplified by the mandatory inclusion of entrepreneurship models for undergraduate students in Zimbabwe (O5).

²⁴See e.g.: Bredtmann & Martínez Flores, 2019; Brinkerhoff, 2005; Darkwa, 2018; Docquier & Rapoport, 2012; Marchiori & Docquier, 2013; Docquier & Iftikhar, 2019

The findings reveal a huge need for more business support or other mentorship organizations with a dedicated focus on (sustainable) skills development for entrepreneurs. Specifically, acquiring skills in (digital) marketing, finance, business development, data analytics and management are highly influential (O4; Adams & Silva, 2013; Juma, James & Kwesigea, 2017; Loué, 2018). Some interviewees state that funding for such training initiatives comes from remittances, while others state they utilize savings generated by their businesses (which are then often sustained through investments or funds from the diaspora).²⁵ E5 emphasizes the lack of competencies and (financial) education as a reason for business failure, hence financial instability, in Senegal. He uses a notable portion of the remittances received for enrolling in (e-learning) courses or summits. Subsequently, he sells the acquired knowledge by offering it to other training organizations as a means of sharing his expertise. Ergo, it can be concluded that the demand extends beyond monetary remittances, there is a need for brain circulation or intellectual remittances.

“

Just the lack of training, not knowing where to start, or even knowing how to curate a very compelling pitch deck. Because many of them have brilliant ideas, but when it comes to presenting that idea, that becomes a challenge. And that's important for the investor: it has to return a positive yield, they have to be a trustworthy source, they are very careful in that (...). I recently spoke to an entrepreneur, who was interested, and he has very brilliant ideas on how to scale up his project. But when it comes to communicating that in writing, it is always a challenge. So really, skills development is needed there.

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²⁵See 4.3 for a more detailed analysis.

4.8 Dependency

Although not all interviewees received remittances, the ones that did receive indicated that they are not fully dependent on it for their business, which is a crucial role as a source of income.²⁶ O2 highlighted the dependency on remittances in crisis times: “In the global financial crisis, during COVID [...] yes, first remittances got down, but then they’re so anti-cyclical. This shows how much people rely on remittances when things are tough at home, because they need to survive, and people step up and want to support their families. [...] And it’s also something that I don’t think migrants are willing to stop, even though they face hard times themselves.”

There seems to be a higher degree of dependency on remittances in the cases of The Gambia and Senegal, as compared to Zimbabwe.²⁷ The dependence on remittances remains underresearched in the literature, or hard to collect data on (O1). Some variances within this dependency can be explained on family size (O4, E14). E13 mentioned that many Zimbabweans are economically inactive or unemployed, therefore lacking a dependable alternative income source. Entrepreneurship promotion lies more in indirect investments such as real estates or other consumer services and goods that they purchase from the diaspora.

Most recipients received remittances 4x per year, with some receiving them every month or a big sum at once - to be invested in the enterprise (E11). E8 indicated that one should be aware of the way full dependency on (a regular flow of) remittances can also negatively affect the business: “We really need a lot of support when it comes to entrepreneurship [...] so they don’t need to be sending money all the time. In some instances, receiving help from the diaspora from time to time can affect the business, because if the money stops coming it can really affect the business.”

²⁶See 4.3 for a more detailed analysis

²⁷For Zimbabwe specifically, it could be concluded that there is little to almost no dependence on remittances for entrepreneurship development.

Interviewees from Zimbabwe expressed that remittances or DI's were not the first thing they would think of in case they would need more money for their enterprise, suggesting a lack of awareness and/or accessibility surrounding these financial avenues: "To be honest, we have not really thought about it. Just formulated an opinion on this when you are asking me, maybe in the future it would be an option, but I have never thought of it before" (E15). Interviewees do see the potential of remittances and DI's: "Because the fact that the diaspora is injecting money into local companies, means these companies can increase their production, their profitability [...] and that can have an effect on the income that is distributed to employees. [...] Sending people to the diaspora has a very positive effect on the way businesses operate" (E2).

“

To be honest now in Zimbabwe... You cannot just depend on your paid job. Because it doesn't pay you enough (...). You don't have something extra to save or set something up for yourself. So, we thought a company is a business anyways and will generate money. So, you're more dependent on yourself rather than something or someone else, that's what I preferred. So, it was basically out of that desire to found my enterprise.

