Migrant and Local Entrepreneurial Networks Development

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ABSTRACT

This study examines factors influencing migrant and local entrepreneurial business networks with particular reference to Pro vincial development in Indonesia. Factors of influence include market accessibility, capital accessibility, business focus or business specialisation in manufacturing, trades and services as well as economic conditions, degree of tolerance towards migrant and local entrepreneurs, support networks, business experience, educational background, and entrepreneurial personal characteristics and initiatives. The findings have significance for local development by entrepreneurs in this special case where migrant and local entrepreneurs link in networks and in many cases, joint ventures. The outcomes have significance for government in development programs, academic institutions designing training, and for local business organisation.

Key words: Migrant and local entrepreneurs, networking, joint ventures, local development.

INTRODUCTION

1. Background to The Paper

Entrepreneurs impact positively on enterprise performances. To some extent entrepreneurs are similar to small enterprise owners, but entrepreneurs have special characteristics (Idrus & Staunton, 1991). The word entrepreneur is usually applied to the "creator of a new enterprise". Many definitions have been used over the centuries and around the world to explain how the word 'entrepreneur' relates to business. Raymond (1993) defined an entrepreneur as a person who undertakes a wealth creating and value adding process through incubating ideas, assembling resources and "making things happen".

The title entrepreneur became popular, widely accepted, and applied to individuals who migrated to another region to establish enterprises. Temporary labour migration remains a major-component in migration studies in Indonesia as at the beginning of the 21st century (Ndoen, 2000; Hugo, 1990; Guest, 1989; Dwiyanto, 1996). In this context, migrant and local entrepreneurs refer to temporary labour migration, where migration is traditionally linked to strategies of segmenting the population to deal with socio-economic crises in homeland Provinces in Indonesia. Several studies have indicated that migrant entrepreneurial activities have particular advantages for destination localities, in fostering entry and success in business and to increase profit as future business expands in regions of destination (Rath, 2000; Ndoen, 2000). The presence of entrepreneurial mig' rants contributes to the growth of population and economic conditions in a destination region. In other words, the presence of migrant entrepreneurs purely for business purposes would be expected to produce benefits and advantages for local communities.
This paper accepts the importance and significance of entrepreneurs and links entrepreneurial networks or joint ventures to local or regional development. Such developments in the business sense lead to new enterprises, expanded employment, multiple activities expanding an economy in general, improvement in local life style and standards of living, and may directly or indirectly, attract traditional investment funds to regions. Hence, the importance of local and migrant entrepreneurs and factors which may encourage these entrepreneurs to network and engage in joint ventures. Development of entrepreneurship or small business enterprise creation programs is regarded as an important policy direction for government. Various researchers have identified broad public policy approaches to small enterprise development (Peterson, 1988; Theocarides and Tolentino, 1991).

2. Case Study Region

Case data was collected in East Nusa Tenggara Province (West Timor) of Indonesia from a number of migrant and local business owner/managers within three types of businesses (manufacturing, trade, and services). In order to focus objectives, a research question was developed: What factors influence local and migrant entrepreneur's networking and joint venture establishment in East Nusa Tenggara Province?

THEORETICAL FRAME

1. Migrant and Local Entrepreneurs

The experience of developed countries dealing with economic growth has, led to the recognition of the core position of entrepreneurs in improving economic performance. Many countries in Western Europe, America and Asia have attempted to encourage entrepreneurs at the initial stage of country's development programs (Ndoen, 2000). Therefore, joint commitments by the government and the entrepreneurial sector have brought economic growth to those countries. Traditionally, most entrepreneurial migrants have operated businesses in their place of origin prior to their migration.

However, some migrants establish businesses only after their 'arrival at destinations. Migrant entrepreneurs to East Nusa Tenggara Province mostly come from other Indonesian regions such as Java, Sulawesi and Sumatra islands. Most entrepreneurs in this Province prefer to have multiple businesses rather than focus only on a specific business line.

