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A Comparative Analysis of Diaspora and Local Businesses in the Grooming Industry in the Lagos Metropolis: Policy implications for wealth creation

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ABSTRACT

The recent global economic crisis has caused a downturn in Foreign Direct Investment (FDI) flows from Multi-National Corporations (MNCs) to developing countries. This has resulted in limited opportunities for job creation and capital accumulation in those countries. Development practitioners have however suggested developing countries advance strategies to attract diaspora investment as a solution to this problem. There is however limited information for policy formulation due to the dearth of studies on diaspora investment in the Nigerian context. This study attempts to bridge this gap by documenting characteristics of diaspora investment in businesses and investors in the grooming industry in Nigeria and providing information on the potentials of diaspora businesses if any by a comparative analysis of diaspora and local businesses on performance indicators such as job creation, capital and profits. The study shows that most of the diaspora that have invested in the study area are from Europe and the US. Majority of the diaspora wholly owned the businesses established. It also shows significant differences between diaspora and local businesses in capital investments, profits, turnover and labour employed, revealing that diaspora businesses excelled over local ones in these indices. While local businesses excelled in number of product innovations, diaspora related firms implemented more process, organisational and marketing innovations, ostensibly to adjust to the Nigeria business climate. In addition, the motive behind the establishment for most Diasporas was love for homeland while locals were more or less motivated by profits. There were however no significant differences in the educational qualifications of owners of the businesses, sector of the grooming business invested in and age of businesses of both groups. The study concludes that there are significant potentials for wealth creation by encouraging the establishment of firms by diaspora and recommends appropriate policy mechanisms.

Keywords: Diaspora Investment, Foreign Direct Investment, Wealth Creation, Grooming, Nigeria

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INTRODUCTION

Foreign Direct Investment (FDI) by Multi-National Corporations (MNCs) has been a source of wealth creation for many developing countries. This class of investment has led to job creation and increased foreign exchange earnings and has been a source of capital for the creation of new firms in many industrial and service sectors. The benefits of FDI have led the governments of many developing countries to encourage inflows of FDI as part of their development strategy (Crespo and Fontoura, 2007). Many of these countries have developed policy mechanisms to set up export processing zones, passed legislation to exempt FDI investment profits from tax and customs duty on production machinery and given full rebates on products for exports (Staritz and Morris, 2012). However, in the aftermath of the recent global financial crisis, many developing countries have seen a fall in FDI inflows especially those mostly hit by the crisis. In view of this downturn in FDI flows from MNCs, developing countries have been advised to turn to strategies to encourage inflows of diaspora investment.

Diaspora investment refers to investment from individuals or firms connected to diaspora in productive activities in the home country of such diaspora. This type of investment relies on a transnational social network made up of migrants and migrant mechanisms operating between home and host country. Economic activities engaged in by Diasporas play a crucial role in the world economy. For example, a World Bank (2014) report shows that total remittance flows by diaspora was 435 billion USD. Remittance inflows to Africa, has increased four-fold between 1990 and 2010, reaching nearly US$40 billion. Apart from remittances, Diasporas are facilitators of trade opportunities; bolstering bilateral trade and investment flows between host and origin countries (Combes*et al.*, 2005: Javorcik*et al.*, 2010). Furthermore, Diasporas possess the capability to aid domestic transfer of knowledge and ease access to technologies and skills from their host countries (Agrawal *et al*., 2006: Kerr, 2008). In a nutshell, diaspora act as entrepreneurs in their countries of origin.

Wealth creation through entrepreneurship development has become so imperative in the economic transformation of developing economies. Countries with increased entrepreneurial initiatives tend to experience a greater decrease in unemployment rates as well as record a sustained increase in standards of living (Ebiringa, 2012). A considerable agreement therefore exists regarding the need to promote entrepreneurship as a strategy for wealth creation and economic transformation. The level of economic development experienced by societies has significantly depended on the depth of entrepreneurship development that is present within that society (Williams and Michael, 2012).

Generally, some important factors that greatly influence the lack of development in a country are lack of adequate entrepreneurial abilities and inability to effectively utilize the potential entrepreneurial endowments and resources available in that society (Miguel-Angel and Maria, 2014). Diaspora entrepreneurs have been referred to as the classical first-mover investor in the home country despite unfavourable political and economic conditions (Riddle and Brinkerhoff, 2015). They are often early investors who are willing to take the additional risk before home country investors (Manuk and Anna, 2006).

In a study of 100 Nigerian diaspora in the United Kingdom in the Commonwealth Diaspora Investment Survey (2018), only 12% of Nigerians sampled own a business in Nigeria. Forty percent did not have any form of business or savings in their home country. Fifty-two percent however, were interested in setting up their own businesses in Nigeria. Is there a need to attract this form of Diaspora investment in Nigeria? What is the impact of existing diaspora investments on the local economy? In view of informing whether developing appropriate policy mechanisms and strategies to encourage these investments in Nigeria are necessary, this study intends to document the existence of such diaspora investment and their personal characteristics and examine the performance differences if any between diaspora investment and similar local businesses in terms of their personal characteristics, capacity for job creation, capital investment, and profits among others.

