



**Testing the Waters?
Motivational Dynamics of
Diaspora Investment
in the Hospitality Sector
in Jaffna, Sri Lanka**

**Chandima Arambepola
Mehala Mahilrajah**

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List of Acronyms

BOI	Board of Investments
CEPA	Centre for Poverty Analysis
DS	Divisional Secretariat
FDI	Foreign Direct Investment
GoSL	Government of Sri Lanka
IA	International Alert
LTTE	Liberation Tigers of Tamil Eelam
MFA	Ministry of Foreign Affairs
MFE	Ministry of Foreign Employment
MNC	Multi National Corporation
NPC	Northern Provincial Council
OECD	Organization for Economic Cooperation and Development
OSL	Overseas Sri Lankans
SLBFE	Sri Lanka Bureau of Foreign Employment
SLTDA	Sri Lanka Tourism Development Authority
USAID	United States Agency for International Development

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Encouraging the Sri Lankan Diaspora to Invest: An Overview

Introduction

There has been a heightened global interest in encouraging the diaspora to invest back in their countries of origin. International diaspora investment fora are held globally by multinational organisations to bolster such investment. Similarly, in the immediate aftermath to the conclusion of the civil war in Sri Lanka in 2009, focus on channeling investment to the economy was high on the agenda for the Government of Sri Lanka (GoSL). This also included inviting the Tamil diaspora to help build reconciliation in the North (Ministry of Foreign Affairs (MFA), 2009) and particularly as a potential source of investment (Board of Investments (BOI), 2015)). But such policy positions were evidently limited to paper, with the rhetoric being more anti-diasporic and the direct association of the term diaspora to denote a pro-LTTE, Tamil element seeking to destabilise the secured fragile peace (Asia Report, 2010). Later, with the change of government in January 2015, the GoSL appears to have adopted a more reconciliatory role in engaging with “Overseas Sri Lankans” and attempting to facilitate investments into the economy (Sri Lanka Brief, 2015).

However, questions such as, whether the promise of higher financial returns would be adequate enough to attract the diaspora to invest, remain unanswered, especially given Sri Lanka’s unique post-war context and the role the Tamil diaspora has played in seeking a political solution to the conflict. The lack of understanding of this phenomenon on the part of policymakers, cripples the GoSL’s ability to also formulate a strategic framework that would be best suited to encourage diaspora members to engage with Sri Lanka. Efforts to encourage the diaspora members to ‘return’ and engage with Sri Lanka by investing, lack clarity in many areas. This paper, in this context, attempts to understand such a key area by seeking a response to the research problem, “Why would diaspora members, especially those of the Tamil ethnic minority, be motivated to engage in a financial capacity in their country-of-origin, given the complex relationship with the “homeland”? The study endeavours to explain what motivations, beyond the apparent financial gains, would encourage the diaspora to invest in Jaffna in particular. For this purpose, the study focuses on the burgeoning tourism sector in Jaffna to understand the dynamics of diaspora investment in the region.

Efforts to understand and trace the political and socio-economic engagement of the diaspora is challenging for different reasons, among which, the core issue is the difficulty of defining who constitutes the diaspora. Conceptually, the debate on definitions continue (Brubaker, 2005), although the notion of the diaspora being born as a result of a traumatic event that triggers people to leave their country-of-origin has been largely displaced by a more 'accommodating' definition of why people would leave their 'homelands'. The problems of definition are further complicated by the question of self-identity with many now raising the issue of whether the so-called diasporic communities identify themselves and collectivise on the basis of such an identity. This problem of definition is evident in Sri Lankan government policymaking as well.

The "politics" of self-identity do not appear to be treated as a 'problem' in literature related to the Sri Lankan (read Tamil) diaspora. But the highly contentious issue of the diaspora being referred only in terms of the Tamil minority has resulted in some changes taking place at the state-level. The GoSL now uses the more politically neutral term of 'Overseas Sri Lankans' (OSL) but with little acknowledgement of who constitutes this group. It is unclear if Sri Lanka's considerably large migrant worker population – the 'temporary sojourners' are included in this definition of the OSL. Some indication of a separation is evident in how the GoSL 'treats' these groups. While the MFA, oversees and/or facilitates relationship-building with 'Overseas Sri Lankans', issues related to temporary sojourners (i.e. migrant workers) are addressed by the Ministry of Foreign Employment (MFE) with the Sri Lanka Bureau of Foreign Employment (SLBFE) acting as the main regulatory body.

While acknowledging the inherent pitfalls in attempting to define the diaspora, the need to conceptualise who constitutes the diaspora was important in order to conduct the study. Hence, partly informed by the literature and by the position of the GoSL, the diaspora was conceptualised as those who have left the country and settled elsewhere permanently but continue to 'engage' with the country-of-origin in different ways.

Background and Context

While much has been written on the political engagement of the Tamil diaspora in Sri Lanka, the non-political forms of engagement are not as well documented. A survey conducted among Sri Lankan diaspora found that those born in Sri Lanka had a strong tendency to return at least once in five years and that those with some form of engagement with Sri Lanka cited sentimental, philanthropic and social recognition as reasons to do so, with 14 percent citing financial reasons for their engagement. The most popular forms of engagement were found to be through 'sending money to friends and family' and 'donating to charities'. (Wijesinha, 2015). Apart from these glimpses into diaspora engagement beyond the lens of the political, little is known about the motivations and the forms of investment the diaspora is engaged in at present. However, since the end of the war in 2009, and particularly since 2015, the focus on diaspora as a conduit for development of the North and East has increased.

In addition to engaging in continued dialogue(s) with overseas diaspora groups, Prime Minister Ranil Wickremesinghe, delivering the keynote speech at the South Asian Diaspora Convention in Singapore in September 2016 (MFA, 2016) highlighted the potential for investment in Sri Lanka in identified sectors, including tourism. At a roundtable discussion organised by the Centre for Poverty Analysis (CEPA), in collaboration with the MFA, the Governor of the Central Bank specified the ways in which the GoSL was exploring means of encouraging diaspora engagement in Sri Lanka.

At the regional level, the Jaffna Investors' forum also focused on engaging with the members of the diaspora (Governor's Secretariat, 2016) with the tourism sector identified by the Northern Provincial Council (NPC) as a key sector for investment. Among the non-government initiatives, the most highlighted was the creation of the Roadmap for engagement with Sri Lankans Overseas facilitated by International Alert (IA). The report highlights a key conundrum for the GoSL: overcoming the negative perception attached to the term diaspora

especially because the largely self-identified Sri Lankan diaspora comprises the Tamil ethnic minority that has had a fraught relationship with the state (International Alert, 2016).

In such a sensitive context, several underlying reasons may help explain this adoption of a more conciliatory position by the GoSL. Generally, for countries like Sri Lanka which “might be deemed less attractive by non-diaspora investments because of small domestic market size, inadequate infrastructure or less attractive structural characteristics” (Riddle & Nielsen, 2011, p. 235) and which have introduced policies that are increasingly deemed unfavourable for attracting foreign direct investments (FDIs), attracting diaspora investment may be key. With the total national government debt at 10,313 Billion US Dollars, (Central Bank of Sri Lanka, 2018), a target of achieving 5 billion USD in FDIs by 2020 and the investment for 2017 hitting a peak with 1.67 billion USD, the GoSL is also saddled with a ranking at 111 in the World Bank’s Doing Business Index (World Bank, 2018). In such a rather dismal outlook, it would appear that encouraging those with a connection to Sri Lanka, such as the diaspora, to invest in the economy would provide a fail-safe means of ensuring that investments reach the war-affected regions specifically.

Channeling diaspora members to engage financially through investments and perhaps social capital exchanges could also be a means to water down the highly contested Tamil diaspora’s ability to wield influence on the more troubling and challenging issues of reconciliation. Playing to the diaspora’s emotional attachments to the home-country and one’s own community interests therefore, may distract from the more political role that diaspora members may wish to play. But a strategy of using emotional appeals or “guilt-tripping” Sri Lanka’s overseas community can only be effective to a degree, especially when the larger questions of reconciliation and political progress have not been forthcoming (Financial Times, March 2017).

Research Methodology

Anchored on the broader objective of understanding the interplay and the nature of the relationship between the diaspora and the “homeland”, with a more narrowed focus on understanding why the diaspora would invest in the country-of-origin, a pluralistic research methodology is employed to create a more nuanced understanding between them. Given the exploratory nature of the study, two primary areas were examined: the motivational dynamics underlying diaspora members’ investment (and thereby unravelling the relationship to the homeland) and what factors acted as enablers and constraints in investing in the tourism sector.

Why the tourism sector?

The choice of the sector for this purpose was informed by a number of reasons. Since the end of the war, visitors, both local and foreign, have flocked to Jaffna. Problematised as “war tourism”, studies tend to examine the underpinning dynamics from a theoretical lens (Hyndman, 2015; Pieris, 2014) and have missed out on examining how Jaffna itself has responded to this sudden surge in demand for accommodation. Similarly, “diaspora tourism” – generally understood as those returning to the country-of-origin to visit family and the community at large (Huang, Ramshaw, & Norman, 2016) has taken off in Jaffna in the recent years, with anecdotal information and general data from the Sri Lanka Tourism Development Authority (SLTDA) indicating that those visiting family and friends constitute a considerable percentage of visitors to Sri Lanka (SLTDA, 2017).

