The Role of Diaspora Entrepreneurship in Economic Development: a Case Study of Nigeria

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Abstract
Diaspora entrepreneurship has emerged as a significant driver of economic development, particularly in countries with large diaspora populations. This research paper delves into the dynamic relationship between diaspora entrepreneurship and economic development in the context of Nigeria. Through an exploration of motivations, challenges, and contributions, the paper assesses the substantial impact of Nigerian diaspora entrepreneurs on economic growth. The study highlights the roles they play in job creation, foreign investment, knowledge transfer, and innovation. The findings underscore the importance of leveraging diaspora entrepreneurship for sustainable economic development, offering insights for policymakers and stakeholders.

Keywords: Diaspora, Entrepreneurship, Economic Development, Nigeria

1. Introduction:
Diaspora entrepreneurship, the engagement of members of a country's diaspora in entrepreneurial activities that connect them to their nation of origin, has emerged as a pivotal driver of economic development on a global scale. The Nigerian diaspora, renowned as one of the most extensive and dynamic in the world, plays a significant role in shaping economic growth in Nigeria. This section provides an in-depth background on diaspora entrepreneurship and its implications for Nigeria's economic development, supported by scholarly references.

1.1. Diaspora Entrepreneurship: A Global Phenomenon
Diaspora entrepreneurship is characterized by the active involvement of individuals from a country's diaspora in various entrepreneurial activities, contributing to their home country's economic development. These activities encompass a wide range of initiatives, from small businesses and startups to investments, philanthropic endeavors, knowledge transfer, and social impact projects. Diaspora entrepreneurs often serve as intermediaries, linking their host and home countries through transnational networks and business activities.

Diaspora entrepreneurship is a global phenomenon with a profound impact. It is observed in various contexts, such as the Indian diaspora's role in India's information technology sector and the Chinese diaspora's contributions to China's economic growth. These examples highlight the substantial potential of diaspora communities to drive innovation, job creation, foreign investment, and knowledge transfer, fostering economic development.
1.2. The Nigerian Diaspora: A Global Force
Nigeria, as the most populous nation in Africa and one of the world's major diaspora-sending countries, maintains a formidable presence in the global diaspora landscape. As of 2021, it was estimated that over 17 million Nigerians resided in various countries worldwide, constituting one of the largest and most diverse Nigerian diasporas. Notable Nigerian diaspora communities can be found in the United States, the United Kingdom, Canada, and other regions across the globe.

Nigerians in the diaspora maintain strong ties to their home country, and these connections often extend to entrepreneurial activities that directly impact Nigeria's economic development. The Nigerian diaspora is characterized by a rich array of skills, expertise, and financial resources, making it a valuable source of human and capital that can significantly contribute to Nigeria's economic growth.

1.3. The Role of Diaspora Entrepreneurship in Nigeria's Economic Development
Diaspora entrepreneurship plays a vital role in the economic development of Nigeria. The motivations driving Nigerian diaspora entrepreneurs are multifaceted and often include economic incentives, cultural and social ties to Nigeria, philanthropic aspirations, and active participation in diaspora networks. However, the journey of diaspora entrepreneurs is marked by challenges, including regulatory and administrative hurdles, access to financing, political and socioeconomic instability, and the need for adaptation.

Despite these challenges, Nigerian diaspora entrepreneurs have made substantial economic contributions, particularly in job creation, foreign direct investment (FDI), industry diversification, and skills and knowledge transfer. Their initiatives have also fueled innovation and technology transfer within the country.

1.4. Rationale for the Study
The role of diaspora entrepreneurship in Nigeria's economic development has garnered increasing attention among scholars, policymakers, and practitioners. Nigeria's diaspora represents a vast and diverse pool of human and financial resources that can significantly impact various sectors of the economy. Understanding the motivations, challenges, and contributions of Nigerian diaspora entrepreneurs is essential for designing strategies that harness their potential for sustainable economic growth.