The study was carried out in the grooming industry in the Lagos metropolitan area for the following reasons. Firstly, a large percentage of diaspora work in service sectors, particularly in the grooming industry. Available statistics shows that about 15 percent of men and 18.7 percent of women in Diaspora who are of African origin work in the service sector. Ratha and Plaza (2011) reported that many of these diaspora work or own small to medium scale businesses in the grooming industry. Secondly, the global market for grooming is US$ 647 billion (Weinswig, 2017). In Nigeria, retail sales of grooming products amounted to about ₦206 billion in 2015 (Euromonitor, 2017). Thirdly, we speculate that Lagos, being the commercial hub of Nigeria is the likely location of diaspora investment.

LITERATURE REVIEW

Diaspora Investment

Diaspora investment is often seen as a driver of economic development and positive change (Kamuleta, 2014). The dynamism involved in the diaspora investment process requires better understanding due to the increasing role it plays in the global economy, particularly for developing and transition countries with large emigrant communities (United Nations, 2006). Diaspora investment refers to cross border business investment flows engaged in by a diaspora, an individual or a group of individuals living in diaspora (Maria and Liesl, 2016). Usually, such investment is made from the country of residence to their country of origin.

Diaspora investment is an important source of Foreign Direct Investment (FDI) into country of origin. For example, between 1979 and 1995, Chinese diaspora investment accounted for 80 percent of total FDI in China. The Indian diaspora is estimated to have invested $2.6 billion out of $10 billion of FDI in India between 1991 and 2001 (Wei and Balasubramanyam, 2006). Between 1998 and 2004, diaspora investment accounted for 25 percent of total FDI flows into Armenia (Hergnyan and Makaryan, 2006). Attracting and facilitating diaspora homeland investment has become a significant concern of many national governments and multilateral organizations.

Furthermore, diaspora investors have also been increasingly recognized as an important source of capital, technology transfer and innovation in the global economy by the International Centre for Migration Policy Development (ICMPD, 2017). Indian diaspora entrepreneurs in the USA have played an instrumental role in building up India's IT industry and creating a second Silicon Valley in their country (ICMPD, 2017).

Thus, many countries are seeking creative ways to attract, cultivate and develop their economies via diaspora entrepreneurship investment (Riddle and Brinkerhoff, 2015). This type of behaviour is often attributed to their emotional link towards their home country, and their country-specific knowledge that can help them move into the market faster and more efficiently than non-native investors. It is their dual ability of global and local knowledge that has made them the success stories of modern times.

Diaspora Portfolio Investment Channels

According to Maria and Liesl (2016), diaspora or groups of Diasporas may invest in sovereign bonds,equity or other securities and mutual funds in the country of origin.Direct diaspora investment (DDI) refers to direct investments from companies or individuals linked to a Diaspora in productive activities in the home country (Kamuleta, 2014). For example, in post conflict Afghanistan the largest share in FDI is made up of Diaspora Direct investment specifically in Afghan Wireless (Afghanistan's market leader in telecommunications), a $25 million Coca-Cola bottling plant, and Afghanistan's first retail mall. DDI differs from international remittances in that the latter involves people sending money to family members in the country of origin and although family members may then invest such remittances in productive activities, DDI focuses exclusively on companies' direct investments or Diasporas who have acquired entrepreneurial skills and decide to transfer such skills to their home countries. DDI is also presumably economically superior to remittances in that a larger pool of potential investments outside of the limits of the family ensures more efficiency in the use of resources. According to Kamuleta (2014), DDI investments usually come in three specific ways:

(i) Through top echelon executives of firms abroad who persuade their respective companies to invest in their countries of origin.
(ii) Via managers or owners of firms whose parent companies are in their countries of destination help to establish commercially viable projects.

(iii) Via diaspora associated with venture investments in their host countries that have acquired skills and decide to invest in their homeland.

DDI is a part of a larger transnational superstructure contributing to the integration of societies into the global economy via an interconnectedness of donations, small and large investments, trade, tourism, and unilateral transfers (Orozco, 2004). Countries with mature diaspora networks also seek to encourage domestic companies to expand abroad through the Diasporas (Kamuleta, 2014).

Benefits of DDI

Some of these benefits are similar to those brought by traditional FDI and beyond:

a. Brain gain: When educated workers leave a country, that country faces a brain drain because it is losing skills relevant for its economy. In general, such countries invested in the education of those emigrants. This problem is particularly big in Africa. A brain gain occurs when talented migrants return to their home countries and bring knowledge, capital, and access to advanced markets in developed countries. Moreover, they can give advice to domestic entrepreneurs

b. Technology transfer: DDI is expected to bring better business practices and technology to suppliers and distributors particularly because Diasporas know better the technological needs of the home country. Unlike FDI, in which foreign entrepreneurs may be unwilling to share their technology with local workers (Javorcik and Spatareanu, 2005), DDI may be less subject to this because diaspora investors may be less profit-driven (Nielsen and Riddle, 2009).

c. Stable financial investments: Diaspora investors are less averse to political risk and economic shocks than other foreign investors. They are not only driven by altruism but also by other non-pecuniary reasons such as cultural affinities and market knowledge (Nielsen and Riddle 2009). They are more likely to invest and less likely to pull out in the face of risk (Gillespie *et al*., 1999).

d. DDI has the potential to bring emerging markets' knowledge and skills, superior technology, and improved business practices in addition to financial capital into the home country. Positive externalities and spill-over effects take place when local firms observe and imitate practices of diaspora who came home to invest.