That Jaffna has responded to the demand for accommodation for outside visitors is evident. Although the SLTDA data indicate a total of 24 accommodation units in Jaffna (SLTDA, 2016), a cursory review of online platforms such as AirBnB and Booking.com in March 2017 revealed that Jaffna had over 80 options for accommodation; by May 2018 this had increased to over 130 options. But there is little information on who has stepped into offer accommodation to the visitors and the variation in accommodation options made available.

That the diaspora is investing in the sector came to light in connection with the establishment of Jetwing Jaffna hotel which was co-invested in by a Sri Lankan diaspora member residing in Norway (Sunday Times, 2016). At the opening ceremony, President Maithripala Sirisena cited this as an example demonstrating investor confidence in both Sri Lanka and Jaffna as conducive to “do business” (Explore Lanka, 2016). The hotel has proactively sought to train and employ Jaffna residents for its staff - a point highlighted by the owners. The strategic choices made in the geographic location of the hotel (i.e. Jaffna) and the choice of sector raised a more pertinent question: given the rapid increase in accommodation options made available in Jaffna and the high visibility afforded to the diaspora investing in Jaffna’s first star-class hotel, could diaspora members view the tourism sector and the sub-sector of provision of accommodation, as a means of “testing the waters” for investment in their country-of-origin?

Methodological Tools

Since the study is exploring an understudied aspect with regard to diaspora engagement in Sri Lanka, a literature review was conducted¹ as a first step in order to understand the context of diaspora investment and the possible motivations that drive the diaspora to invest in their home countries. Secondly, a mapping of the existing accommodation units in Jaffna and Nallur Divisional Secretariat (DS) Divisions was conducted. The tool, in the form of a structured questionnaire, was administered to better understand the nature of what is on offer for visitors to Jaffna and to identify the presence of foreign investment in the sector. Thirdly, seven semi-structured interviews were conducted among identified diaspora members who had invested in these ventures, to better understand the motivational dynamics that drove their investment behaviour.

By the end of the mapping exercise, a total of 79 ventures were identified of which 60 were located within the Jaffna DS division and 19 within Nallur DS division. Of these, 75 ventures were willing to share information, with the remaining four declining to provide data. Of those surveyed, 33 ventures were found to have some form of foreign investment. Using the data collected through the mapping tool, the identified diaspora investors were contacted directly by the research team and upon availability and agreement to be interviewed, seven interviews were conducted.

The ventures of those interviewed, fall within the small to medium scale tourist accommodation facilities. In terms of the SLTDA’s categorisation of the facilities, a majority would fall within “B” and “C” grade guest houses. There was a corresponding number of rooms (ranging from 1-10 rooms), mostly with air conditioner facilities and attached bathrooms. While not all had a dedicated restaurant, a kitchen was available. Most also offer a separate unit for drivers’ accommodation and include a Wi-Fi connection either within the public lounge area or in the rooms. With the exception of a single business venture established in 2003, the others were founded in 2009 or after.

In terms of the investment, six of those interviewed were engaged in a single-owned investment venture with one of them also currently establishing a 3-star hotel with substantial financial support from his sister residing in Canada. The other, co-owns a guest house which is run as a partnership, between three brothers, two of whom reside in Switzerland with the other (a returnee) managing the guest house from Jaffna.

The respondents are all male and skilled professionals, with three academically qualified as civil or mechanical engineers. Among the group is also a self-identified professional hotelier who continues to run a hotel overseas. Many tend to continue to draw an income from their ventures in the “host” country. Apart from one of the respondents who left Sri Lanka as a child of nine years and migrated to France with his family, all others had left as adults and have used the option to further their education overseas as a means to leave the country. With

1 In online platforms, Jaffna and Nallur DS divisions were found to have a high density of accommodation units possibly because of the centrality and accessibility these two locations offer to visitors.

the exception of the returnee, all were domiciled in European countries – the United Kingdom, France, Denmark and Switzerland. All returned to Sri Lanka during the initial ceasefire agreement and continue to engage in a circular pattern of migration. Some “sojourn” in Sri Lanka for about a month in a year, whereas others, return to the West for about three months. Notably, one of the respondents runs his business in Jaffna, but lives in Colombo when in Sri Lanka.

The following sections provide an overview of the key features noted and explore these motivational dynamics in relation to the diaspora’s financial engagement with Sri Lanka.



Diaspora and the Nature of Engagement with the Country-of-Origin

The notion of encouraging the diaspora to invest in the “home” country has dominated conversation in the donor community, specifically on “how to increase [remittances] and direct them toward more ‘developmental’ uses” and specifically on “encouraging collective remittances to support community development and employment generation...” (Newland & Patrick, 2004, p.5). The World Bank has hosted diaspora investment fora at regional and global levels with several other stakeholders including the USAID commissioning studies to identify how best to foster and direct the diaspora’s engagement as investors in the home country (Debass & Ardovino, 2009; Ionescu, 2006; World Bank Institute, 2006). The interest shown by such stakeholders is in line with the promotion of the ‘migration for development’ paradigm that has been widely touted as a way forward in harnessing the potential in migration towards development of the nation-states. However, this overtly policy-oriented approach has been critiqued for being both top-down and self-serving by seeking means to discourage migration to the Western hemisphere in particular (De Haas, 2010). Central to such processes is the notion that diaspora is an identifiable, specific group living outside of the country of origin but with strong enough ties to the “homeland” that would motivate them to “return” – either symbolically or physically. However, understanding who constitutes the diaspora and how such communities are shaped by socio-economic and political processes are of equal importance in attempting to harness their potential to engage constructively with their country of origin.

Who constitutes the diaspora?

Drawing largely from leading scholars such as Safran (1991), Cohen (2008) and Sheffer (2003), the diaspora is generally defined as a group of people who have either forcibly or voluntarily dispersed to different regions of the world, have a strong attachment to an ‘origin’ country and therefore, also may share common ethnic/racial and or cultural characteristics. One of the more contentious issues is whether such dispersal is permanent and whether such diaspora members self-identify as being part of this dispersed community (Brubaker, 2005). This question of belongingness has been raised pertinently in the case of the second and third generation(s) whose definition of a home country may vary greatly on the basis of their own socialisation processes (Huang et al, 2016).

Notably, the notion that diasporic communities are “born” when people are forced to leave their homelands has

been challenged: there is now greater acknowledgement that people leave under different circumstances and may encompass reasons ranging from trade, indentured labour, economic and social status reasons (Cohen, 2005). This in turn, has highlighted the diversity that exists within the diaspora itself. As evident in Sri Lanka,

"...diaspora groups and their respective institutions are seldom unified and homogenous; there is a need to understand the different aspirations and institutions of diaspora groups as well as the underlying factors such as class, professional, ethnic and gendered hierarchies that create fragmentation, power relations and competition among diaspora groups" (Vanore, Ragab, & Siegel, 2015, p. 7)

The heterogeneity of the diaspora is greatly aided by the evolving nature of the diaspora's identity which is not static. For, 'the diaspora experience is defined, not by essence or purity, but by the recognition of a necessary heterogeneity and diversity; by a conception of 'identity' which lives with and through, not despite, difference; by hybridity' (Hall, 1990, p. 235). These factors make 'locating' the diaspora challenging.

Attempting to define who constitutes diaspora also throws light on the complicated relationship that exists between the diaspora community and the country-of-origin. The labelling of dispersed communities as diaspora appears to be determined not just by the diasporic experience of the groups, but by the state as well especially, that of the country of origin (Orozco, 2005). Recognising and acknowledging its population elsewhere leads to self-identification among diaspora members but in other instances, the opposite also holds true especially in situations such as that of Sri Lanka where the government has sought to sideline its large Tamil diasporic population. Rather than positive outreach policies, sidelining of the diaspora community may in practice, give rise to a stronger voice and collective identity emerging from within the community living elsewhere.

Of equal importance is the role of the state of the host country, which can be highly discriminatory and part of a racialised discourse that positions diaspora members as outsiders and outliers (Anthias, 1998). The socio-economic and political marginalisation the diaspora experiences as immigrants can lead to the development of a more inward-looking perception and the strengthening of the relationship to the home country.

But fundamentally, there is a clear role to play for the country-of-origin in enabling diaspora to return and invest. In order to reach out to such dispersed communities, strong evocations are made to the attachment to the 'homeland'. Generally, "[t]he nation state calls on its diaspora for help and see it as a resource, investing in the maintenance of bonds and identity and giving preferential treatment to returnees" (Anthias, 1998, 8). But such relationships are strained in conflict situations where the diaspora may assume a position that is not aligned with that of the state. They can be easily viewed as antagonists, as "[t]housands of kilometres of separation and relative safety in a new homeland can generate romanticised notions and can obscure reality about the nature of homeland conflict" (Newland & Patrick, 2004, p.19). These in turn, create tensions especially where the state perceives the diaspora's role in the conflict as an impediment or where there is support to an armed group, as an enabler of violence. In such instances, garnering their support during peacetime becomes fraught with distrust on both sides.