”

- E15

²⁸ For Zimbabwe specifically, it could be concluded that there is little to almost no dependence on remittances for entrepreneurship development.

4.9 Technological factors

Another important feature that came up in our findings is that technology is changing the landscape of remittance transactions in a variety of ways, as well as creating alternative methods of transferring money. Traditional banks, which have been criticized for their high costs, are facing competition from these new entrants into the system. The COVID-19 pandemic has compelled many businesses to shift their operations online, however, digital transformation remains relatively slow. Recognizing this gap, E7 took the opportunity to develop an efficient and contact-free platform for online business transactions. Notably, E7's business is bootstrapped and has gained traction among members of the diaspora who regularly purchase food and groceries for their loved ones.

However, the existing payment infrastructure presents challenges for individuals abroad who wish to make payments, as reliance on third-party application programming interfaces incurs additional fees. E5, E8 and E10 highlight the difficulties faced by emerging e-commerce platforms in establishing digital payment gateways capable of accepting international currencies. Currently, the diaspora continues to rely on bank transactions or services like PayPal due to such limitations of the local payment gateway, which only supports local currency. The interviewee emphasizes that 70% of

their company's revenue comes from the diaspora, making this issue critical. This underscores the substantial demand for streamlined remittance and material transfer services that can be addressed through appropriate technological integration and support to FinTech startups.

Furthermore, while technology holds great potential for facilitating remittances through novel means and enhancing access for lower-income, rural households, and women, it poses risks related to illicit transactions (Rodima-Taylor, 2023; Tropina, 2016). Besides, during the COVID-19 pandemic, closed borders reduced informal remittances, but with the subsequent reopening of the borders, informality has increased due to digital channels (O2). The use of informal methods like "Hawala" now increasingly relying on technology, pose also the challenge to accurately track the exact amount of remittances going into SSA. For instance, O1 revealed that people engage with local agents who send money through various digital platforms, making it difficult to monitor and regulate these transactions effectively. Therefore, the current estimate of remittance amounts to Africa are likely conservative due to the prevalence of informal channels.

In conclusion, the COVID-19 pandemic has accelerated technology adoption, and there is a demand for improved payment facilitation and regulatory measures to support Fintech startups. In SSA, sending remittances digitally was found to be 2.45 percentage points cheaper in Q4 2020 (Ardic & Nataranjan, 2021). However, challenges arise due to uneven distribution of transaction account ownership, phone ownership, digital literacy, and internet access in the region. By addressing these challenges, remittances can bring substantial benefits to the people of the region and foster entrepreneurial growth.

Additionally, it can increase convenience by eliminating the need to physically visit the MTO or RSP branches, reducing non-financial costs like time spent on transportation which are typically overlooked in official statistics. Moreover, it enhances safety as individuals no longer have to carry cash for remittance purposes. Overall, the expansion of digital remittance services brings about enhanced convenience, reduced financial and non-financial costs, and improved safety for users (Silva Filho, 2022).



*Nowadays, there are cheaper ways of transferring money.
(...) technology is providing an opportunity for people to, to bypass some of the, the big players that are quite non-transparent and expensive in their ways of transferring money so that the opportunities are there.*

-04



5. Conclusion

This study aimed to fill the gap in the existing literature by exploring the link between the concepts of remittances, DI's and entrepreneurship development in the context of SSA which has received relatively little attention. The authors conclude this research by highlighting three key messages, which are as follows:

UNTAPPED POTENTIAL OF REMITTANCES AND DI FOR ENTREPRENEURSHIP DEVELOPMENT

The findings indicate that the current connection between remittances and their role in fostering entrepreneurship is not as strong as initially anticipated. Although, it is worth noting that in certain cases, a direct link between remittance and entrepreneurship development was observed. But, challenges faced in accessing financial resources to start an enterprise, due to factors such as high interest rates, unstable economic conditions, and stringent collateral requirements are significant barriers.

SSA possesses a wealth of innovation and human capital seeking opportunities. This underscores the substantial potential for tapping remittances and DI's to spur entrepreneurship development which can further address these challenges. This would be critical for tackling the overall developmental issues in SSA and drive economic growth and prosperity.