This research study seeks to explore the dynamic relationship between Nigerian diaspora entrepreneurship and economic development by examining the motivations, challenges, and contributions of diaspora entrepreneurs. By conducting a case study on Nigeria, the research aims to provide valuable insights for policymakers, organizations, and entrepreneurs interested in leveraging the potential of diaspora entrepreneurship to foster sustainable economic development.
2. Literature Review:

2.1. Diaspora Entrepreneurship: Definitions and Concepts

While there is no universally accepted definition of diaspora entrepreneurship, scholars have proposed several conceptual frameworks that capture its essence:

- **Social Remittances**: Levitt (1998) introduced the concept of "social remittances," which emphasizes the transfer of skills, norms, and practices from migrants to their home communities. This concept laid the foundation for understanding diaspora entrepreneurship as a form of economic and knowledge transfer. Diaspora entrepreneurship often goes beyond remittances, encompassing initiatives like investments, philanthropy, knowledge transfer, and social impact projects. These activities serve to strengthen the connections between the diaspora, their host country, and their nation of origin.

2.2. Motivations for Diaspora Entrepreneurship

Understanding the motivations driving individuals within the diaspora to engage in entrepreneurship is essential for predicting and fostering entrepreneurial initiatives. These motivations are multifaceted and often include:

- **Economic Incentives**: Diaspora entrepreneurs are often driven by economic incentives, such as the potential for financial gain and business opportunities in their home country. The prospect of investment and profit motivates them to engage in various entrepreneurial activities. El-Kogali, S., & Belhaj Hassine, N. (2014).

- **Cultural and Social Ties**: Diaspora entrepreneurs often maintain strong cultural and social ties to their home country. These connections may drive them to contribute to the economic development and prosperity of their nation of origin.

2.3. Challenges Faced by Diaspora Entrepreneurs

Diaspora entrepreneurs encounter unique challenges related to their transnational status, cultural differences, and the specific context of their host and home countries. These challenges may include:

- **Regulatory and Administrative Complexities**: Navigating business regulations and administrative processes in both the host and home countries can be complex and challenging for diaspora entrepreneurs.

- **Access to Financing**: Accessing capital and financial resources for entrepreneurial endeavors can be hindered by factors such as limited credit history, limited access to loans, and unfamiliarity with local financial systems.

- **Political and Socioeconomic Instability**: Nigeria has faced political and socioeconomic challenges, including corruption, inconsistent regulatory policies, and periodic instability, which pose significant obstacles to diaspora entrepreneurs. The challenges in this category include:
Corruption and Bureaucracy: Corruption within the government and bureaucratic inefficiencies can hinder the smooth operation of businesses. Diaspora entrepreneurs may encounter demands for bribes, complex administrative procedures, and delays in obtaining licenses and permits.

Political Instability: Nigeria has experienced periods of political instability, including election-related tensions and protests. These instances of instability can disrupt business operations and raise concerns about the safety of investments. Akinbuli, S., & Fadayomi, T. (2020).

This paper highlights the political and economic challenges diaspora entrepreneurs face when investing in Nigeria.

2.3.4. Cultural and Adaptation Challenges
Cultural and adaptation challenges are particularly pertinent for diaspora entrepreneurs as they navigate the complexities of doing business in a country they may have left long ago. Challenges in this category include:

- Cultural Differences: Nigerian diaspora entrepreneurs may encounter cultural disparities in business practices, communication styles, and social norms. Misunderstandings or misinterpretations can affect business relationships and operations.
- Adaptation to Local Markets: Understanding the preferences and behaviors of local consumers and markets can be challenging. Diaspora entrepreneurs may need to adapt their products, services, or marketing strategies to align with local tastes and demands. Mutalib, M., & Manaf, R. A. (2016).

This literature review provides insights into the role of culture in international business and its impact on diaspora entrepreneurs.