At the same time, such overtures can unintentionally be discriminatory. For example, "while sending governments discursively construct diaspora engagement as a caring gesture, it largely excludes the less-privileged sectors of their diaspora", making those with the high skills and the capital the "main target of these 'caring' policies. (Kang, 2016, p.3). This leads to a reproduction of the centre and periphery differentiation and a tendency towards essentialising a loosely bound group through the promotion of ethnic solidarity.

Hence, attempting to define who constitutes the diaspora varies on the basis of the different contexts and who is attempting to define the parameters of diaspora identity. Interestingly however, the challenges of 'locating' the diaspora, the parameters within which the state recognises the diaspora and whether such communities

themselves self-identify as being part of a diasporic community, have not stopped policymakers in particular, from focusing on the ability of such communities to 'give back' to their countries of origin.

As the most recent World Bank data indicates, a state's migrant population is of fundamental importance to the home country's economy, with remittance flows rebounding in 2017 and continuing to increase in 2018 (World Bank, 2018) and outpacing the flow of Official Development Assistance to the developing world (Organization for Economic Cooperation and Development (OECD, 2018)). Remittances allow the home country to be better integrated with the global economy as the foreign exchange earnings facilitate a degree of stability of the domestic economy. Diaspora's engagement also has a multiplier effect on the ground with economic growth noticeable in five key sectors identified as the 5Ts: tourism, (air) transportation, telecommunications, (remittance) transfers, and (nostalgic) trade (Orozoco, 2005, p. 9).

Countries that are conflict-ridden or emerging from conflict, lack the necessary infrastructure and stability to attract FDIs. In such contexts, a large overseas population that earn relatively higher wages (and therefore, may have more disposable income) and with a strong link to the home country can act as a source of investment. This was found to be the case in Palestine and Armenia where multinational corporations (MNCs) were reluctant to invest (Gillespie, Sayre, & Riddle, 2001, p. 237). The diaspora, it is argued, will absorb the high risks involved and the possible below-market returns (Elo & Riddle, 2006, p. 5) because investing comes with added bonuses that are not necessarily pecuniary in nature. Such investors are able to contribute towards stabilising the economy especially in a post-conflict context, their presence in "troubled" regions signalling to foreign investors the promise of good returns (Nielsen & Riddle, 2010, p. 436). Interestingly, diaspora members may also act as advocates for larger investments (Devane, 2006, p. 65).

The diaspora is of importance also because they can bridge the transnational space and facilitate cooperation across these different spaces (Ionescu, 2006, p. 23). Its investments can lead to the fostering of development, job creation and innovation along with creating economic, social and cultural capital through global networks. Diaspora also has the ability to tap into social capital through linguistic and cultural understanding that other investors may perhaps struggle to find a foothold in (Newland & Tanaka, 2010). Their "transnational habitus" brings a unique set of skills and experiences which in turn, helps internationalise local business ventures.

"We expect this type of investors to have an information advantage stemming from their ability to manage multiple identities and grasp unfamiliar settings, their sense of transnational efficacy and openness toward difference" (Rabbiosi & Stucchi, 2012, p. 7).

Investments by diaspora have added potential benefits. There is less likelihood to repatriate the profits and more likelihood of establishing new or improving existing businesses (Nielsen & Riddle, 2010) and a lesser likelihood of retreating during a downturn in the economy or political instability. Diaspora will also be more likely to invest in local economies that generate employment and would prefer local sources and human resources, strengthening the existing supply chains.

A probable added benefit is also supporting existing businesses to seek out markets overseas, particularly in the countries where the diaspora is already settled in, thus leading to internationalisation of local businesses (Drori, Honig, & Wright, 2009, p. 1005). There are also, "spillover benefits" where technical skills of local companies are enhanced, "replacing a "brain drain" with "brain circulation" (p. 1005). In addition, diaspora members are "at an advantage in locating reliable partners, establishing their own credibility and enforcing agreements within weak legal systems" (Flanigan, 2017, p. 5). Therefore, where external investors may struggle for a stronghold and find the local contexts difficult to navigate, the awareness of local conditions and social connections gear the diaspora towards finding local solutions to existing impediments. This may hold true in the case of Sri Lanka, where navigating the bureaucratic structures, is further complicated by political patronage and corruption (Perera-Mubarak, 2012).

The treatment of investment as something generic and the failure to recognise the diversity in investments has been criticised (Elo & Riddle, 2006, p. 15). Investment can take many forms and is dependent upon the nature of the flow of funds and the capacity and nature of the dispersion of its diaspora (Newland & Patrick, 2004). While the focus has been largely on financial remittances under the aegis of the migration and development nexus, research has also highlighted the importance of social remittances - that of "the ideas, behaviours, identities and social capital that flow from receiving country to sending country communities" (Levitt, 1998, p. 927). Assuming every diaspora member will have the necessary entrepreneurial skill is to be ignorant of the lived realities of the diaspora members, especially when such communities are heterogeneous by nature. They may therefore engage in more philanthropic, charity-based interventions or development-oriented interventions that do not necessarily include investing financially to set up business enterprises. Hence, the idea to look beyond traditional forms of FDIs as the only means of investment is important.

Whether pecuniary or not, such engagement with the home country is not always positive. Levitt and Lamba-Nieves (2010), specifically caution against the perception that all social remittances are positive. "Both individuals and community leaders often speak about their fear that migrants import values that weaken families, deify consumerism, and encourage sexual permissiveness". Social remittances could also lead to a 'culture of migration' that makes moving almost inevitable because people are no longer satisfied by the economic and social opportunities their homelands offer. Despite these reservations though, focus on encouraging diaspora to invest – preferably through financial means but also through other forms of social remittances - remain high in the agendas of policymakers.

Factors influencing diaspora investment

It is generally acknowledged that the decreasing costs of transport and communication have allowed for the emergence of "small scale transnational entrepreneurs" (Devane, 2006, p. 60). These entrepreneurs have been able to take advantage of globalisation, a more "cosmopolitan way of life enhanced by cheap travel and the Internet, which enable the timely acquisition of resources required for operating cross-national businesses" (Drori et al., 2009, p. 1004). Furthermore, a strong economy (in the home country), proactive diaspora engagement policies, good governance, access to financial capital, favourable socio cultural perceptions on entrepreneurship and a critical mass of human and social capital are seen as factors fostering diaspora investment (Newland & Tanaka, 2010, p. 10).

At the same time, however, "diasporans may be interested in investing in their home countries but may be inhibited or unable to do so due to lack of available time, financial resources, knowhow, and other constraints" (Elo & Riddle, 2006, 33). This is echoed by Drori et al., (2009) who point out that

"[the] choice of strategy and action depend on the resources available to the entrepreneurs [and] these resources include, symbolic and material resources, professional knowledge and skills, cultural capital, and a social position within an organisation, as well as within communal, familial, and other settings" (p. 1007-8).

Diaspora members may also encounter difficulties on the ground based on how long they have been living outside the home country. They will face "steep learning curves" in trying to understand how to run a business back home. This tendency has led some to "charge a family member or friend with the day-to-day operations of their organisation in the country of origin, maintaining some degree of organisational control from afar" but these may lead to a burden that could culminate in the divestiture of the enterprise (Riddle, Hrivnak, & Niesen, 2010, p. 399).

In contrast to the generally held idea that diaspora members have an 'edge' over foreign investors because of their local knowledge and access to social capital, this argument may not always hold true. A study by Gillespie,

Sayre, and Riddle (2001) identifies the lack of infrastructure, a rigid financial system, political stability and the lack of social networks and brokers as factors that work against investing decisions. For,

"in attempting to bring a new business into existence, nascent entrepreneurs are hardly the loners they are often portrayed. Instead, they rely on many people to help them identify business opportunities, raise money, and garner information about doing business" (p. 253).

The impediments and challenges noted in investing in the home country then raises the more pertinent and central question of the study. Despite all these associated risks and challenges, why would diaspora members wish to invest in their home countries? Do the same factors that affect other investors also matter to the diaspora or, in invoking this link to the homeland, are there any intangible factors that push people to invest money in ventures that may not seem as profitable? In empirical research, this question of why diasporas wish to invest in countries they have left behind has not yet received much attention (Riddle & Nielsen, 2011). That the diaspora is motivated by aspects other than financial gain however, has been established. For instance, the Jewish diaspora in the United States quickly shifted away from charitable ventures to financial investments in Israel because of the inherent limitations to the former. The motivations that drew them towards investment were two pronged: the desire to establish a safe "haven" in light of the Holocaust and also as a means to gain prominence within the Jewish community (Gillespie et al., 2001, p. 238). The "psychic relationship" with the home country is considered critical in driving diaspora investment. These include the maintenance of a memory, vision/myth about the homeland, consciousness and or solidarity defined by this relationship with the homeland and a commitment to the restoration and/or maintenance of their homeland.