GROWING INFLUENCE OF TECHNOLOGY

The research revealed that while traditional channels like banks and MTOs still dominate the remittance market, digital platforms are starting to gain traction. In the near future, technology is expected to play a pivotal role in facilitating easier access to remittances and DI's in SSA. The use of technology is transforming the transfer of remittances, driven by the rise of e-commerce enterprises and the growth of innovative FinTech startups. Such enterprises are gaining popularity within diaspora communities, as they offer efficient and faster methods of transferring both cash and in-kind assistance to their friends and families back home. Digitally enabled cross-border remittances have the potential to reduce costs, increase transaction speed, and ensure last-mile accessibility for both senders and recipients.

Nevertheless, there are challenges that need to be addressed. The unregulated transfer of money across borders through digital channels can lead to exploitation, adding to the existing issues related to informal and inaccurate tracking of remittance flows.

INTELLECTUAL REMITTANCES AND CAPACITY BUILDING ACROSS AND WITHIN BORDERS

To encourage youth entrepreneurship in SSA, there is an opportunity to expand the focus beyond monetary remittances to include intellectual remittances. Remittances can be utilized as investments in knowledge, skills, and social support for aspiring entrepreneurs. The diaspora can contribute to bridge the knowledge gap by sharing their expertise and industry insights with their home countries. In this regard, capacity-building and mentorship programs organized by business owners have proven effective in transferring knowledge within and across the borders and foster entrepreneurial growth, as highlighted by some interviewees.

To fully realize this potential, there is a need for concerted efforts and supportive programs. International organizations focussing on entrepreneurship development can play a vital role in facilitating such initiatives, and partner up with more organizations that foster such mentorship programmes. This contributes to nurturing a vibrant entrepreneurial ecosystem that empowers youth and drives sustainable economic development in the region.

5.2 Limitations and further research

A major limitation of this research is that no field work could be conducted, hence all interviews were conducted online. This might have resulted in a selection bias, as only individuals with internet access were able to participate. It is plausible to assume that a link exists between digital connectivity and financial connectivity.

The next limitation pertains to the voluntary participation of the interviewees, which potentially introduces bias into the research findings. Despite efforts made to mitigate this limitation, it is plausible that interviewees with strong opinions on the topic were more inclined to participate, while those with more neutral views may have been less motivated to express their perspectives. This uneven representation among the interviewees could have influenced the overall results, warranted caution when interpreting the findings.

Another limitation of this research stems from its utilization of context-specific case studies as the primary research method, which introduces concerns regarding generalizability and replicability of findings (Bryman, 2016; Yin, 2009). Given their unique characteristics, the findings may lack applicability and cannot be readily extrapolated to wider populations or different settings.

As it is often believed that remittances and DI's have a positive effect on entrepreneurship development, it is valuable to conduct more research supported by empirical evidence on this ever-important topic. The growing influence of technology specifically deserves more research attention. Further research could, for example, closely examine how blockchain technology and decentralized finance can create new remittance- and DI opportunities. In addition, as previously mentioned, due to the prevalence of remittances also being received through informal channels, existing data is largely inaccurate. This scarcity and inadequacy of available data necessitate a heavy reliance on qualitative data - hence the value of this research. However, there is a need to gather more reliable quantitative data and conduct quantitative research on this topic. Another avenue for future research lies in the realm of action research, by selecting a specific diaspora group or corridor and actively engaging in hands-on initiatives. Unlike traditional academic research, this could bridge the gap between theory and practice by designing interventions that directly impact the lives of individuals or communities.

6. Recommendations

With the increasing importance of remittances for the SSA region, there is a need to create an enabling and sustainable environment for entrepreneurship to maximize the impact of migrant remittances and attract DI.

A step in this direction is simplifying the business startup process, as emphasized in the WB's Ease of Doing Business Index. This is connected to the significance of offering incentives and services to encourage the adoption of formal channels of remittance transfers. This would then increase the number of individuals entering the formal financial system, ultimately improving financial inclusion and facilitating access to loans for businesses. However, barriers such as poor financial systems, problems of accessibility, of financial inclusivity and inadequate market competition need to be addressed. One potential avenue to support these endeavors is the involvement of postal banks as intermediaries in money transfers.

An integral aspect of achieving the potential of remittances for development and fulfilling SDG 10.c necessitates the lowering of transaction costs. Regulatory efforts should be directed towards encouraging RSP's to adopt new technologies, which can lower transaction costs. Secondly, reliable data on informal remittances, which is currently not available, is crucial for accurate monitoring and policymaking. Such information can help policymakers to make informed decisions and effectively channel remittances towards productive sectors of the economy, including investments, enterprise creation, real estate, and micro-credit (Fernandes et al., 2022).