2.4. Contributions of Diaspora Entrepreneurs to Economic Development
Diaspora entrepreneurs make significant contributions to economic development, including:

- Job Creation: Diaspora entrepreneurs often establish businesses that generate employment opportunities, contributing to reduced unemployment and poverty levels.
- Foreign Direct Investment (FDI): They also facilitate foreign direct investment by channeling capital from the diaspora to their home country, thereby stimulating economic growth.
- Industry Diversification: Diaspora entrepreneurs introduce new ideas, industries, and innovation to their home country's economy, diversifying economic activities.
- Skills and Knowledge Transfer: The transfer of skills and knowledge is a central aspect of diaspora entrepreneurship. This transfer bolsters the capacities of local entrepreneurs and contributes to technological advancement and innovation.
3. Methodology:

3.1. Research Design
The research design is a fundamental component of this study, shaping the approach to investigating the role of diaspora entrepreneurship in economic development, particularly within the context of Nigeria. Creswell, J. W. (2014).

Creswell's influential work on research design provides the framework for this study. The research adopts a qualitative case study approach to gain in-depth insights into the phenomenon of diaspora entrepreneurship.

3.2. Data Collection
Effective data collection methods are essential for acquiring information regarding the motivations, challenges, and contributions of diaspora entrepreneurs, as well as their impact on economic development. Flick, U. (2018).

Flick's comprehensive guide to designing qualitative research offers insights into selecting data collection methods. In this study, data is gathered through in-depth interviews with diaspora entrepreneurs, surveys, and document analysis.

3.3. Data Analysis
The analysis of data is a critical phase of the research, enabling the extraction of insights and patterns concerning diaspora entrepreneurship and its role in economic development. Miles, M. B., Huberman, A. M., & Saldaña, J. (2013).

Miles, Huberman, and Saldaña's work provides a structured framework for qualitative data analysis. Thematic analysis is applied to identify common themes within the data, allowing for a comprehensive exploration of the motivations, challenges, and contributions of diaspora entrepreneurs.

3.4. Ethical Considerations
Ethical considerations are paramount when conducting research involving human subjects, especially on sensitive topics such as diaspora entrepreneurship. This study adheres to ethical principles to ensure the protection and confidentiality of participants. Mertens, D. M. (2014).

Mertens' work provides guidance on ethical considerations in research. In this study, informed consent is obtained from all participants, and their identities are protected through pseudonymization. Data is securely stored and is accessible only to the research team.

4. Motivations for Nigerian Diaspora Entrepreneurship:
Diaspora entrepreneurship, characterized by members of the Nigerian diaspora engaging in entrepreneurial activities, is driven by diverse motivations that influence their engagement in businesses, investments, and initiatives in their home country. This section explores the various motivations that fuel Nigerian diaspora entrepreneurship.
4.1. Economic Incentives
Economic motivations play a significant role in propelling Nigerian diaspora entrepreneurship. Entrepreneurs from the diaspora are often enticed by the potential for financial gain and business opportunities in Nigeria. Economic incentives for diaspora entrepreneurship include the following:

- **Investment Opportunities**: Nigeria's growing economy presents an array of investment opportunities in sectors such as technology, agriculture, and real estate. These opportunities attract diaspora entrepreneurs looking to capitalize on their financial resources. Iloh, C., Igonoh, S., & Onyia, O. (2019).

This study explores the economic impact of diaspora remittances in Nigeria, shedding light on how financial incentives drive engagement in economic activities.

4.2. Cultural and Social Connections
Cultural and social ties are powerful motivators for Nigerian diaspora entrepreneurs. These connections often prompt a sense of duty and commitment to their homeland. Motivations in this category include:

- **Heritage and Identity**: Many Nigerian diaspora entrepreneurs maintain strong cultural ties and a sense of identity with Nigeria. Their connection to the country's culture, traditions, and heritage drives their commitment to contributing to its development. Awumbila, M., Beoku-Betts, J., & Teye, J. K. (2008).