In other contexts, such as China, interest to invest was partly motivated by the opening up of business opportunities and partly due to homeland sentiments (Harima, Ello, & Freiling, 2016, p. 396). Studies conducted among other diaspora communities point to additional factors that include altruism, individual level motivations related to business and social contexts back home, social integration and family obligations (Harima et al, 2016, p. 396).

Furthermore, socio-economic conditions diaspora members experience in the host country such as career opportunities that do not match their skills and experience, language issues, lack of recognition and experience of a glass ceiling that is far lower than the natives are found to be motivating factors that lead the diaspora to invest back home (Harima et al., 2016, p. 396).

Since such a complex set of dynamics are at play and these also vary on the basis of the heterogeneity of the diaspora, scholars Nielsen and Riddle (2010) have attempted to classify these motivational dynamics into identifiable categories. Informed by the scant literature and their own work, the authors bring together these different motivational elements under three categories: financial, psychological and social status motivations thereby, allowing for the exploration of mostly internal motivations that may underpin the diaspora's reasons to invest in a home country. The classification is predicated on the understanding that "the social structure and psychological realities of the diaspora experience generate greater salience for non-pecuniary investment motivations, particularly when the country of origin emerges from conflict" (p. 437) and therefore, is in line with what the existing literature states about diaspora investment.

Accordingly, **financial** motivations are driven by the fact that diaspora members possess a "country-of-origin bias" since they strongly believe they have an information advantage with regard to which sectors to invest in etc. This is of greater value in a post-conflict situation "where the political, legal and market environment is rapidly developing and accurate information is scarce" (2010, p. 438). Access to such information is further complemented by a strong, positive belief in the capacity of the country to emerge from conflict. Coupled together, this leads the diaspora to focus more on information that supports their perspective and possibly

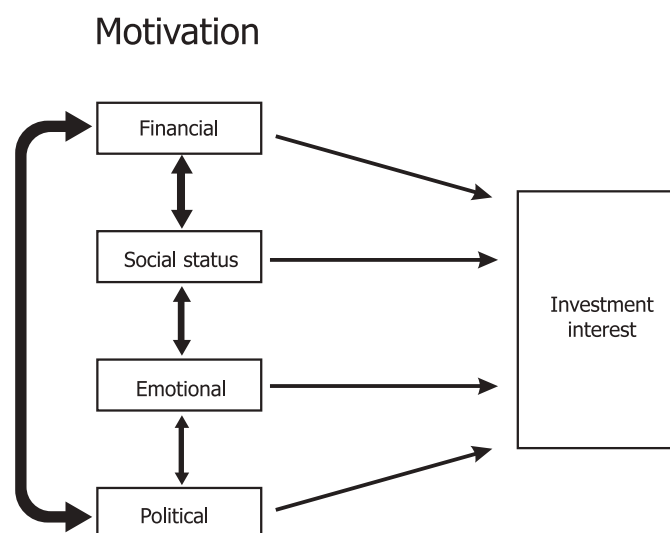
dismiss reports that offer more negative investment information.

The **emotional** motivation addresses the non-pecuniary motivations that drive investment decisions. The investor expects a certain emotional return (termed psychic income) from investing in the home country. Altruism, or a sense to “do good” for the community and one’s people, the authors argue, *also* help diaspora’s decisions to invest. Emotional dynamics can be rooted in a sense of guilt or the notion of wanting to do something to better the lives of those who suffered through violent conflicts. At the same time, the ‘warm glow’ one receives from doing something good and worthwhile become strong motivating factors driving the diaspora to invest, even when the conditions in the country of origin may not be well suited for investment.

Social status motivation is understood as the obligations of duty and the sense of belongingness the diaspora members feel towards the country of origin. Since a sense of belonging among the diaspora is relatively strong, being recognised for their investments by peers and their families and communities back in the “homeland” can act as a strong motivating factor. Interestingly, the authors stress that “striving for social recognition is motivated not only by a desire to maintain social relationships but also to avoid breaking bonds” (2010, p. 440), partly because the latter could also lead to undue stress. Thus, social status motivation is understood as a means to seek social recognition from peers and the community at large. The diaspora also maintains a strong sense of duty and have been socialised to perform their duty by the communities back home. Both family and one’s peers therefore, act as “sources of reinforcement when moral obligations are satisfied through investment” (p. 441) and thus, socially recognise this contribution as much as a fellow diaspora member may recognise another for fulfilling his/her obligation by investing.

For the purposes of this study, the conceptual framework proposed by Nielsen and Riddle (2010) was considered useful as it allowed the study to be based on a set of identifiable motivational dynamics that could be traceable through the in-depth interviews with the diaspora investors. The fact that the authors specifically proposed the model as a means to trace motivations of the diaspora in a ‘post-conflict’ context was also helpful. However, given the specific context we explore, the Jaffna peninsula, the tensions that still exist between the centre and the province, the accusations of lack of independence to make decisions regarding the allocation of funds for development activities, and the strained relationship between the essentially Tamil diaspora and the Sri Lankan government, an additional dimension was included into the framework to capture the political motivations that may be driving investment into Jaffna by diaspora members. As the model presented by Nielsen and Riddle (2010) has not been empirically tested, the addition of an extra dimension was seen as helpful in understanding the specific context that the Sri Lankan diaspora encounter when attempting to invest in their “home” country.

Figure 1: Conceptual framework adapted from Nielsen and Riddle (2010, p. 438)





Accommodation Units Operating in Jaffna: Salient Features

Diaspora investment, primarily in the form of financial investment, was found to be present in the hospitality sector in Jaffna. Some of the salient features of these ventures are presented in this section, placing such business enterprises alongside those with local investments. Although the information collected through the mapping exercise is extensive, some of the more important and relevant aspects are discussed in order to understand the degree of engagement and investment brought in by the diaspora members to set up such a business entity locally.

General Overview of the Sector in Jaffna

Of those surveyed, a majority - 60 in total - was established during the postwar phase with 08 ventures established between 2002 and 2006 and no new ventures founded between 2007 and 2009. The remaining 05 have been in existence for a longer period with the oldest two ventures established in 1969. This clearly indicates how local entrepreneurs and diaspora investors responded to the demand for accommodation that arose with the end of the war and what was termed, partly, as "war tourism" (Hyndman, 2015). Notably, 15 of these ventures were established in 2016 alone, indicating that seven years since the end of the war, setting up such accommodation facilities was still considered financially viable.

But the sector remains largely on a small-scale. Nearly sixty percent of the ventures fall within the category of guest houses (ten or less than ten rooms) with the basic facilities provided. This tendency to establish a small-scale tourist accommodation unit is not unique to Jaffna, since such instances have been noted elsewhere in Sri Lanka as well, as the informal sector has stepped in to respond to the demand for accommodation brought about by the rising number of foreign visitors to the country ².

Although accommodation providers must seek registration at the SLTDA, as the regulatory body governing the

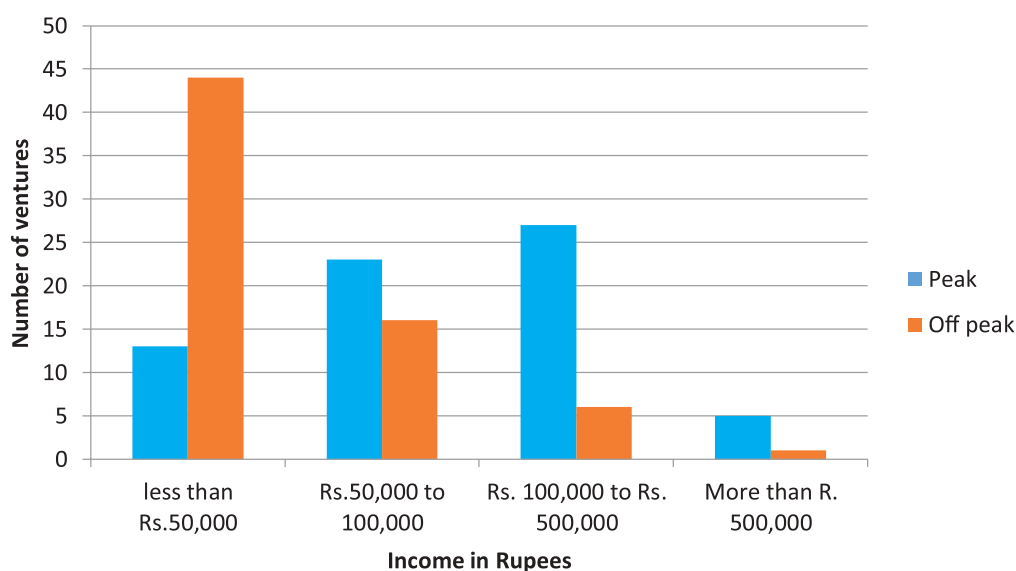
² The role of the informal sector in the provision of accommodation came up as a key theme during a CEPA-facilitated stakeholder consultation held in January 2017 and scoping exercise conducted on the tourism sector in Sri Lanka.

hospitality sector in Sri Lanka, few of the owners comply. While 90 percent of these units are registered locally as a business, only 18 are registered with the SLTDA. Most ventures are registered either with the respective DS office or the Municipal Council and therefore, are liable to pay local taxes. In some cases, the ventures are registered in multiple government/local authorities including the SLTDA. A majority (42 units) is registered in only one authority with the Municipal Council being the most popular option; 24 units are registered in two locations, generally the DS office and the Municipal Council. Seven business ventures are not registered at all.