In this study, migrant entrepreneurs are defined as those who have the ability to see profit opportunities through business activities in other places (Ndoen, 2000). In addition, local entrepreneurs can be defined as a person or group of people carrying out the role of entrepreneurs born and raised in a local area. This study examines nine factors influencing migrant and local entrepreneurial business networking. The following discussion is a review of these nine factors, which are seen by particular researchers as influencing entrepreneurial networking, leading to new enterprise establishment. Business networking is defined as an association of two or more persons who engage in business as co-owners for the purpose of making a profit through a partnership or joint venture (Scarborough & Zimmerer, 1984). Nine factors influencing entrepreneurial networks are now reviewed: market accessibility, capital accessibility, business focus, economic conditions, degree of tolerance, support networks, business experience, educational background, and entrepreneurial personal characteristics and initiatives.
2. Market Accessibility

The word ‘market’ is used by authors in a number of ways, in some economic theories and by business' in general. Market is' defined in this paper as a place where buyers and sellers meet, goods and services are offered for sales and transfers of ownership occur (Stanton, 1984). Traditionally a market is defined as a physical place where buyers and sellers gather to exchange goods (Kotler, 2000). In this study, market accessibility is defined as the perception of migrant and local entrepreneurs concerning market conditions, market size, types of market where both migrant and local entrepreneurs gain mutual benefits for their business activities.

3. Capital Accessibility

Entrepreneurial financial activities encompass both explicit contracts and informal relationships between funding sources and entrepreneurs. Venture capitalists and commercial banks are best viewed as ‘insiders’ because they routinely have access to extensive information concerning entrepreneurial activities. Timmons (1999) argues that venture capital processes occur in the context of mostly private, imperfect capital markets for new emerging and middle market companies. In this study, capital accessibility is defined as migrant and local entrepreneur's perceptions concerned with networking to gain capital funding support.

4. Business Focus

Business focus can be defined as migrant and local entrepreneur's perception concerning potential competition and customer demand which may impact on their business networking. This factor places emphasis on migrant and local entrepreneurial belief that all other business groups dealing in similar products and services are inferior, while the customer demand is high for these products and services. Therefore, the potential focus of the new enterprise can be planned. Business focus refers to business opportunity as explain by Long (1984). Hence, entrepreneurs who identify a potential business opportunity, may be encouraged to network or establish a new enterprise. Hodgetts and Kuratko (1998) suggests that one way to examine a business's market niche is to break down the types of customers and customer purchasing habits.

5. Economic Conditions

Economic factors ~ as economic growth, supply and demand, diversity of economy and per capita income also influence migrant and local entrepreneurs' demands in creating business networks or joint ventures. A study by Feoick (1987) showed that regions with high levels of income achieve high rates of growth in establishing new ventures compared with low level income regions. Romer (1986) argues that the entrepreneur who favours the concentration of economic activity and entrepreneurship, has an important role in the growth and development of an economy. For example, in Australia, the contribution of small enterprise entrepreneurs in terms of generating employment and economic growth has been researched and well documented (Bird, 1989; Deakin, 1996). As another example, the Indonesian Government has provided national and regional programs to support the development of small enterprise entrepreneurs (Central Bureau of Statistics, 1989).

6. Degree of Tolerance

Degree of tolerance refers to the social response towards migrants by a local community at a migration destination. Local tolerance can be expressed in various forms such as allowing
migrants to reside side by side with the local community and allowing migrants to participate in
the local social activities (Ndoen, 2000). Tolerance is reflected through attitudes which are
evaluative statements concerning objects, people or events (Robbins, Bergman, Stagg and
Coulter, 2000). Society seeks consistency in attitudes, and between attitudes and behaviours.

Other aspects are also related to degree of tolerance are cultural differences, assimilation
processes, values and beliefs of people and ethnic differences. In a broader context (Huisman,
1985; Bruno and Tyebjee, 1982) claim that entrepreneurial behaviour is influenced by the
environment surrounding entrepreneurs and attitudes of the population. Assimilation is an
approach that has been utilised to understand migrants' orientation towards local communities.
Migrant perceptions of local inhabitants are important in determining choices dealing with
whether they will be involved with or avoid a local community. Lipshitz's study (1993) of the
migration process in Israel described two contrasting views of the assimilation process. A cross-
cultural study by McGrath, McMillan and Scheinberg (1992) addressed whether or not
individuals who have started their own businesses and those who have not done so (career
professionals), differ in their fundamental beliefs and values. The relationship between
communities can be influenced by ethnic differences. 'Ethnic' is an adjective which refers to
differences between categories of people. Marlow's study (1992) discusses ethnic differences
between migrant and local communities and focuses on specific aspects such as customs,
behaviours and value norms.