Motivations for Entrepreneurship

i. Opportunity - Based Entrepreneurship: Refers to a situation where an entrepreneur starts a business to pursue an idea. This class of entrepreneurs tends to be knowledgeable and more committed to business success as they are usually well prepared for the business venture (Jorn and Philipp, 2009). Young (2009) reported that most entrepreneurs see recession in an economy as the right time to embark on new market opportunities. In the same vein, economists, business leaders and academicians conclude that economic recession tends to favour the naturally innovative temperament of entrepreneurs (Anyadike, Emeh and Ukah, 2012). This supports and justifies the relevance of this study to the Nigerian economy at this crucial time that the country is strategizing and taking steps to get it out of the current economic recession. People could be motivated to venture into entrepreneurial activities so as to cushion the effects of the recession on them and hence, become self-employed and improve their standard of living.

ii. Necessity - Based Entrepreneurship: In this case, an entrepreneur has no other viable option. It is not a matter of choice and has become compulsory to choose entrepreneurship as a career in order to earn a living (Ebiringa, 2012). A good example is the Nigerian Civil War of 1967-1970 when the embargo on the economy by the Government forced the Biafrans to make fuel from coconut and palm oil (Ayandike *et al.*, 2012). The rate of unemployment in Nigeria today has given many people no other choice than to become self-employed and this, in turn, has had a positive impact on wealth creation and economic growth. Necessity-based entrepreneurship can contribute to employment generation as more of the unemployed youths will find entrepreneurship as the last resort to making ends meet.

Entrepreneurship and Employment Creation

Entrepreneurship provides employment opportunities in any country by engaging young schools leavers. It helps to reduce the rate of crime and immorality to a bearable minimal level (Basil, 2005). Other advantages of entrepreneurship include, among others, the substantial contributions of the SMEs to the Gross Domestic Product (GDP), employment generation, increase in local value added, as well as technological development. Since most entrepreneurs operating in Nigeria are indigenous, they understand the terrain more than the foreign actors (Ayozie, 2011). Another imperative of entrepreneurship in Nigeria is the retained earnings or plough back profit. This happens when entrepreneurs reinvest their profit into their businesses instead of investing same in foreign countries. When such profits are retained in Nigeria, they help in the development of the whole country. Entrepreneurship activities encourage social interaction and promote peace in the country.

Entrepreneurship allows improved rural livelihoods when the businesses established make it possible for individuals and families to increase their income and eventually start to acquire assets and create wealth. Entrepreneurship, based on self-employment, may be seen as a way to increase or sustain income and contribute to improved standard of living if the opportunities are present.

The rate of necessity-entrepreneurship experienced a sharp increase during the Great Recession growing from 16.3 % of new U.S. ventures in 2007 to 24.7 % in 2009 (Ali *et al.*, 2011). If these necessity-based entrepreneurship ventures are to lead to improved standards of living in rural areas, a better understanding of how to help these entrepreneurs to successfully use self-employment as a strategy in increasing level of income and resilience would be helpful. In the same vein, this will help the self - employed to become innovative to make a difference and consequently employing others in the region

RESEARCH METHODOLOGY

The study was carried out in Lagos State Nigeria because the State is the major commercial hub in the country and thus the likely target for diaspora investors**.** The target population of this study includes owners of businesses in the sub-sectors of the grooming industry, specifically, professional barber shops, beauty salon, spas, cosmetics firms, textiles and apparels and gym centers**.** Twenty-five respondents were randomly selected from each sub-sector making a total of 150 respondents

Primary data were collected for the study with one set of structured questionnaire and accompanying on-the-spot interviews. The questionnaire was administered in selected shopping precincts across the Lagos Metropolis. Diaspora profiles were determined using the following variables; share of investment in business, continents/countries of residence of diaspora and numbers of years spent abroad.

Distinguishing characteristics between diaspora and local grooming businesses were indicated by country of residence of owner, educational qualifications and experience of the owner of the business was indicated in years. Sales and profit per annum and total capital outlay of the business were indicated in Naira. Other variables were; number of people employed in the business, years of establishment and source of capital for the business, motive behind investment, types of innovations introduced in the past three years and specific areas of innovations

Ten copies of questionnaire were administered on three Diaspora and seven local investors in Ibadan both in Southwestern Nigeria, for pilot survey. It was gathered from these ten copies administered that majority of the respondents did not understand the meaning of Diaspora investment. The term was then redefined in a simpler sentence in the questionnaire to enable the respondents have a better understanding of the concept.

Frequencies and percentages were used to analyse profiles of the diaspora entrepreneurs. Cross tabulation and employing a Two-tailed Kendall's Tau_B Chi-Square was used to analyse the differences between Diaspora and local grooming businesses at 5%. Kendal Tau_B Chi-Square was used because it can handle tied observations.

RESULTS AND DISCUSSION

As shown in Table 1, a total number of 150 copies of questionnaire were administered to (six) grooming industry sub-sectors in the Lagos Metropolitan Area. This includes professional barber shops, beauty salons, spas, gym centres, cosmetics shops and textile and apparels firms. One hundred and twenty-six (84%) copies of questionnaire were completed and returned.