The flow of visitors to Jaffna can act as a natural constraint on scaling up the business ventures. For a majority, the peak season corresponds with the school holidays, with many citing April, August and December as the peak months. The demand therefore, comes from mostly domestic rather than foreign visitors with a single exception: August is considered the most in-demand month mainly because of the Nallur festival when those domiciled overseas also travel to Jaffna in order to participate in the festival. This is reflected in the types of visitors who sought accommodation in the ventures. A majority (47) was patronised by all categories of visitors which includes local visitors, Sri Lankans living abroad and non-Sri Lankan foreign travellers. Only ten of the accommodation units were frequented chiefly by one of these three categories of visitors whereas, the remainder was frequented by at least two types of visitors.

The income levels recorded also indicate the seasonality of the sector. Fewer ventures occupy the income brackets of earning less than 50,000 rupees a month and more than 500,000 rupees a month whereas, a majority occupies the income bracket between these two. But as noted, the off-peak seasons see a clear drop with a majority (44) experiencing income levels below 50,000 rupees a month. This change may also help explain the preference for casual and part-time workers in the sector, as the scale of the venture is not large enough to cushion the effects of the loss of income during the off-peak season.

Graph 1: Level of income during peak and off-peak seasons



With regard to ownership, 80 percent of the surveyed accommodation units were owned by a single individual with the remainder owned by more than one business partner. In terms of investment, the data indicates a significant presence of diaspora investment. Although local investment in the sector in Jaffna is higher, individual diaspora owners form a significant proportion in the sector. Among those with local investments, there is a tendency to opt for single ownership rather than seek out partnerships. There is also a slightly higher tendency (19.2 percent) to opt for a partnership where the investment is foreign. Where local and foreign investments are mixed, the trend is reversed with two or more persons indicated in a partnership.

Where there is local investment, there is also little need to seek out partnerships especially if the investor is

domiciled in Jaffna/Sri Lanka. But, for diaspora investors, the fact that they are not permanently based in Sri Lanka or Jaffna makes it more important to form a partnership, with either family or friends or an identified business associate. This allows for the managing of the business venture remotely with someone trusted running the business on his/her behalf, locally. The literature does support these findings for the diaspora, there is a strong inclination to form partnership based on the social networks of the community and the individual investor (Gillespie et al., 2001). The remaining sections therefore, traces the similarities and differences that exist between those with foreign (i.e. diaspora) investment and those without.

Facilities provided

Regardless of the type of investment, a majority had an operational kitchen as part of their facilities but very few had a restaurant attached to it. Those with mixed investments (foreign and local) have a stronger tendency to have a restaurant (37.5%) and the availability of a bar, whereas, ventures with only foreign investments, had no bar facilities. The difficulties in securing a license to run a bar was confirmed by one of the respondents. In contrast, for mixed investment ventures, the high cost incurred could be shared and the presence of a local investor could potentially ease the bureaucratic red tape that needs to be navigated in order to secure a liquor license. Similarly, the local and mixed investment ventures had a higher likelihood of having a swimming pool in the premises whereas there was none in the diaspora investment ventures. Even though a Wi-Fi connection was available, here again, the worst-performing was the diaspora invested ventures.

Table 1: Facilities provided at the accommodation unit categorised by type of investment

Type of investment	Response	Kitchen	Restaurant	Bar	Parking	Swimming pool	Drivers' quarters	Wi-Fi
		Percentage						
Local	Yes	73.7	28.9	13.2	92.1	7.9	76.3	76.3
	No	26.3	71.1	86.8	7.9	92.1	23.7	23.7
Foreign	Yes	88.0	16.0	.0	96.0	.0	80.0	72.0
	No	12.0	84.0	100.0	4.0	100.0	20.0	28.0
Local and foreign	Yes	87.5	37.5	25.0	100.0	25.0	87.5	87.5
	No	12.5	62.5	75.0	.0	75.0	12.5	12.5
Do not know	Yes	75.0	75.0	25.0	75.0	.0	50.0	75.0
	No	25.0	25.0	75.0	25.0	100.0	50.0	25.0

In terms of variation in income among the local-only and diaspora investments, there appears little difference. The presence of the mixed investment category stands out in the two extreme categories – as those earning less than 50,000 rupees a month and those earning 500,000 rupees or more a month. The rest reflect the general trends noted before. In the off-peak season, all ventures show a decline with a majority earning less than 50,000 rupees a month. Local investment and mixed investments ventures continue to have earnings within the 50,000-100,000 income category in comparison to diaspora invested ventures.

In terms of registering the business venture, the preference for registering with the SLTDA was highest among those with mixed investments, whereas those with an individual local or diaspora investor appear to show no inclination to register with the regulatory authority (Table 4). The ability to meet the high standards set by the SLTDA in order to secure its registration could be better enabled in mixed investment ventures because of the relatively better access to social and financial capital. The diaspora and local ventures may also be relatively new, hence, requiring more inputs of investments prior to seeking the SLTDA classification.

Table 2: Registration of tourist business ventures on the basis of the source of investment

Source of investment	Divisional Secretariat (DS)	Urban/ Municipal Council	SLTDA
Local	34%	71%	18%
Foreign	42%	77%	19%
Local and foreign	43%	43%	57%

The general trend therefore, is to register the business venture with the local authorities with a majority registered with the Urban/Municipal Council. This preference for the elected local authority may be due to the fact that services associated with running a business locally (i.e. waste disposal, sanitation, access to a pipe borne water connection, building permits etc.) are linked to the local authority rather than the local administrative body. This registration also allows for some form of taxation to be collected from the business venture. Of interest is the sidelining of the central regulatory authority, the SLTDA, in preference for local compliance – the benefits of local registration far outnumbering those of registering with the SLTDA.

In terms of the type of guests the ventures receive, the local and foreign invested ventures attracted all three categories of visitors – the local, Sri Lankans living abroad and non-Sri Lankan foreign visitors. While those ventures with a mixed investment attracted all three types of tourists, interestingly the diaspora funded ventures attracted more local and non-Sri Lankan travellers than the local investment ventures. The reason for local investment ventures not attracting as many foreign travellers could be their lack of a competitive edge, as ventures with a diaspora investor may be marketing their ventures on online portals such as AirBnB and booking.com.

Table 3: Categories of visitors to the accommodation units

Source of investment	Local travellers	Sri Lankans living abroad	Non Sri Lankan Foreign
Local	89%	76%	68%
Foreign	96%	77%	81%
Local and foreign	100%	100%	100%

This argument is supported by the outreach mechanisms adopted. Those with some form of foreign investment, have a stronger presence in social media such as Facebook (35%) and in e-booking platforms (46%) in comparison to those with only local investments (26% and 39% respectively). In general, the least utilised of the options are blogs and electronic media. Tourism fairs, while not as popular among those with non-local investments, is an option for those ventures with local investments. This could be attributed to the fact that owners of such ventures are locally based and therefore, can use the regional promotional fairs as platforms for promotions.

A closer look at the nature of the utilisation of human resources by the respective ventures illustrate the challenges of managing a business venture in the hospitality sector. In general, 23 ventures were found to employ family members as staff, who were overwhelmingly male (81%). Interestingly, 52 of the ventures employ permanent staff members which also indicated the same gender pattern (85% male, 15% female). Twenty-two ventures employ casual workers which shows a relatively higher rate of female hiring (30 percent). On average, 82 percent were male and 16 percent female (2% missing data).

These trends are not unique to Jaffna. Female labour participation in the tourism industry in Sri Lanka is considered to be less than 7 percent due to the social stigma attached to working in the sector (Nanayakkara, 2015; Gunasekara, Phillips and Nagraj, 2016). In Jaffna, the percentage of women employed is slightly higher than the national average for women in the sector, but they also tend to be concentrated in casual labour which

is precarious in nature with little to no added benefits and lack of career development (Gunasekara, Phillips and Nagraj, 2016).

As table six (below) indicates, those with foreign investments show some variation but nothing significantly different. One of the key features is the absence of family members and casual labour in mixed investment ventures, where the majority of the staff comprises permanent, male staff. Female participation (at 9 percent) mirrors the national female participation rate for the hospitality industry. While family members are employed in foreign invested ventures, there is no great difference when compared with locally invested ventures. What is striking is that female employment is relatively higher in foreign invested ventures whether it is employment given to a family member, as casual labour or as permanent members of staff (20% as opposed to 16% in local investment ventures).