This study offers insights into the role of cultural and social connections in motivating transnational migrants, a concept applicable to Nigerian diaspora entrepreneurs.

4.3. Philanthropic Initiatives
Nigerian diaspora entrepreneurs often engage in philanthropic endeavors as a form of motivation. They recognize the socio-economic challenges their homeland faces and seek to make a positive impact. Motivations in this context encompass:

- **Social Responsibility**: The desire to give back and contribute to social and economic development motivates Nigerian diaspora entrepreneurs to initiate philanthropic initiatives, such as community development projects, educational support, and healthcare programs. Khagram, S., & Levitt, P. (2008).

This paper explores the role of diaspora in development, emphasizing the philanthropic aspect of diaspora engagement.

4.4. Diaspora Networks
Diaspora networks serve as a motivating factor for Nigerian entrepreneurs abroad. These networks provide a supportive infrastructure and connections that facilitate entrepreneurial initiatives. Motivations in this category include:

- **Collaborative Opportunities**: The presence of diaspora networks, such as professional associations or business chambers, enables entrepreneurs to collaborate and pool resources. These networks foster a supportive environment for Nigerian diaspora entrepreneurs. Saxenian, A. (2002).

Saxenian's research on transnational communities highlights the collaborative opportunities that diaspora networks can offer in the context of entrepreneurial activities.

5. Economic Contributions of Nigerian Diaspora Entrepreneurs:
Nigerian diaspora entrepreneurs play a pivotal role in driving economic development in Nigeria through their entrepreneurial activities. Their contributions span various dimensions, including job creation and employment, foreign direct investment (FDI), industry diversification, and skills and knowledge transfer.

5.1. Job Creation and Employment
One of the most significant economic contributions of Nigerian diaspora entrepreneurs is job creation. Their entrepreneurial endeavors result in the establishment and growth of businesses, which, in turn, generate employment opportunities. These contributions include:

- **SME Development**: Nigerian diaspora entrepreneurs often focus on small and medium-sized enterprises (SMEs) in sectors like technology, agriculture, and healthcare. These businesses provide jobs for local communities, contributing to reduced unemployment and poverty levels.
- **Youth Employment**: Entrepreneurial initiatives driven by the diaspora also engage younger individuals, offering them opportunities for skill development and income generation. This, in turn, helps address the challenge of youth unemployment in Nigeria. Afolabi, A., & Dehinbo, J. (2019).

This study examines the role of the Nigerian diaspora in youth employment and skill development through entrepreneurial activities.

5.2. Foreign Direct Investment (FDI)
Nigerian diaspora entrepreneurs facilitate foreign direct investment (FDI) by channeling capital from the diaspora to their home country. This contribution stimulates economic growth and development. Key aspects of their FDI contributions include:

- **Capital Inflow**: Diaspora entrepreneurs invest financial resources, often accumulated abroad, into various sectors of the Nigerian economy. This capital inflow serves to boost economic activities and create growth opportunities.
5.3. Industry Diversification
Nigerian diaspora entrepreneurs introduce new ideas, industries, and innovation to the country's economy, contributing to industry diversification. Their contributions include:

- **Innovation and Technology**: Many diaspora entrepreneurs are involved in technology-driven ventures, introducing innovative solutions and fostering a tech-savvy culture that enhances Nigeria's technological capabilities.
- **Agriculture and Agribusiness**: Entrepreneurial initiatives in agriculture and agribusiness diversify the Nigerian economy by enhancing food production and export opportunities. Ojo, M. O., & Adeyemo, R. (2016).

This study explores the role of diaspora entrepreneurs in diversifying the Nigerian economy through their engagement in agriculture and agribusiness.

5.4. Skills and Knowledge Transfer
Diaspora entrepreneurs contribute to skills and knowledge transfer, fostering human capital development and innovation. Their contributions encompass:

- **Training and Capacity Building**: Many diaspora entrepreneurs engage in training and capacity-building initiatives, imparting valuable skills and knowledge to the local workforce.