7. Support Networks

Networking is a process of creating alliances with individuals and organisations in terms of
extending human relations (Holt, 1992c). Kanai (1994) argued that entrepreneurial networking
is the primary mechanism for accelerating business start-ups. A study by Birley (1985)
examined support networks for entrepreneurs from various potential sources such as banks,
accountants, local governments, business contacts, family and personal friends. Holt (1992c)
identified two types of networks personal and social networks. Personal networks are related to
networks with family members, friends within the community, while social networks are
construed to be purposely developed. In this study support networks are defined as migrant and
local entrepreneur's perceptions concerning government and related group's support for their
business networking.

8. Business Experience

Previous experience or career background provides insights into small business owner is
success. Both migrant and local entrepreneurs in Indonesia are likely to have similar
experiences. Significant experience by an entrepreneur is essential in establishment of business
networking. Previous experience in business has been suggested as important in providing
owners with knowledge of current business operations, 'where entrepreneurial 'experience is
often- more useful than background in the same trade or occupation (Dickenson and Kawaja,
1987). Vesper (~990) suggests that technical experience is necessary in new business ventures,
where technical experience refers to knowledge and skills in various functional aspects of
business such as business planning, marketing, development of skills, accounting and finance.

9. Educational Background

The influence of education is seen as important to successful business activities. William's
study (1986) showed that the duration and relevance of formal education is related to the firm's
survival. Hence, the formal educational background of the entrepreneur provide benefits for business owners and managers. This implies that owner/managers with quality education would be more entrepreneurial regarding future prospects involving expansion of business activities. Cressy (1994) suggested that educational qualifications which were not directly relevant to the business and thus considered as informal education, may also contribute towards business growth.

10. Entrepreneurial Personal Characteristics and Initiatives

The history of entrepreneurship indicates that entrepreneurs share common characteristics (Timmons, 1978). There have been a number of studies in the management literature which have attempted to describe the characteristics of entrepreneurs. Timmons (1978) saw as characteristics of entrepreneurs: self-confidence, initiative taking and responsibility.

Personal characteristics and environmental influences also play important roles in business networking or start-up processes. Bird (1988) pointed out that personal characteristics and environmental factors define entrepreneurial intentions. Descriptions of entrepreneurial characteristics can be adapted to the personal characteristics of local entrepreneurs in East Nusa Tenggara Province Indonesia. This region has a number of ethnic groups with different customs which may influence their characteristics when establishing business networking. Based on the review of literature, this paper presents a model of factors influencing migrant and local entrepreneurial business networking for sole ownership or joint venture businesses were developed (see Figure 1).

![Figure 1. Model of factor influencing migrant or local entrepreneurial business networking for sole ownership or joint venture business establishment](http://puslit.petra.ac.id/journals/management/)
Figure 1 suggests that nine factors are identified as significant in encouraging networking and potential joint venture operations between migrant and local entrepreneurs and this in itself leads to or can contribute to local or regional development in an economic and social sense. In particular, most of the factors listed focus on business development-markets, capital, business type and economic conditions. However, it is significant to note that some of the nine factors impact on social development of personnel-within regions both as individuals and families. These factors include the degree of tolerance, support networks, educational background and personal characteristics and attitude of entrepreneurs. Thus, the nine factors combine to impact on both economic and social development in regions.

**DISCUSSION: EVALUATING THE MODEL VIA EAST NUSA TENGGARA ENTERPRISES**

In this study, data were combined using a composite variable approach in order to combine data into single variables for further analysis. To evaluate the model, 327 respondents (business owners/managers) were selected for this study, each representing 109 businesses from manufacturing, trades and services industries in East Nusa Tenggara. Not all 327 respondents were entrepreneurs, but all were business operators. Opinions of all business owners/managers were relevant to this study.

Multivariate analysis of variance (MANOVA) was used to examine whether there are differences between groups of entrepreneurs based on mean responses for the nine factors in the model (educational background was divided into two separate groups, to give ten factors in Tables 1, 2, 3 & 4). The data was analysed: a) For all respondents (327 respondents), b) For migrant and local entrepreneurs, c) Migrant and local entrepreneurs who were involved in joint ventures, and d) Those not involved in joint ventures.