The advancements in digital technology have opened up new opportunities for remittance transfers. The resilience of formal remittance transfers during the COVID-19 pandemic can be attributed, in part, to the rise of these technologies. However, it is important to acknowledge the uneven distribution of digital remittance channels across countries, highlighting the need to address infrastructure disparities (Rodima-Taylor, 2023). It is essential to carry out infrastructure reforms such as access to payment systems, network, electricity and connectivity, in tandem with regulatory reforms (Esser and Copper, 2020). Encouraging the growth of digital payment businesses in the Global South, particularly in the case of Africa where this is taking a big leap, can build on existing market knowledge and promote adoption in the local context (Rodima-Taylor, 2023). To keep up with the rapidly evolving digital remittance market, governments must develop regulatory frameworks that enable the adoption of digital technologies while ensuring compliance with standards (Alliance for Financial Inclusion, 2018) and by creating an environment that supports innovation and competition (Aron & Muellbauer, 2019 in: Teixeira da Silva Filho, 2022).

The demand for support to entrepreneurs extends beyond monetary aid from the diaspora. To foster entrepreneurship, governments as well as the private sector

can, for instance, set up innovation grants, implement mentorship programs, skill development initiatives, accelerators and incubation programs, as well as educational courses focused on entrepreneurship. The support of such programs by the diaspora can create an environment where young individuals are motivated to explore opportunities within their home country, leading to job creation and reducing the need for emigration. One innovative approach in this regard is to develop a digital platform for diaspora and entrepreneurs, which can serve as a valuable resource to aid entrepreneurial learning, facilitate knowledge spillovers and promote transfer of technology.

It is also critical to create a favorable environment for FDI and to instill confidence in the diaspora to invest in their home country. In this aspect, the use of diaspora bonds which are increasingly becoming popular among developing countries, is worth exploring. India's success in raising over \$11 billion from diaspora bonds serves as a notable example. Remittances from labor migrants and others serve as a speculative source of funding for such diaspora bonds (Gevorkyan, 2021). Creating a diaspora bond program holds potential for aiding development finance (ADB, 2015). In terms of attracting foreign investment, Rwanda serves as a case in point of a country that has taken measures such as offering investment incentives in sectors aligned with SDGs and strategic growth, reducing operating costs, attracting talent, and adopting

the Investment Code which ensures equal treatment for both foreign and domestic businesses, including freedom to transfer funds and protection against expropriation (U.S. Department of State, 2021).

Remittances and DI's have been a hot topic of debate for many years, albeit not necessarily in the link with entrepreneurship development. Still, they cannot be seen as the "holy grill" or "magic bullet" for the development of the region, as many like to believe. Merely formulating policies focused on the inclusion of diaspora resources, while not tackling underlying issues or targeting remittances and DIs towards the most vulnerable, could exacerbate already existing inequalities. For instance, directing remittances into agriculture without considering factors like access to markets, would yield meager returns. All in all, we cannot see diaspora engagement in development as separate from the broader contested issues happening within the development space. To foster sustainable entrepreneurship development, remittances and DI will only be effective under the condition that a more holistic approach in a systemic context is adopted.

²⁹ E.g. gender and youth according to this research.

“

Entrepreneurship is the way forward (...). It is the only thing that helps our aim of improving the economy. It will bring more amazing ideas that will develop our country, it will serve the mindset of the youth from job seekers to job creators. So, it's really the way forward, especially for a developing country like mine.

”

- E8, entrepreneur from The Gambia

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Appendix I: Interview Topic List - Entrepreneurs

Introduction:

Round of intro (Grad institute, background, etc)

Many thanks, happy you made the time, specifically you as ...

Goal of the interview: to gain insight into your experience regarding remittances and enterprise development

Questions: is it okay if we record it? So that answers are interpreted correctly. Data confidential, anonymous.

Structure of the interview, approximately 60 minutes:: a) general questions, b) topic-wise (purpose, employment, education), c) other.

Do you have any questions prior to the interview?