Table 1: Questionnaire Return Rate

		Frequency	Percentage
Questionnaire	Returned	126	84.0
	Not-Returned	24	16.0
	Total	150	100

Table 2 shows the grouping of the respondents. Of the 126 copies of questionnaire returned, 60(47.6%) questionnaires were completed by Diaspora investors while 66 copies (52.4%) were completed by local investors in the grooming business. Diaspora investors were identified by country of residence of owner of business.

Table 3 shows the locations of the selected grooming firms around the Lagos metropolitan area. The survey revealed that 40(31.7%) of the firms were located in Ikeja, 16(12.7%) were situated in Lagos mainland, 22(17.5%) were located in the Oshodi-Isolo axis, while 20(15.9%) were located in Lagos island and 28(22.2%) were located in the Eti – osa area. Interviews suggested that the high concentration of the grooming firms in Ikeja may be due to the fact that the area is the capital of Lagos State and hosts the State Government's offices. The area also hosts a lot of high-brow residential areas and is also a major commercial hub in the metropolis. The busiest airport in Nigeria, the MurtalaMuhammed Airport is also located in the area.

Table 2: Respondent Grouping

Respondents		Frequency	Percentage
Group	Diaspora	60	47.6
	Locals	66	52.4
	Total	126	100

Table 3: Location of the Grooming Business Ventures

Location	Frequency	Percentage
Ikeja	40	31.7
Lagos Mainland	16	12.7
Oshodi-Isolo	22	17.5
Lagos Island	20	15.9
Eti-Osa	28	22.2
Total	126	100

Table 4, shows that 24(19%) of the firms were barbershops, another 24(19%) were beauty salons, 18(14.3%) were spas, 10(7.9%) were gym centres, 33(26.2%) were cosmetic shops while 17 (13.5%) were textile and apparels firms.The low number of gym centres (10) in the study sample may be due to the large to capital outlay required to set up gyms. Interviews revealed that setting up gym centres in Nigeria and especially in the Lagos metropolitan area, requires large amount of capital, which may range from two hundred million to one billion Naira. Most of firms that were gym centres were owned by Diaspora investors.

Table 4: Sector of the Grooming Business Ventures

	Sector	Frequency	Percentage
Sector	Barber shop	24	19.0
	Beauty salon	24	19.0
	Spa	18	14.3
	Gym Centres	10	7.9
	Cosmetics	33	26.2
	Textiles and Apparels	17	13.5
	Total	126	100

Furthermore, interviews revealed that the large number of cosmetics firms (33), may be due to the low capital outlay required. Interviews also revealed that most of the cosmetic products such as shampoo, conditioner, styling cream, make-up kits, moisturizers, exfoliation scrubs, fragrances, body-lotion, body wash, shower gel, antiperspirants and deodorants are used by other sectors in the industry (except textile and apparels). The sales turnover for these grooming products are high according to interviews conducted and the business can be set up with as low as ten thousand Naira depending on location and available facilities.

Diaspora Profiles

Tables 5, 6, and 7, show characteristics of the Diaspora investors. Table 5 shows that 34(56.7%) of the Diaspora investors wholly owned the business, 10(16.67%) owned between 80 to 100% while 16 (26.67%) owned 60-80% of the business. This result suggests that Diasporas in the study area opted to have control of their investment. For an investment to be categorised as FDI, the foreign entity must own more than 10% of the investment (OECD, 2009). Though no definitive benchmark exists for diaspora investment, the firms polled can be said to qualify as diaspora investment going by the FDI benchmark.

Table 6 shows that half of Nigerian Diaspora respondents [30(50%)] polled reside in countries within Europe and North America, 4(7.9) reside in other African countries apart from Nigeria, 14(23.3%) and 12(20%) reside in East Asian Countries and Dubai respectively. The high concentration of Nigerian Diaspora in European and American countries has been attributed to the wealth and level of development of those countries and thus, a destination for most immigrants (Mberu and Pongou, 2010).

Table 5: Percentage Share of Investment

Share of investment	Frequency	Percentage
100%	34	56.67
80-100%	10	16.67
60-80%	16	26.67
Total	60	100

Table 6: Continent and Countries of Residence

Continent/City of Residence	Frequency	Percentage
Africa	4	6.7
Europe and America	30	50
Asia	14	23.3
Dubai	12	20
Total	60	100

Table 7 shows that about 34(56.7%) Diasporas have spent at least 6-10 years abroad, 22(36.7%) have spent 11-15 years abroad, 2(3.3%) have spent 16-20 years and another 2(3.3) have spent above 21 years. The number of years spent abroad acquiring knowledge and skills have been reported to have a positive relationship with the possession of venture capital (Huiyao*et al*, 2011). Number of years spent abroad helps to save money and may increase the amount of savings for investment.

Distinguishing Characteristics of Diaspora and Local firms

Table 8 shows that there were no significant differences [X^2 (5, N = 126) = -.140, p >.05] in the educational qualifications of Local and Diaspora investors in the study area. Forty two (47.7%) Diaspora and 46(52.3%) local investors, held bachelor's degrees. This represented the largest total share of both groups. Eight (66.7%) diaspora and 4(33.3%) local investors held Master's degrees while, 4(50%) each held HND degrees. Six (42.9%) diaspora and 8 (57.1%) local investors held ND/Diplomas. This implies that technology spillovers are expected to occur as there are likely to be no significant differences in the absorptive capabilities of the two groups. Where there is a large difference in absorptive capability, host country firms may be unable to absorb any new knowledge from external sources (Crespo and Fontuora, 2007).