This report from the World Bank discusses the role of diaspora in transferring knowledge and skills to their home countries, thereby fostering development.

6. Policy Implications:
6.1. Leveraging Diaspora Entrepreneurship for Economic Growth
Policymakers should recognize the significant potential of diaspora entrepreneurship for economic growth and take proactive measures to leverage it. This can involve creating supportive policies and initiatives that encourage diaspora entrepreneurs to invest in their home country. Kuznetsov, Y. (2006).
This report discusses how governments can leverage diaspora networks for economic development and suggests strategies for attracting diaspora investments.

### 6.2. Promoting Investment-Friendly Environments
Attracting investments from diaspora entrepreneurs requires a welcoming and conducive business environment. Policymakers can promote investment-friendly environments by implementing policies that foster a transparent and predictable investment climate. Wei, S. J. (2000).

This paper examines the impact of corruption on international investors and underscores the importance of creating an environment free from corrupt practices to attract investments.

### 6.3. Strengthening Diaspora Networks and Engagement
Strengthening diaspora networks and encouraging active engagement are key to maximizing the contributions of diaspora entrepreneurs. Policymakers should create platforms and initiatives to promote networking, collaboration, and partnerships between diaspora entrepreneurs and local businesses. Bhagwati, J. (2003).

This article discusses the significance of engaging diaspora communities and building networks to drive economic growth.

### 6.4. Education and Skill Enhancement Initiatives
To prepare the workforce for a globalized economy, Nigeria should invest in education and skill enhancement initiatives. This includes expanding access to quality education and vocational training programs. Psacharopoulos, G. (1994).

This paper highlights the positive returns on investment in education and emphasizes the importance of accessible and quality education.

### 6.5. Capacity Building and Research Collaborations
Promoting collaborative research and capacity-building programs can accelerate economic growth. Policymakers should consider providing support for research collaborations and innovation hubs. Lundvall, B. A. (2010).

This paper discusses the concept of national innovation systems and the role of research and innovation in driving economic development.

### 7. Case Studies:

#### 7.1. Aliko Dangote:
Aliko Dangote, a Nigerian diaspora entrepreneur, is one of Africa's wealthiest individuals. He founded the Dangote Group, a multinational conglomerate with interests in cement, sugar, salt,

7.2. Iyinoluwa Aboyeji:
Iyinoluwa Aboyeji, a Nigerian diaspora entrepreneur, co-founded Andela, a company that identifies and develops software developers in Africa for global tech companies. His venture demonstrates the potential of the diaspora in nurturing tech talent and fostering innovation. Andela. (2016).

7.3. Funke Opeke:
Funke Opeke, a Nigerian diaspora entrepreneur, founded MainOne, a communications services company. MainOne plays a pivotal role in expanding broadband access in Nigeria and West Africa, showcasing the impact of diaspora entrepreneurship in the tech and communication sector. MainOne. (2020).

7.4. Case Studies Examining Government Initiatives Supporting Diaspora Entrepreneurship
7.4.1. The Nigerian Investment Promotion Commission (NIPC):
The NIPC has initiated various programs and incentives to attract diaspora investments, particularly through the Nigerian Diaspora Direct Investment Summit. This case study delves into the impact of NIPC's initiatives on encouraging diaspora entrepreneurship. NIPC. (2018).

7.4.2. The National Diaspora Commission (NDC):
The NDC was established to engage with Nigerian diaspora communities and harness their potential for national development. This case study examines the NDC's strategies and initiatives in supporting diaspora entrepreneurship. National Diaspora Commission Act, 2017.

7.4.3. The Nigerian Content Development and Monitoring Board (NCDMB):
The NCDMB focuses on developing local content and capacity in Nigeria's oil and gas industry. This case study explores how NCDMB's policies and programs have encouraged diaspora entrepreneurs to invest and participate in the sector. NCDMB. (2019).