1. **Response to Factors by All Respondents**

Descriptive statistics of mean responses to factors by all respondents (Table 1) suggest that:

- Respondents generally agree with the relevance of all factors associated with influencing networks or joint venture business between local and migrant entrepreneurs.
- Factors of educational background (formal and non-formal education), business experience, and market accessibility are those with strong influence on business networking.
- Results fluctuate around an assessment of 7 on the scale of 0-10, where 5 represents a response of neither agree nor disagree.
- Responses generally suggest agreement with all factors are relevant, with no one factor being dominant. Dominant factors would be expected to report means of 8 or 9- the highest (8.0214) was formal and non-formal education (see Table 1).

From the above discussions, it is noted that both the business related factors and social related factors are seen as significant by most respondents in the survey. Thus, respondents appear to be emphasising the importance of both economic and social development for the region.

2. **Response to Factors by Migrant and Local Entrepreneurs**

In order to gain insight into responses by entrepreneurs to the factors influencing networking and joint ventures, data was analysed for responses by migrant and local entrepreneurs. Table 2...
presents the results for each of the ten factors under review and comments are summarized below:

- The question addressed in this section of the analysis is whether migrant or local entrepreneurs reported significant differences in attitudes to the ten factors influencing networking and joint venture formation. Table 2 separates results from both groups.
- Results are mixed in terms of which group more strongly suggests influence by particular factors. Local entrepreneurs report more agreement in the question of tolerance than migrant entrepreneurs.
- Local entrepreneurs thought more strongly about support networks formal and non-formal education and entrepreneur education program.
- Migrant entrepreneurs more strongly agree with economic condition factors, business focus factors, market accessibility factors, business experience factors, capital accessibility factors, and personal characteristics.
- In all cases, the differences between the two groups was marginal. Therefore, the conclusion can be reached that local and migrant entrepreneurs had similar views on factors influencing networking between local and migrant entrepreneurs through joint ventures.

From the above discussion, it is noted that both business related factors and social related factors are seen as significant by most respondents in the survey. Thus, respondents appear to be emphasising the importance of both economic and social development in the region.

Table 1. Descriptive statistics of mean responses by all respondents

<table>
<thead>
<tr>
<th>Observed factor</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOL 1-10</td>
<td>6.0917</td>
<td>1.9849</td>
</tr>
<tr>
<td>EC 1-11</td>
<td>7.2977</td>
<td>1.4939</td>
</tr>
<tr>
<td>SN 1-6</td>
<td>6.4659</td>
<td>2.2781</td>
</tr>
<tr>
<td>BF 1-6</td>
<td>6.6442</td>
<td>1.5514</td>
</tr>
<tr>
<td>MA 1-5</td>
<td>7.8544</td>
<td>1.5933</td>
</tr>
<tr>
<td>BE 1-8</td>
<td>7.9098</td>
<td>1.3751</td>
</tr>
<tr>
<td>FORMAL &amp; NON FORMAL EDUCATION</td>
<td>8.0214</td>
<td>1.8001</td>
</tr>
<tr>
<td>ENTREPRENEUR EDUCATION PROGRAMS</td>
<td>6.8119</td>
<td>2.2563</td>
</tr>
<tr>
<td>CA 1-5</td>
<td>7.1621</td>
<td>1.7705</td>
</tr>
<tr>
<td>PC 1-6</td>
<td>7.5612</td>
<td>1.6391</td>
</tr>
</tbody>
</table>

Where:
TOL 1-10 = Tolerance questions no.1 to question no.10
EC 1-11 = Economic conditions questions no.1 to question no.11
SN 1-6 = Support networks questions no.1 to question no.6
BF 1-6 = Business focus questions no.1 to question no.6
MA 1-5 = Market accessibility questions no.1 to question no.5
BE 1-8 = Business experience questions no.1 to question no.8
CA 1-5 = Capital accessibility questions no.1 to question no.5
PC 1-6 = Personal characteristics questions no.1 to question no.6
3. Response to Factors by Migrant and Local Entrepreneurs not Involved in Joint Ventures

This analysis focuses on mean results for migrant and local entrepreneurs not involved in joint ventures. The outcome of this analysis, presented in Table 3 reported that:

- Of the ten factors, for five factors (economic conditions, business focus, market accessibility, business experience, and capital accessibility), migrant entrepreneurs reported stronger agreement with the factors than local entrepreneurs.
- The tenth factor (personal characteristics), reported no significant difference between either migrant or local entrepreneurial attitudes.