Table 4: Employment by type and gender (in percentages)

	Family member (Male)	Family member (Female)	Casual labour (Male)	Casual labour (Female)	Permanent (Male)	Permanent (Female)	Part-time (Male)	Part-time (Female)
Local	82%	9%	71%	29%	84%	16%	80%	20%
Foreign	81%	14%	69%	31%	80%	20%	100%	0%
Local and foreign	-	-	-	-	91%	9%	100%	0%
Do not know*	-	-	-	-	50%	50%	100%	0%

*type of investment is not known

Challenges encountered in running a tourism related venture

The challenges encountered within the hospitality sector offer some insights to operating a small-scale business venture in a post-war context. The most pressing issue mentioned was competition. With accommodation units mushrooming across the city, these relatively smaller ventures (i.e. guest houses) experience setbacks in profit margins. The issue of competition is coupled with fears of unregulated businesses flooding the sector and a desperate race to the bottom ensuing through the offer of low rates to attract visitors. Some businesses raised the issue of Jaffna as a tourist destination only being popular during a specific time (i.e. the Nallur festival in August) and the inability of sustaining a relatively regular flow of visitors during the rest of the year. One of the reasons cited for this was the hot climate of the city, rendering it non-conducive to a regular flow of visitors.

The second most pressing concern was the lack of access to funds/credit facilities, linked to the ambition to improve the facilities on offer to the guests. This inability to access credit in some ways, could also be tied to the fact that the businesses cannot show a sustained income across the year but rather, are dependent upon a short peak season.

Importantly, the lack of skilled human resources to offer better services to the guests was raised consistently. The inability to meet the culinary requirements of the visitors especially in preparing western cuisine, lack of English language skills and prior experience in working in the hospitality industry were all cited as challenges to operating such businesses in Jaffna. One respondent cited the difficulty of employing female youth in the sector, given the stigma that was attached to such women who were branded as "bad". As mentioned previously, the labelling of the sector as unsuited to women in Sri Lanka is commonplace, but such stigma becomes further 'enhanced' within the traditional social and moral values of Jaffna. While the traditional cultural norms were seen as restrictive, there was equal concern that residents "suffered" from a war mindset, thus being wary and not as welcoming of outsiders/visitors.

These findings highlight some basic features regarding the hospitality sector in Jaffna and how such ventures have established themselves through sole ownerships or partnerships. The information collected shows the variation and diversity of options available in Jaffna for visitors to the city and how both Jaffna residents and diaspora members have stepped in to respond to the demand for accommodation. Significantly, there is little support through financial aid or technical knowledge for these business ventures.

Although investors have responded proactively towards the sudden inflow of visitors to the city, the responses of the interviewees indicate that they are operating a business in a context where the necessary infrastructure and support systems are not as well attuned to developing a business venture. This is most evident in access to finance and the lack of trained or skilled human resources – both crucial elements in operating a business in the hospitality sector.

While the diaspora's presence in the sector through financial investments is significant, the sole ownership model appears to be struggling. Furthermore, their presence occupies neither the smallest ventures nor the larger ventures. They occupy mostly the middle ground, providing basic facilities needed for a traveller. Noticeably, rather than operating a business on a sole investment/ownership model, the data indicates it is mixed investment partnerships that outperform the others. Rather than the presence of certain facilities, it is the absence of facilities such as a restaurant, bar and swimming pool, that highlight the challenges in operating a business remotely or the dangers of a single individual assuming the risk. Hence, while the diaspora is present, their capacity to scale-up the business may be constrained by the lack of skilled staff, intermediaries and the inability to be physically present in Jaffna in order to oversee the management and expansion of the business venture.



Complex Interplay: Motivational Dynamics among Diaspora Investors

The sections below use the proposed conceptual framework to explore the motivational dynamics of investments cited by the diaspora investors. Echoing the interplay between the different dimensions, the findings indicate that social status and emotional status are strongly interlinked, with financial motivations playing an important albeit marginal role. Interestingly, political motivations are fundamental to understanding why Tamil diaspora members are seeking to invest in the 'homeland'.

Social status and emotional attachments

Despite attempting to separate the two dynamics, these appear to be more commonly interlaced together, 'working' in conjunction of each other as motivating dynamics. The 'psychic income' to be garnered by extending help through founding new business ventures is evident among the investors interviewed, but so was social status – to a degree. For example, wanting to do something substantial for the wellbeing of the people and the region as a whole, was a strong undercurrent running through all the interviews conducted.

I did not start this venture for my income. We had lost many things. We do not lose our rights in the mother country. I thought that we can give employment opportunit[ies] to local community people. Also we can uplift my relations' living standards.

(57 years, 08 February 2017)

We opened this hotel, now we can give employment opportunities to our relations. We have appointed two relatives who are disabled [by birth] persons. But we give them work and pay a salary and provide accommodation. I feel happy [being able] to give this chance to them.

(40 years, 12 February 2017)

The focus on those who remained and the importance of uplifting their livelihoods was further underscored by the investors who strive to source the food and labour locally. For instance, a much larger scale resort project

under construction by a diaspora member is sourcing about 90 percent of the manufacturing locally, including the boats and the related equipment required for the resort-type venture. Noticeably, much attention is also paid to the youth and the need to foster their capacity to work. Hence, the 'psychic income' is generated through the capacity to extend support to those who did not leave.

I created 20 job opportunities for local people. Like that, if diaspora people invest here [in Jaffna], they can create 100 jobs for the local people.

(43 years, 7 February 2017)

The people living in those areas [nearby fisher communities] are leaving now because of a lack of job opportunities. But if we develop a tourist place there, many people will have the opportunity [to work]. So, I am developing a resort type stay there and planning to have a theme park also.

(age not revealed, 08 February 2017).

The same respondent further emphasised the need to create more job opportunities for young women beyond the hospitality sector and was exploring the potential for a collaboration with other private sector investors who already have a strong presence in the Colombo-based economy. Interestingly, creating employment opportunities for youth is not thought of in isolation; improving skills on the ground is also explored, especially by those who have such skills to impart.

"I don't believe in god, but believe in my hands. My main reason to open the hotel was creating employment opportunities. I wanted staff without experience because then, we can train our staff based on our needs...if the person is new to this sector, then, I can teach them correctly.

(50 years, 12 February 2017)

Similarly, another investor was actively engaged with the skills development programme facilitated by the World University Services of Canada in Jaffna through the provision of apprenticeships to young men and women at his hotel. Such efforts, though few in number, are indicative of the ways in which these investors attempt to engage with not just the local communities but other stakeholders active in the region as well.

One of the common features among those interviewed was the specific role assigned to the family. Nielsen and Riddle (2010) discuss the duty and obligation to the family that fosters diaspora investments. In this specific context, however, the relationship is inverted. The reliance on family and friends to help the investors operate their business venture appears to outweigh the efforts to help those family members. Reliance on relatives to manage the business venture or help navigate the regulatory and administrative structures at the local level was common. Some of the investors rely on close family members living overseas to channel financial funds to further develop the venture(s).

Hence, the role of the family is associated with providing ancillary support for a business venture – an evocation of Sri Lanka's extensive social support network that is centered around the family. At the same time, however, the dependence on the extended family could be because of the lack of support on the ground - the lack of infrastructure and being ill-equipped to deal with the administrative and political red tape existent in the local setting. Being physically away from Jaffna therefore, increases reliance on a trusted family member to act as a proxy, especially with regard to navigating these complex state structures in operation. Hence, rather than an obligation or duty towards the family left-behind, "doing something" for "our people" appears to be a strong motivating factor

I worked hard and invested here. I felt I have to give employment opportunity to the Tamil

community who were left out. We ran away from the place of birth for our survival. The people who were left here, are the reason for the identity of 'Tamil' in Sri Lanka. They [who did not leave] lost everything. I felt guilty also because these people stayed here because they didn't have the opportunity like us and they faced many troubles here.

(Age not revealed, 08 February 2017)

It is in this light that creating jobs for “my people”, looking at ways to encourage young women in particular to engage in skills development and encouraging youth to gain skills in the hotel industry become strong motivating elements. Hence, duty and obligation to the people appears the strongest of motivators among the investors. However, there are limits to helping the people of Jaffna: while the emphasis is on generating employment through the opening up of these ventures, there appears to be little clarity on how the income generated through the venture is circulating within the Jaffna economy. Since many of these ventures primarily maintain a presence in the virtual sphere, the investors are able to re-invest the profits elsewhere or channel the income to their ‘host’ countries rather than sustaining such profits within Jaffna.

Political motivation

Of equal importance is the perception of the status of the Tamil people in Sri Lanka. There is general discontent that the government has failed the Tamil people and that such failures are not new. The respondents refer to the historical marginalisation the Tamil people in Jaffna have experienced and how their own elected officials are unable to work towards the wellbeing of the Tamil people. This lack of attention to addressing the needs of the people, then becomes a motivator for the respondents to seek out ways of engaging in economic development.

Three decades ago, we were economically strong. For example, in Colombo most of the shops were owned by Tamil people. The government destroyed our shops and stole our properties. They burned our shops in front of us. They did this to bring down our business and they did it very well. Even now they do not help to uplift our life. So we should try to uplift our community life. The government does not like the Tamil people to grow.

(40 years, 12 February 2017)

Tamil politicians' powers are limited and the government controls the politicians. They are not able to do anything for the people. All people need to think that 'this is our land and we need to develop it economically'...The love for the land is not present among the people. If you go to other countries, you can notice that here and there, they might mention about their feeling towards the land 'I love ...' I have never seen here anyone mention "I Love Jaffna".