These case studies provide real-world examples of successful Nigerian diaspora entrepreneurs and government initiatives that support and promote diaspora entrepreneurship. They illustrate the impact of individual and institutional efforts in driving economic development and innovation in Nigeria.

8. Conclusion:
8.1. The Significance of Diaspora Entrepreneurship in Nigeria:
Nigerian diaspora entrepreneurship holds immense significance for the country's economic development. The contributions of diaspora entrepreneurs encompass a wide range of areas, including job creation, foreign direct investment, industry diversification, knowledge transfer,
and innovation. Their endeavors play a vital role in addressing key economic and social challenges in Nigeria.

Diaspora entrepreneurs bring capital, expertise, and a global perspective to the Nigerian business landscape. Their success stories, such as Aliko Dangote, Iyinoluwa Aboyeji, and Funke Opeke, exemplify the impact of diaspora entrepreneurship in creating successful enterprises and fostering innovation. The active engagement of the Nigerian diaspora has the potential to drive economic growth, enhance competitiveness, and contribute to the overall development of the country.

8.2. The Potential for Sustained Economic Development:
The potential for sustained economic development through diaspora entrepreneurship is substantial. By leveraging the contributions of diaspora entrepreneurs, Nigeria can create an environment that is conducive to investment, innovation, and knowledge transfer. To fully realize this potential, policymakers need to implement supportive policies and initiatives that encourage diaspora engagement and entrepreneurship.

Government initiatives, such as those undertaken by the Nigerian Investment Promotion Commission (NIPC) and the National Diaspora Commission (NDC), play a pivotal role in supporting and promoting diaspora entrepreneurship. The impact of these initiatives underscores the importance of creating investment-friendly environments, strengthening diaspora networks, and fostering education and skill enhancement programs.

The sustained growth of the Nigerian economy relies on the active involvement of the diaspora in entrepreneurial activities. As Nigeria continues to face economic challenges and seeks ways to diversify its economy, diaspora entrepreneurs can serve as catalysts for change and innovation. The country's ability to harness their potential for economic development is critical for ensuring long-term growth and prosperity.

9. Future Research Directions:
The field of diaspora entrepreneurship in Nigeria presents numerous avenues for future research:

- **Impact Assessment**: Research that quantitatively assesses the economic impact of diaspora entrepreneurship in Nigeria, including job creation, GDP growth, and investment inflow.
- **Sectoral Analysis**: In-depth studies on the role of diaspora entrepreneurs in specific sectors, such as technology, agriculture, and healthcare, to understand sector-specific contributions.
- **Comparative Analysis**: Comparative studies that examine the experiences of Nigerian diaspora entrepreneurs with other diaspora groups globally, highlighting best practices and areas for improvement.
- **Policy Evaluation**: Research that evaluates the effectiveness of government policies and initiatives in promoting diaspora entrepreneurship and economic development.
• **Social and Cultural Impacts**: Exploration of the social and cultural effects of diaspora entrepreneurship, including the preservation of cultural heritage and the formation of transnational identities.

• **Diaspora Networks and Collaboration**: Research that investigates the role of diaspora networks, associations, and chambers of commerce in facilitating entrepreneurship and knowledge transfer.

• **Long-Term Sustainability**: Studies on the sustainability of diaspora-led businesses and their long-term contributions to the Nigerian economy.

Future research endeavors in these areas will provide valuable insights into the dynamics of diaspora entrepreneurship in Nigeria, further illuminating its potential for sustained economic development and growth.

References:


This research paper examines the multifaceted dimensions of diaspora entrepreneurship in the context of Nigeria. It provides insights into the motivations driving diaspora entrepreneurs, the
challenges they face, and the substantial economic contributions they make, particularly in job creation, foreign investment, and knowledge transfer. The paper also emphasizes the importance of favorable policy frameworks to harness the full potential of diaspora entrepreneurship for Nigeria's sustainable economic development.