4. Response to Factors by Migrant and Local Entrepreneurs Involved in Joint Ventures

Table 4 indicates that migrant entrepreneurs reported stronger agreement for nine of the factors, while local entrepreneurs reported stronger agreement for only one factor (Tolerance). Therefore, it could be concluded:

- Migrant entrepreneurs are perhaps more sensitive to the nine factors and equally sensitive to the question of tolerance, as local entrepreneurs.
- It may be argued that migrant entrepreneurs who moved to East Nusa Tenggara Province from another region, strongly emphasize economic conditions, support networks, business focus, market accessibility, business experience, educational background (formal and non-formal education and entrepreneur education programs capital accessibility, and personal characteristics of entrepreneurs where involved in joint ventures.

From the above discussions, it is noted that both the business related factors and social related factors are seen as significant by most respondents in the survey. Thus, respondents appear to be emphasising the importance of both economic and social development in the region.
Table 3. Descriptive statistics of mean responses by migrant and local entrepreneurs not involved in joint ventures

<table>
<thead>
<tr>
<th>Observed factor</th>
<th>Business status</th>
<th>Entrepreneur status</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
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<tr>
<td>TOL 1-10</td>
<td>Non joint venture</td>
<td>Migrant entrepreneur</td>
<td>5.7800</td>
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<td>Local entrepreneur</td>
<td>5.9031</td>
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<td>EC 1-11</td>
<td>Non joint venture</td>
<td>Migrant entrepreneur</td>
<td>7.6216</td>
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<td>Local entrepreneur</td>
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<td>SN 1-6</td>
<td>Non joint venture</td>
<td>Migrant entrepreneur</td>
<td>6.0175</td>
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<td>Local entrepreneur</td>
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<tr>
<td>BF 1-6</td>
<td>Non joint venture</td>
<td>Migrant entrepreneur</td>
<td>6.8143</td>
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<td>Local entrepreneur</td>
<td>6.4288</td>
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<td>MA 1-5</td>
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<td>Migrant entrepreneur</td>
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<td>Local entrepreneur</td>
<td>7.5420</td>
<td>1.7577</td>
</tr>
<tr>
<td>BE 1-8</td>
<td>Non joint venture</td>
<td>Migrant entrepreneur</td>
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<td>1.3514</td>
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<td>7.1099</td>
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<tr>
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<td>Local entrepreneur</td>
<td>7.5623</td>
<td>1.3760</td>
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</table>

Table 4. Descriptive statistics of mean responses by migrant and local entrepreneurs involved in joint ventures

<table>
<thead>
<tr>
<th>Observed factor</th>
<th>Business status</th>
<th>Entrepreneur status</th>
<th>Mean</th>
<th>Standard deviation</th>
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</thead>
<tbody>
<tr>
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<td>Joint venture</td>
<td>Migrant entrepreneur</td>
<td>6.6618</td>
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<td></td>
<td>Local entrepreneur</td>
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<td>EC 1-11</td>
<td>Joint venture</td>
<td>Migrant entrepreneur</td>
<td>7.1176</td>
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<td>Local entrepreneur</td>
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<td>1.9166</td>
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<td>Local entrepreneur</td>
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<td>Local entrepreneur</td>
<td>7.4561</td>
<td>1.4586</td>
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</table>
CONCLUSIONS

Discussion indicates that respondents generally agree with the relevance of all factors associated with influencing business networks or joint venture business establishment. However, some factors are strongly significant for business networking, while others are not as strong. In all cases the responses between the two group was marginal, therefore, it can be concluded that local and migrant entrepreneurs had similar views on factors influencing networking between local and migrant entrepreneurs through joint ventures. The results of respondent response to the factors can lead to further data analysis using multiple regression analysis.

Evidence produced from this survey indicates that nine social and economic factors influence networking and potential joint ventures by migrant and local entrepreneurs and hence impact on economic and social development. Therefore, it can be added that the outcomes of this study have significance for government and government policy, treasure institutions developing training programs on local, community or regional development, and entrepreneurs within communities or regions.

REFERENCES