Table 7: Number of years spent abroad

Years spent Abroad	Frequency	Percentage
1-5 years	0	0
6-10 years	34	56.7
11-15 years	22	36.7
16-20 years	2	3.3
21 years and Above	2	3.3
Total	60	100

Table 8: Educational Qualifications

			Group		Total
			Diaspora	Locals	
Educational Qualification	NoEducation	F	0	2	2
		%	0.0%	100.0%	100.0%
	SSCE/NABTEB/NECO	F	0	2	2
		%	0.0%	100.0%	100.0%
	ND/DIPLOMA	F	6	8	14
		%	42.9%	57.1%	100.0%
	HND	F	4	4	8
		%	50.0%	50.0%	100.0%
	Bachelor's Degree	F	42	46	88
		%	47.7%	52.3%	100.0%
	Masters	F	8	4	12
		%	66.7%	33.3%	100.0%
Total		F	60	66	126
		%	47.6%	52.4%	100.0%

NOTE: *R2 = -.140, DF= 5, N= 126, P > 0.05 R2 = Kendall tau 2 tail chi-square, DF = Degree of Freedom and p is probability value, % Percentage, F=Frequency*

Table 9 indicated that there were also no significant differences [X^2 (5, N = 126) = .015, p >.05] in the years of experience in the grooming business between the Diaspora and local investors in study area. As can be deduced from the table, about half of Diaspora and local investors [34 (50%)] had 11-15 years of experience in the grooming business. Six (37.5%) diaspora and 10(62.5%) local investors had 16-20 years of experience while 14(43.8%) diaspora and 18(56.2%) local investors had 6-10 years of experience in the industry. Two diaspora investors had over 20 years of experience in the grooming industry. Experience in an industry is directly related to skills and competences in a vocation or profession (Sabah and Laith, 2011).

Table 9: Years of Experience

Cross Tabulation Table			Group		Total
			Diaspora	Local	
Years of Experience	1-5 years	F	4	4	8
		%	50.0%	50.0%	100.0%
	6-10 years	F	14	18	32
		%	43.8%	56.2%	100.0%
	11-15 years	F	34	34	68
		%	50.0%	50.0%	100.0%
	16-20 years	F	6	10	16
		%	37.5%	62.5%	100.0%
	21 years and above	F	2	0	2
		%	100.0%	0.0%	100.0%
Total		F	60	66	126
		%	47.6%	52.4%	100.0%

NOTE: R^2= .015[a,] DF = 4, N= 126, $p> 0.05 R^2$ = Kendall tau 2 tail chi-square,
DF= Degree of Freedom and p is probability value, % = Percentage, F= Frequency

Table 10 revealed that the specific sub-sectors the Diaspora and local investors established their businesses were not significantly different [X^2 (5, N = 126) = 8.615, p >.05]. Fourteen (23%) Diaspora and 10(15%) local investors invested in barber shops, while 10 (17%) and 14(21%) beauty salons were established by diaspora and local firms respectively, The table also shows that 9(15%) diaspora invested in textiles and apparels while 8(12%) local investors established firms in the same sub-sector. However, majority [8(13%)] of the spas were owned by diaspora while local investors established only 2(3%). A similar result was observed in the cosmetics sub-sector. Out of the 33 cosmetics shops, only 11(18%) can be considered diaspora investments while majority [22(33%)] were set up by local investors. The differences observed in these two sub-sectors, albeit not statistically significant may be due to the capital outlay required to set up businesses in these sub-sectors. Interviews revealed that establishing gym centres in Nigeria, especially in Lagos metropolitan area, requires large amount of capital. Cosmetic firms however require considerably lower capital outlay.

Table 10: Sector of Grooming Business

Cross Tabulation Table			Group		Total
			Diaspora	**Local**	
Sectors of grooming industry	Barber Shop	F	14	10	24
		%	58.3%	41.7%	100.0%
	Beauty Salon	F	10	14	24
		%	41.7%	58.3%	100.0%
	SPA	F	8	10	18
		%	44.4%	55.6%	100.0%
	Gym Centres	F	8	2	10
		%	80.0%	20.0%	100.0%
	Cosmetics	F	11	22	33
		%	33.3%	66.7%	100.0%
	Textiles and Apparels	F	9	8	17
		%	52.9%	47.1%	100.0%
Total		F	60	66	126
		%	47.6%	52.4%	100.0%

NOTE: *R^2= 8.615[a,] DF= 5, N= 126, P > 0.05R^2 = Kendall tau 2 tail chi-square, DF= Degree of Freedom and p is probability value, %= = Percentage, F= Frequency*