General Questions:

1. What is your highest level of education received?
2. What is your age?
3. Could you tell us what your day-to-day life looks like?
4. What is your profession/business and in which sector is your profession? [informal / formal sector]
 - a. In this sector, what sub-sector exactly?
 - b. Are you self-employed, dependent on a boss, etc?
 - c. Is your enterprise registered? formal vs informal sector]
 - d. If you have an enterprise, how many employees do you have? [micro-sized / small-sized / medium-sized or large-sized?]

Topic-wise

Topic 1: Purpose of receiving remittances

5. What are your sources of income? What is the average monthly income of your household? How many members are there in your household and how many of these are working?
6. Who provides the remittances? [What are the sources of the remittances and DI?]
7. Based on the last transaction of remittance you received, can you describe how you used that money in terms of consumption, savings and investments?
 - a. [follow up question in case more specific: To be more specific, how much money that you receive is used for your everyday expenditure or necessities like food, clothing, rent and other utility bills?]
8. Lastly, does the person who remits money, send it for a particular purpose or is it a general amount sent to you to meet your needs (which you can decide)?

Topic 1a: (Un)employment

9. How many hours per week do you work now?
 - a. When did you start receiving remittances?
 - b. How many hours did you work per week before receiving remittances?
 - c. When you started receiving those remittances, what was your intention in terms of working hours?
10. How is the money received through remittances divided between your family (children / wife)? [youth employment / gender]
 - a. What challenges do they face?
 - b. Any policies regarding youth employment, gender and remittances?
 - c. Does it help with young entrepreneurship?

Topic 1b: Education / skills development

11. Do remittances received also go to education or skills development?
 - a. If so, could you elaborate on this?
12. What skills do you learn?
 - a. What skills would you like to learn? [do the needs align]
 - b. What would help you in acquiring those skills?
 - c. What do you do with this education or training/skills? [asking whether those enable entrepreneurs to start their own enterprises]
13. Who in the family specifically receives the remittances for this education/training? [gender/child division/youth employment]

Topic 2: Capital / entrepreneurship development

14. In terms of investment, in what ways have you used this money for your business?
15. From where did you get your seed capital / initial investment that you needed to start your business?
 - a. If more than one channel, what was the biggest contributor?
 - b. How much was it?
16. Did you have liquidity constraints so far?
 - a. If yes, what did you do to ease these liquidity constraints? [Was it per remittances?
 - b. (If yes, what would have happened if you couldn't ease the liquidity constraints?)

Topic 2a: Financial market

17. How easy is it to get a loan to start an enterprise from the formal financial market (bank, etc.)?
 - a. What are the interests and conditions? [in terms of collateral + regulatory environment]
18. Is it easier to get a loan from the informal market?
 - a. What are the interests and conditions?
19. Do you still need capital money to invest or spend for your business? [to see if the business is self-sufficient or not]
 - a. If yes, where do you look?
 - b. Do remittances play a role?
20. In a scenario where you stop receiving remittances, do you think your business would run as smoothly? [To what extent are entrepreneurs dependent on these financial flows for their business? / After what time are the entrepreneurs not dependent on remittances and DI?]

Topic 3: Cost of receiving remittances

21. How often do you receive assistance from family members and/ or others, friends or relatives who are not living in xx (country) in the last 1 year?
Weekly / monthly / bi-monthly / yearly / bi-annually
22. What is the amount of remittances received in the last 1 year? Can you give an approximate figure in the local currency?
23. If you received remittances in forms other than cash, what were the goods received and what would be its value in local currency? [merchandise/goods/machines/etc.]
24. Through which channel was the money received by you? Is the channel used by the person remitting the money the same every time? [informal/formal/bank transfer/blockchain etc.]
 - a. Does the person remitting money usually look for better or other alternatives when trying to make this transaction?
 - b. How much time does it usually take for you to receive the money after the person sends it?
 - c. Are you aware of any transaction costs on the remittances received by you?
25. Does this money usually increase or decrease according to your specific needs or is it the same amount sent every time? [e.g. covid / wedding / personal needs / social investment / are there any other needs that are met by the remittances you receive]

Miscellaneous:

26. Are there any other challenges you face regarding receiving remittances? [formal vs informal sector]
 - a. [Possible follow up for policy recommendation (if time allows) If you want to change the way your sector operates right now, what would you need?]

Closing:

Summarize interpretation / evaluation

Any more questions? Things you did not say yet, but want us to know? Other things we should take into consideration?