(Age not revealed, 08 February 2017)

From colonial period our country was affected and even the government did not give enough for the economic development of the Tamil people. They [the government] didn't want development. All these factors made the intellectual people move out of the country and the rest of them were left and they had to fight for their rights.

(43 years, 07 February 2017)

The historic marginalisation and its repercussions on the Tamils are alluded to by the investors as a reason for leading them to explore means of engaging in a financial capacity. Interestingly, a strong undercurrent running across these narratives is the emotional attachment to the ‘homeland’, Jaffna.

Their frustrations with the status quo are further vocalised when speaking about the government’s attempts at reconciliation. There is distrust in the process of reconciliation initiated by the government stakeholders and a strong sense of being let down by the government. These sentiments add fuel to the need to step in to uplift

the lives of the people of Jaffna.

Some people and even my family said "if you [decide to] invest in Jaffna, you're foolish". Because they think this peaceful situation is not stable and will not last long.

(57 years, 08 February 2017)

Reconciliation can be achieved through economic development only. We can't get it through war. They [Government] developed the infrastructure [i.e. roads, railway] to wash the sins of what they have done to our people. But that won't return our people's soul.

(age not revealed, 08 February 2017)

The government is talking about reconciliation but it is in name only. Before, they talk about reconciliation among all races and after the war they said they accept everyone. The government is acting like they are building the reconciliation among all races.

(40 years, 12 February 2017)

The political leaders and elected officials in Jaffna are seen as playing only a minimal role in making decisions regarding the development of the region. History and existing political dynamics therefore, are used as a guide not to expect any substantial gestures of goodwill from the state towards such development. Hence, the investors work towards addressing the needs that exist at the local level. Of interest is that the investors are aware of the inherent risks in investing in a context where reconciliation efforts have stalled. As several pointed out, both family and friends have cautioned them against investing. However, such risks are subsumed by the need to 'do something' substantial for the people of Jaffna. And thus, political motivations are translated into action by seeking to generate job opportunities through engagement in the hospitality sector.

Of interest is the way in which the investors then perceive the 'homeland'. The GoSL at the centre is seen to continue to marginalise the Tamil ethnic minority with little to no constructive efforts being made towards any substantive reconciliation mechanism. Hence, investments are directly brought into Jaffna, to help those who are being sidelined by the state. This indicates that the ties to the region as one's homeland is far more powerful than the evocation of an identity tied to the Sri Lankan state. Ironically, the see-sawing attitude of the GoSL towards offering a more conducive political settlement appears to strengthen the resolve of the diaspora members to strengthen their ties to the local communities and to, interestingly, channel financial investments into Jaffna specifically. Hence, such political motivations shape the decision-making process of the investors, especially in focusing on the Tamils living in the Northern Province.

Financial Motivation

Home-country bias and the access to in-depth knowledge and information on doing business locally, can motivate diaspora members to invest money in locations where more mainstream investors may be wary to step in to. The ability to navigate the local bureaucracy and red tape and tap into areas of business that are under-developed therefore, can carry healthy financial returns for such 'frontier' diaspora investors. In the case of these investors, however, potential for financial returns was secondary within the larger project of rebuilding and the need to support the local economy and the people of Jaffna.

There is an inherent danger in assuming that the choice of industry and the form of investment was random. Some of the investors cited the demand for accommodation in Jaffna since the end of the war as the reason for prompting their actions to move into the sector, while others were aware of the potential rise in demand for accommodation in a fast-evolving economic climate:

I bought the land in 2003, the construction was started on 2008. I borrowed a loan from a bank. Then we opened in 2012. Our business target is on medium level customers. Here [the hotel], most people come for business meetings so we target them. My hotel venture is located near the Mosque, so mostly Muslim business people come.

(40 years, 12 February 2017)

Echoing Drori et al. (2009), access to finances and one's own experiences in the sector were also taken into consideration by the respondents.

I am engaged in a real estate business in London and so, investing in tourism is easy for me. To invest in agriculture or fisheries, a larger amount of investment is needed and the field is not familiar to me.

(Age not revealed, 08 February 2017)

Hence, while the promise of high financial returns was not the leading factor bringing diaspora investors into the hospitality sector, decisions regarding the investment were not made in a vacuum either. A reason for financial motivation not being as dominant could also be due to the fact that these investors already have access to a stable source of income earned in foreign currency. These could be through business entities operating in the host country or as professional fees etc. Hence, the income generated from the local venture only amounts to a supplement to a main income source. This helps the investors assume the associated risks of investing in the industry, helping cushion the effects of declining occupancy during the off-season, which local investors cannot ignore as easily. It also allows for the investors to explore the potential of a business venture to create jobs on the ground and to focus more on how their businesses can help the people – a risk that non-diaspora investors in the local economy are probably reluctant to absorb.

Inhibitors and Enablers

The investors saw few enabling factors that support their investment in the tourism sector, indicating that they received little support from the government or other private entities such as the Chambers of Commerce and donor agencies. The challenges they met, however, were varied and run the gamut, ranging from issues directly associated with the GoSL to problems with the Local Authority, the rule of the law and human resources related concerns.

The investors were discontent with the role of the government in general. The GoSL was accused of doing little to support the activities of the investors. Among the issues identified was the non-recognition of small and medium scale entrepreneurs and therefore, the lack of support to such investors through tax incentives and/or access to credit facilities at a subsidised rate. They also faulted the GoSL for not encouraging diaspora investments by offering incentives that would enable them to channel resources to Sri Lanka. These sentiments are not new, as diaspora members have continually cited the lack of support, especially in navigating administrative structures, as a key factor that keeps them back from engaging in a constructive manner ³.

This dissatisfaction with government authorities (at the centre) is further exacerbated by the lack of support from the local authorities in Jaffna towards improving business ventures. There appears to be no easing of regulations, with the officials more concerned with following the law rather than adapting to the practicalities of the specific context. The respondents referred to the red tape in place and the pillar-to-post procedures one has to navigate in order to set up a business. Some had trouble securing the Certificate of Completion (CoC) for new constructions, without which other services and registration of the business could not be secured. In one such instance, the respondent sought support from a high ranking politician to expedite the lagging process. At

3 During a Roundtable facilitated by CEPA, diaspora members continually highlighted this as a major stumbling block in enabling diaspora engagement.

the regional level, concerns regarding the rule of law were also raised. The increase in robberies with drug use and changing consumption patterns particularly among the youth were cited as reasons for the breakdown of law in the region.

But these concerns with the lack of support from the government and the breakdown of the rule of law is superseded by concerns regarding the tourism sector itself and more specifically issues related to human resources. For the respondents, the lack of willingness on the part of the youth to engage in the hotel industry is symptomatic of larger societal issues.

Jaffna people needed money during the war period because at that time there were no work opportunities for people so, they needed help from overseas. But now it has changed, more work opportunities have been created but people are so lazy because regardless, they receive money from abroad.

(43 years, 07 February 2017)

Here [in Jaffna], people have a misunderstanding about the hotels. They don't appreciate the hotel industry jobs. They have some ideal job in mind in which their children must be employed. They don't think every field has its own path to progress and improvement. Here, youth do not know the value of money.

(Age not revealed, 08 February 2017)

There are more employment opportunities here for youngsters but they do not know how to choose it. They are ready to work but for a higher basic salary. Wherever, whatever you work in, you cannot get a high salary as you start work. We should follow the business ethics and law...Companies provide promotions and incentives to workers. We can earn step by step, but we cannot bargain the salary just immediately [upon recruitment].

(40 years, 12 February 2017)

Some of these concerns regarding finding people to work in the tourism sector are not unique to Jaffna alone, but more generally felt within the tourism sector as a whole (Chandrasiri & Gunatilaka, 2015). What is of significance though, is how the investors connect the apparent lacklustre attitude towards securing employment in the sector to the notions of cultural "backwardness" and the youth becoming lazy because of access to a steady flow of remittances from family living and working overseas. This trend has been noted by others as well (Point Pedro Institute of Development, 2016). Furthermore, that the conservative outlook on education is keeping the youth from seeking viable income generating opportunities made available through the private sector in preference to employment in the state sector frustrate the investors. Therefore, although the investors refer to the Jaffna-specific context and the discontent they feel with regard to the Jaffna culture and the youth specifically, the concerns regarding human resources partly echo the concerns raised within the hospitality industry as a whole.

The perceived laziness among the youth could be because of low wages, the temporary nature of the work and the gap between youth aspirations and what is being offered by the owners of the ventures. The fact that the local owners also cited the same concern, points to this issue being a much larger concern with regard to how employment in the tourism sector is perceived.

But the persistence of this perception of youth and the general notions regarding the limits of a rather traditional approach to education should also be seen in light of the differences in lived experiences of the diaspora members and the Jaffna residents. This disconnect is alluded to, in the literature, pointing to the ways in which such differences in approach to work and lived experiences could lead to tensions arising between those who left (i.e. diaspora members) and those who remained in the country-of-origin (i.e. residents of Jaffna). Such

differences are further exacerbated when the diaspora seek to return and engage through business ventures. Tensions and confrontations with the local communities were cited by two investors when the residents opposed proposed extensions to a business venture. Such actions were also viewed as “backward thinking” on the part of the community members and detrimental for the development of the region as a whole.