Table 11 shows the difference in total capital outlay of Diaspora and the local grooming firms. From the result of the test conducted, there was a significant difference [X^2 (4, N = 126) = .763, *p* <.001] in the total capital outlay of Diaspora and local firms. Thirty-eight (86.4%) of the firms that had capital outlay in the ₦20,000,000 to ₦100,000,000 range and all the firms in the ₦100,000,000 to ₦1,000,000,000 group were all diaspora related firms. Twelve (85.7%) of the firms that had capital outlay of between ₦10, 000,001 to ₦20, 000,000 were local firms. All the firms that had capital outlay below ₦10, 000,000 were all local firms. This result implies that the capital outlay of Diaspora grooming businesses is significantly greater than the capital outlay of local grooming business.Remittances from these countries may serve as an important source of capital to Nigeria's economy and support capabilities for spillovers in the Nigerian grooming industry. Nigerians in Diaspora sent $25 billion home in 2018 according to the World Bank (2018). This result is supported by ICPMD (2017) which recognizes Diasporas as an important source of capital, technology transfer and innovation in the global economy.

Table 12 shows that the total sales per annum for Diaspora owned firms is significantly different [X^2 (3, N = 126) = -.686, *p* <.001] from the total sales per annum for local firms. Majority (71.8%) of the firms that indicated that they made between ₦10,000,001 to ₦20,000,000 in sales per annum were diaspora related firms while locals made up 28.6% of this category. In addition, only diaspora businesses made between

Table 11: Total Capital Outlay in Naira

Cross Tabulation Table			Group		Total
			Diaspora	Local	
Total capital outlay	0-999,999	F	0	6	6
		%	0.0%	100.0%	100.0%
	1,000,001-10,000,000	F	0	42	42
		%	0.0%	100.0%	100.0%
	10,000,001-20,000,000	F	2	12	14
		%	14.3%	85.7%	100.0%
	20,000,001-100,000,000	F	38	6	44
		%	86.4%	13.6%	100.0%
	100,000,001-300,000,000	F	10	0	10
		%	100.0%	0.0%	100.0%
	300,000,001-500,000,000	F	8	0	8
		%	100.0%	0.0%	100.0%
	500,000,001-1,000000000	F	2	0	2
		%	100.0%	0.0%	100.0%
Total		F	60	66	126
		%	47.6%	52.4%	100.0%

R^2=763[a,] DF= 4, N= 126, $p < 0.001$. R^2 = Kendall tau 2 tail chi-square, DF= Degree of Freedom and p is probability value, %= = Percentage

Table 12: Sales per Annum in Naira

Cross Tabulation Table		Group		Total
		Diaspora	Local	
0-999,999	F	0	10	10
	%	0.0%	100.0%	100.0%
1,000,001-10,000,000	F	10	48	58
	%	17.2%	82.8%	100.0%
10,000,001-20,000,000	F	20	8	28
	%	71.4%	28.6%	100.0%
20,000,001-100,000,000	F	30	0	30
	%	100.0%	0.0%	100.0%
Total	F	60	66	126
	%	47.6%	52.4%	100.0%

NOTE: *R^2= -.686, DF= 3, N= 126, $p < 0.001$. R^2 = Kendall tau 2 tail chi-square, DF= Degree of Freedom and p is probability value, % = = Percentage, F= Frequency*

₦20, 000,000 and ₦100, 000,000 in sales. All the firms that indicated they made below ₦1, 000,000 in sales per annum were local firms.

Table 13 shows that there was a significant difference [X^2 (4, N = 126) = .671, p <.001] in the profits realised by diaspora and local firms. Only diaspora firms were in the ₦20, 000,001 to ₦100, 000,000 and ₦100, 000,001 to ₦300, 000,000 categories. Majority (80%) of diaspora firms were in the ₦10, 000,001 to ₦20, 000,000 category. However, local firms made up 83.3% of firms that indicated that they made between ₦1, 000,001 and ₦10, 000,000 per annum. In addition, all the firms that indicated that they made below ₦1, 000,000 in profits per annum were all local firms. These results imply that diaspora firms made more in annual profits than local firms. It is logical to make the inference that there is a positive relationship between sales and profits.

Table 13: Profit per annum in Naira

Cross Tabulation Table			**Group**		**Total**
			Diaspora	**Local**	
Profit per annum	0-999,999	F	0	8	8
		%	0.0%	100.0%	100.0%
	1,000,001-10,000,000	F	10	50	60
		%	16.7%	83.3%	100.0%
	10,000,001-20,000,000	F	32	8	40
		%	80.0%	20.0%	100.0%
	20,000,001-100,000,000	F	14	0	14
		%	100.0%	0.0%	100.0%
	100,000,001-300,000,000	F	4	0	4
		%	100.0%	0.0%	100.0%
Total		F	60	66	126
		%	47.6%	52.4%	100.0%

NOTE: *R^2= .671[a,] DF= 4, N= 126, p < 0.001. R^2 = Kendall tau 2 tail chi-square, DF= Degree of Freedom and p is probability value, % = Percentage, F= Frequency*

Table 14 depicts the number of employees that work in Diaspora and Local firms. There was a significant difference [X^2 (4, N = 126) = .249, p < .001] in the number of employees hired. Only diaspora related firms (10) hired between 26-30 employees while only 2 local firms employed between 21-25 employees. Diaspora firms are more endowed with capital sales and profit and therefore, may have larger firms which require more staff than the local firms.While there was not much difference in the firms that employed between 1-5, 6-10 and 11-15.