Any recommendations on data sources / reports etc. that would be useful? Other interviewees?

Next steps: process in research report, tried to learn more about your perspective on this issue

Possibility of sharing the results

Own evaluation, thanks, really helpful, etc.

Appendix II: Interview Topic List - Umbrella Organizations

Introduction:

Round of intro (Grad institute, background, etc)

Many thanks, happy you made the time, specifically you as ...

Goal of the interview: to gain insight into your experience regarding remittances and enterprise development

Questions: is it okay if we record it? So that answers are interpreted correctly. Data confidential, anonymous.

Structure of the interview, approximately 60 minutes:

Do you have any question prior the interview?

General Questions:

1. Could you tell us more about the work you do within organization X?
 - a. How are you involved with remittances, diaspora investments and entrepreneurship development in Sub-Saharan Africa?
 - b. Specifically the following countries: Senegal, Zimbabwe, The Gambia?
 - c. On which topics do you have data/information (w.r.t remittances)?

Topic-wise

All questions specifically to the countries/topics they have information on.

Topic 1: Source and diaspora

2. Could you tell us more about the main sources of remittances? Who provides them?
3. Who is migrating and why are they sending the remittances? (reason / motivation to remit)
 - a. e..g if it's just for consumption?
 - b. e.g. education / investment (if so, elaborate)
 - c. specific purpose / skills development etc
 - d. [follow up question in case more specific: how much money received is used for everyday expenditure or necessities like food, clothing, rent and other utility bills?]

Topic 2: Scale and significance

4. Do you have any data on the scale of remittances in the specific countries? Elaborate
5. How dependent are the receivers on remittances? For themselves and for their businesses?
6. How often do they receive remittances?

Topic 3: (General picture of) Entrepreneurship development

7. Could you give us a general picture of your data on entrepreneurship development in the country? E.g. Do entrepreneurs know how to start? What are the challenges they face? Is there a gap? To be filled by UNCTAD e.g., or by someone else? Do they have money to start a business but don't know how to?
8. What challenges do you see in terms of enterprise development in the countries, such as liquidity constraints? How stringent are the terms of getting a loan from the formal financial market to start a business?

Topic 4: Recipients

9. In which industry are the recipients active? Incl. sub-sector? Are they self-employed, dependent on a boss, etc?
10. Is the business usually registered? (formal vs. informal sector)
11. If they have a business, how many employees do they have? Are there many micro-, small-, medium-sized businesses?

Topic 5: Employment

12. Do remittances have an impact on employment in general?
13. Do recipients work less when they receive money?

Topic 6: Youth and Gender

14. Do remittances have an impact on youth and female employment?
15. Do you know of any policies regarding youth employment, gender and remittances? E.g. Does it help with young entrepreneurship?

Topic 7: Policy and regulatory environment

16. Could you tell us more about the remittance channels? Is the channel used by the person remitting the money the same every time? [informal/formal/bank transfer/blockchain etc.]
 - a. Does the person remitting money usually look for better or other alternatives when trying to make this transaction?
 - b. How much time does it usually take to receive the money after the person sends it?
 - c. Could you tell us more about the transaction costs?
17. What are some of the challenges that remittance recipients or senders face in these countries? [formal vs informal sector]
 - a. Follow up: SDG 10. c mentions the target of reducing the transaction costs for migrant remittances to less than 3% by 2030 and eliminating remittance corridors with costs higher than 5%.
 - b. Is anything being done at the government and/or the private level to reduce the costs of sending remittances?
18. Do you have any policy advice or recommendations for promoting remittances and DI for entrepreneurship development?
 - a. If the sector would have to change the way it operates, what would be needed?

Closing:

Summarize interpretation / evaluation

Any more questions? Things you did not say yet, but want us to know? Other things we should take into consideration?

Any recommendations on data sources / reports etc. that would be useful? Other interviewees?

Next steps: process in research report, tried to learn more about your perspective on this issue

Possibility of sharing the results

Own evaluation, thanks, really helpful, etc.

Appendix III: Framework

This (self-compiled, based on the literature) framework has been used as inspiration for our data collection and analysis:

Sources and recipients	Scale	Purpose of receiving	Transaction costs	Access to capital and financial inclusion	Employment	Education and skills development	Dependency	Technological factors
Senegal								
Zimbabwe								
The Gambia								