Apart from the challenge of finding workers, the respondents also found problems within the tourism sector in the region. There was little collaboration among the hotel owners and therefore, a lack of coordination in lobbying relevant stakeholders to offer support. The lack of trained guides, knowledge of the history of the city among residents and the location of a tourist centre in Mankulam rather than the city were also found to be drawbacks in operating the business venture. The respondents also saw no incentive to register with the SLTDA. The paperwork was specifically referred to as overwhelming. The regulations would also lead to the requirement of more financial investments as the grading of the guest house/hotel would require the provision of additional facilities. Therefore, the formal procedure(s) established at the centre (in Colombo) are ignored and dismissed as too cumbersome with no perceived benefit.

Overall, diaspora investors do not appear to have a clear-cut advantage over other non-diasporic investors since the challenges that the investors encounter on the ground are structural in nature and reflect the general challenges associated with setting up a business by external investors. The reliance on family members and relatives to help setup and/or operate the business venture helps moderate some of these difficulties. More locally-specific challenges such as the lack of willingness on the part of the youth to engage in employment activities must be further explored in order to separate the perceptions of the youth’s resistance to engage in employment in the tourism sector from the aspirations of the youth in the post-war context.

Equally important is the potential for tension that may arise between community members and investors as they attempt to expand and promote hotels that threaten the local community’s way of life. Ironically, such tensions may inadvertently undo the attempt on the part of diaspora investors to help the people of Jaffna improve their economic wellbeing.

The absence of a linear pathway that leads diaspora members to invest, shows the complex ways in which motivations interrelate and collapse into each other. While the conceptual model adopted allows us to explore how different motivational dynamics may drive decision making regarding investments, there appears to be little clarity on a clear demarcation between the different dynamics. Further, within the social status dimension, while the respondents made a great effort to help family members, there was also considerable reliance on the families at “home” to help out and assist in the setting up and running of the business venture. Therefore, just as much as interested diaspora members seek to help families, friends and their community at large, the strength of the relationship to the family can determine the extent of the engagement with the ‘homeland’ since their support is fundamental to someone who is not living in the country-of-origin.

Rather than the promise of higher financial returns, it is apparent that social status and emotional motivations are helping to bring investors to Jaffna, driven by the notion that the GoSL has failed to offer the Tamil people anything of substance. Hence, while the need to “do something” for one’s people is what drives the diaspora to invest, such attitudes are also mired in the current political context where no significant measures have been introduced to offer a political solution to the long-simmering concerns of the Tamil ethnic minority. Hence, efforts to encourage the diaspora to invest in Jaffna and elsewhere, must be sensitive to these dynamics and the absence of a linear, clear-cut pathway adopted by these diaspora members towards investing in Jaffna.



Sri Lankan Tamil Diaspora, Motivations and Investments: Concluding Remarks

This study was undertaken under the broader objective of exploring the interplay and nature of the relationship between the diaspora and the homeland. Guided by the question of why the diaspora would invest in Sri Lanka, the study sought to identify the underlying motivations for diaspora investment and the enabling and constraining factors that influence their investment behaviour. The study comprised three aspects: a literature review to understand the existing knowledge on diaspora engagement with regard to investments, a mapping exercise to identify the existing accommodation units in Jaffna and Nallur DS divisions and in-depth interviews with identified diaspora investors to explore the motivations behind their investment behaviour. To aid in the latter, the study adopted the conceptual model presented by Nielsen and Riddle (2010) which identified three motivational dimensions – emotional, social status and financial. However, given the Tamil diaspora's complicated engagement with the homeland and the chosen location of the investment, we added an extra dimension of political motivation.

The presence of diaspora investment in the hospitality sector in Jaffna and Nallur DS divisions, point to the interest shown by diaspora members to 'engage' with Sri Lanka through such investments. The fact that the investors were skilled, male professionals who could cushion the risk of investing in a postwar economic scenario, such as that of Sri Lanka must be taken note of. Though their investments remain relatively mid-scale, leading mostly to the establishment of Guest Houses rather than relatively large-scale business ventures, the fact that operating a business as a sole ownership is difficult shows the challenges of investing and managing a business from afar. Hence, the reliance on family members to support them in their business venture, exhibiting the limits to the many 'positives' highlighted in line with encouraging the diaspora to invest in the 'homeland'. Therefore, positioning such investors as possessing an "edge" over other investors, because of their access to local knowledge and ties to the community has its limitations. In post-war contexts such as that of Jaffna, navigating the complex bureaucratic structures places such investors in the position of an outsider, thus, having to rely on family and/or friends to ease the burden.

The profile of the investors and the nature and scale of the investments also allow us to raise the question

of whether these diaspora investors are indeed 'frontier' investors; testing the waters in a postwar context by bringing in firstly, small amounts of financial investments with plans to scale up. While there is evidence of attempts to 'scale up' with ambitious plans to expand or establish resort-type ventures, most of the investors fall within the category of small scale 'transnational entrepreneurs' rather than the trailblazers that they are promised to be.

Such engagement is motivated by a strong sense of belongingness and wanting to "do something" for the people of Jaffna. Underpinning the need to help those who remained is the persistent perception that the GoSL is failing the Tamil people – the absence of any coherent strategy towards reconciliation or a political solution were cited as serious concerns. An important question this helps raise is the notion of the 'homeland' in the eyes of the diaspora investors: given that political motivations, social status and emotional attachments interact and interplay in encouraging engagement via investments, it is clear that as first-generation investors, such diaspora members have a strong attachment to the 'homeland'. But ironically, their concept of the homeland does not fit within the nation-state of Sri Lanka, but rather, appears to be limited to Jaffna where "my people" live. This perception of the homeland is grounded in the views of historical marginalisation of the Tamil people by the GoSL and may also be largely determined by their own lived experiences as first-generation diaspora members. Whether these same perceptions hold sway within the next generation of investors would be of interest to follow.

The study has its limitations. During the data collection phase, some of the owners and persons in-charge of the ventures were reluctant to provide information regarding the nature of the investment and/or the details of the foreign investor. Since the investors were domiciled overseas, the person-in-charge acts as a gatekeeper, preventing in some instances, contacts with the owner of the venture. The challenges encountered also point to the ethics involved in conducting a study of this nature. Firstly, there is little information regarding diaspora and its engagement in Sri Lanka in the post-war context and therefore, the study could not base itself strongly on any form of prior work. Secondly, seeking to access information first-hand through a questionnaire in a context such as that prevalent in Jaffna at the time of the study proved to be sensitive. Many of the ventures are not necessarily overtly visible, their presence is mostly within the virtual sphere. Thirdly, studying the Tamil diaspora and its engagement in a post-war context has its own inherent challenges and continues to be a sensitive matter, especially where the relationship to the State is continually in flux. Finally, in determining the parameters of who constitutes the diaspora, as those who had left Sri Lanka and were permanently domiciled in another country, the study chose to overlook a critical factor in diaspora identity: whether the investors self-identified as such.

While the study helps answer some questions regarding what motivational dynamics are driving diaspora members to invest back in Sri Lanka, the findings point to the importance of further exploration of a number of characteristics. In the study, women are conspicuous by their absence: they remain largely invisible among the diaspora investors and also within the hospitality sector. Whether such absences amount to women being marginalised within the diaspora or whether women's investment behaviour takes a different trajectory must be further explored. Furthermore, since the conclusion of the study, anecdotal evidence is pointing to the presence of second-generation investors in Jaffna through the transference of soft skills as well as financial investments. The choice of the sector and the nature of their engagement may also vary and their motivations could be different to those that brought the first wave of diaspora investments to Jaffna, especially in relation to their conception of the real or imagined 'homeland'. Hence, while the findings may hold for this particular case – diaspora investment in the hospitality sector in Jaffna – whether the same motivations would be at play where other categories of diaspora members are investing is unclear.

Despite the limitations on generalisability, the findings of the study help in building the argument for a cautionary tale on encouraging diaspora investment in to Sri Lanka. It helps throw light on the complexities involved in attempting to frame diaspora engagement, vis-à-vis financial investments, in a largely positive, linear fashion.


Therefore, while limitations do exist, the findings can help towards creating a better understanding of why the Tamil diaspora in particular would show interest in investing back “home” and the impediments they encounter in attempting to do so, and thereby, challenge the linear discussions around promoting the diaspora to invest in Sri Lanka.

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In the post-2009 era, focus on encouraging members of the diaspora to invest in Sri Lanka has been relatively high. However, there is lack of clarity on why such members would wish to financially invest in their “home” country, especially those who had left Sri Lanka during the conflict. Using the burgeoning tourist accommodation sector in Jaffna and Nallur, this study tracks such financial investments into the sector by diaspora members and further analyses the motivational dynamics underpinning such investments. Adapting a model proposed by authors Nielsen and Riddle (2010) the study found that while emotional and social status motivations are strong, political motivations are fundamental to understanding the decision-making process. However, rather than possessing an ‘edge’ over other investors because of their local knowledge and social networks, diaspora investors encounter a range of challenges in setting up and operating a business remotely.