Table 15 shows that there was no significant difference [X^2 (4, N = 126) = .150, p > .05] in the result of the chi-square test conducted on year of establishments of Diaspora firms and locals firms. There was not much difference in the years of establishment in both diaspora and local firms in the 1-10, 11-20 and 21-30 groups. However, 12 diaspora related firms were recently established in the past one year while 4 local firms have been established between 30-40 years ago. This trend shows that there may be an increased interest by the Nigerian diaspora to invest in the country. This is likely to boost job creation and income in the country.

Table 16 shows the differences in the source of capital of the selected Diaspora and local firms. The result of the chi-square test on this variable reveals a significant difference [X^2 (5, N = 126) = .495, p < .001] in the sources of capital. Personal savings was a major source of capital for 47(72.3% of that category) Diaspora investors while loans from financial institutions was a source for 25(96.2%) local firms

Table 14: Number of Employees

Cross Tabulation Table			Group		Total
			Diaspora	Local	
Number of Employees	1-5	F	0	4	4
		%	0.0%	100.0%	100.0%
	6-10	F	8	12	20
		%	40.0%	60.0%	100.0%
	11-15	F	22	32	54
		%	40.7%	59.3%	100.0%
	16-20	F	20	16	36
		%	55.6%	44.4%	100.0%
	21-26	F	0	2	2
		%	0.0%	100.0%	100.0%
	26-30	F	10	0	10
		%	100.0%	0.0%	100.0%
	Total	F	60	66	126
		%	47.6%	52.4%	100.0%

NOTE: *R^2= .249[a,] DF= 4, N= 126, p < 0.001. R^2 = Kendall tau 2 tail chi-square, DF= Degree of Freedom and p is probability value, % = = Percentage, F= Frequency*

Table 15: Years of Establishment

Cross Tabulation Table			Group		Total
			Diaspora	Local	
Years of Establishments	Below 1 year	F	12	0	12
		%	100.0%	0.0%	100.0%
	1-10 years	F	8	12	20
		%	40.0%	60.0%	100.0%
	11-20 years	F	26	38	64
		%	40.6%	59.4%	100.0%
	21-30 years	F	14	12	26
		%	53.8%	46.2%	100.0%
	31-40 years	F	0	4	4
		%	0.0%	100.0%	100.0%
	41-50	F	10	0	10
		%	100.0%	0.0%	100.0%
	Total	F	60	66	126
		%	47.6%	52.4%	100.0%

NOTE: *R^2= .150[a,] DF= 4, N= 126, p > 0.05. R^2 = Kendall tau 2 tail chi-square, DF= Degree of Freedom and p is probability value, %= = Percentage, F= Frequency*

Table 16: Source of Capital

Cross Tabulation Table			Group		Total
			Diaspora	Locals	
Source of Capital	Owners Personal savings	F	47	18	65
		%	72.3	27.7	100.0%
	Friends and Family contribution	F	7	2	9
		%	77.8%	22.2%	100.0%
	Loans from private institution	F	1	25	26
		%	3.8%	96.2%	100.0%
	Cooperative and Thrift Societies	F	5	21	26
		%	19.2%	80.8%	100.0%
	Total	F	60	66	126
		%	47.6%	52.4%	100.0%

NOTE: *R^2= .495, DF= 5, N= 126, p < 0.001.R^2 = Kendall tau 2 tailed, chi- square DF= Degree of Freedom and p is probability value, % = = Percentage, F= Frequency N= Number of Valid Observations*

and thrift and cooperative societies were a major source of capital for 21(80.8%) local grooming firms. This result may be due to the fact that local investors are more in tune with how to raise money locally thandiaspora investors. In addition it may be difficult for diaspora investors to be members of thrift and cooperative societies as members are required to make financial contributions and attend meetings frequently. This may only be possible for diaspora investors if they are *on-ground*.

Table 17 shows the difference in the type of innovations introduced by Diaspora and local grooming businesses. The result of the test showed that there was a significant difference [X^2 (4, N = 126) = -.412, p < .001] in the types of innovation introduced. Of the firms that introduced product innovations 56(68.2%) were local firms while 26(31.7%) were Diaspora grooming firms. However, majority of the firms, 16(72.7%), 12(85.7%) and 3(60%) that introduced process, market and organisational innovations were mainly diaspora firms. Interviews revealed that the prevalence of marketing, process and market innovations is due to diaspora firms trying to adjust to the realities of the Nigerian market.

Table 18 shows the specific area of innovation by Diaspora and local grooming firms. From the result of the test no significant difference [X^2 (4, N = 126) =.093, p > .05] was observed in the specific area of innovation by Diaspora or local grooming firms. Majority of the innovations were however in hair care followed by cosmetics and textiles and apparels.

Table 19 depicts the differences in the mode of entry into the grooming business by Diaspora as well as local firms. The result of the test revealed a significant difference [X^2(4, N = 126) = -.303, p < .001] in the mode of entry for Diaspora and local grooming firms. Majority of Diaspora [36 (40.9%)] and local firms [52(59.1%)] entered the grooming business through Greenfield investments. However, more diaspora firms than local firms entered the grooming business through existing firms [8 (80%)], full acquisition [8(66.7%)] and joint ventures [8(80%)]. This result may be connected to the difficulty in registering a business venture in Nigeria, These modes of business entry eases the costs and difficulty in starting a business venture.

Table 17: Types of Innovation

Cross Tabulation Table			Group		Total
			Diaspora	Local	
Types of Innovation	Product Innovation	F	26	56	82
		%	31.7%	68.3%	100.0%
	Process Innovation	F	16	6	22
		%	72.7%	27.3%	100.0%
	Market Innovation	F	12	2	14
		%	85.7%	14.3%	100.0%
	Organisational Innovation	F	3	2	5
		%	60.0%	40.0%	100.0%
	No Innovation	F	3	0	3
		%	100.0%	0.0%	100.0%
Total		F	60	66	126
		%	47.6%	52.4%	100.0%

NOTE: R^2= -.412, DF= 4, N= 126, p< 0.001. R^2 = Kendall tau 2 tail chi-square,
DF= Degree of Freedom and p is probability value, % = = Percentage, F= Frequency

Table 18: Specific Areas of Innovation

Cross Tabulation Table			Group		Total
			Diaspora	Local	
Specific Areas of Innovation	Hair care	F	24	18	42
		%	57.1%	42.9%	100.0%
	Body care	F	5	4	9
		%	55.6%	44.4%	100.0%
	Apparels	F	12	16	28
		%	42.9%	57.1%	100.0%
	Cosmetics	F	10	18	28
		%	35.7%	64.3%	100.0%
	Skin Care	F	9	10	19
		%	47.4%	52.6%	100.0%
Total		F	60	66	126
		%	47.6%	52.4%	100.0%

NOTE: *R^2= .093[a], DF= 4, N= 126, p > 0.05. R^2 = Kendall tau 2 tail chi-square*
DF= Degree of Freedom and p is probability value, %= = Percentage, F= Frequency

Table 19: Mode of Entry into the Grooming Industry

Cross Tabulation Table			Group		Total
			Diaspora	Local	
Mode of Entry into the Grooming Business	Green Field Investment	F	36	58	88
		%	40.9%	61.7%	100.0%
	Partial Acquisition	F	8	2	10
		%	80.0%	20.0%	100.0%
	Full Acquisition	F	8	4	12
		%	66.7%	33.3%	100.0%
	Joint Venture	F	8	2	10
		%	80.0%	20.0%	100.0%
	Skin Care	F	9	10	19
		%	47.4%	52.6%	100.0%
Total		F	60	66	126
		%	47.6%	52.4%	100.0%

NOTE: *R^2= -.303[a], DF= 4, N= 126, p < 0.001R^2 = Kendall tau b, DF= Degree of Freedom*
and p is probability value, % = = Percentage, F= Frequency N= Number of Valid Observations

Table 20 shows the motive behind investing in the grooming industry. The result of the test shows a significant difference [X^2 (4, N = 126) =.-.055, p < .05] in the motives behind Diaspora and local investments. Majority (35 or 81.8%) of the local firms were motivated by profits while 45 (75%) were motivated by passion and emotional ties to homeland. Unlike the local investors, it may be difficult to categorise diaspora investors as opportunity or necessity based entrepreneurs. The work of Safran (1991) supports this result. Homeland orientation stipulates that whether real or imagined, there must be a homeland which is the principal source of shared values, beliefs, identities and loyalty (Safran 1991). Furthermore, there is commitment to the maintenance and restoration of that homeland, its safety and its fortune and there is continuous sentimental relationship to that homeland (Safran, 1991; Brubaker, 2005; and Clifford, 1994). This is the reason why policy makers recommend attracting diaspora investment to developing countries.

Table 20: Motive behind Investment

Cross Tabulation Table			Group		Total
			Diaspora	**Local**	
Motive behind Investment	Profit Motive	F	11	35	46
		%	18.2%	81.8%	100.0%
	Patriotism (local)/Emotional ties to homeland (Diaspora)	F	45	5	50
		%	76.0%	24.0%	100.0%
	Favourable Economic Condition in Nigeria	F	0	9	9
		%	0.0%	100.0%	100.0%
	Prevailing Business Environment in Lagos state	F	2	7	9
		%	25.0%	75.0%	100.0%
	family ties	F	2	10	12
		%	0.0%	100.0%	100.0%
	Total	F	60	66	126
		%	47.6%	52.4%	100.0%

NOTE: *R^2= -.055^{a,} DF= 4, N= 126, p < 0.05R^2 = Kendall tau b, DF= Degree of Freedom and p is probability value, % = = Percentage, F= FrequencyN= Number of Valid Observation*

CONCLUSION

There are many sectors and economic activities diaspora investment can be engaged in such as the stock markets, real estate etc. The study shows that use of diaspora investment in setting up businesses can indeed be beneficial to Nigeria's development in terms of job creation and capital accumulation. It also shows the profiles of diaspora the government may target as a matter of policy. The government should develop strategies to engage diaspora investment as a tool of economic development. This may include focusing the efforts of government in cultivating investments from the diaspora of particular countries. This study shows that most of the diaspora investors were from the United States and Western Europe and some from Asia. Most were also those that had spent between 6 to 15 years abroad. Most diaspora also preferred to set up new or Greenfield businesses. Policy levers may include specific financial instruments to ease the transfer of funds and register new companies.

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