



LUND
UNIVERSITY

Lund University Master of Science in
International Development and Management
May 2016

BUSINESS ON FIRE

A Study Of Motivations Behind Entrepreneurial Activities Of Internally Displaced Persons In Kyiv

Author: Tamar Bzekalava
Supervisor: Christopher Swader

Abstract

This study explored an exemplifying case of the business activities of Donbasi Internally Displaced Persons in order to examine a relationship between entrepreneurs' necessity motivation and growth orientation. Three main questions were addressed to generate this knowledge: How are displaced entrepreneurs making a living? Why are they doing what they are doing? How do they foresee the future of their activities? An extensive qualitative data collection included document review, expert interviews, fieldwork observations and two rounds of semi-structured interviews with 12 displaced entrepreneurs. The findings of this empirical material showed that displaced entrepreneurs' activities are differently influenced by the context. They are pushed to pursue entrepreneurial activities in order to secure their livelihoods. Yet, the study also found that this necessity can motivate people to innovate or seek profit opportunities that were not available before the conflict. This research found that restoring their former quality of life and livelihood is a factor that may motivate displaced entrepreneurs' future growth ambitions. Based on this evidence, the study concluded that necessity-motivated entrepreneurial activities result from different motivations in short and long-term perspectives. For this reason, necessity motivation can not predict the growth ambitions and contribution potential of entrepreneurs.

Key words: entrepreneurship, motivation, necessity, opportunity, growth, displacement, conflict, crisis, IDPs, livelihood, Kyiv, Donbas, Ukraine, business, support, contribution

Acknowledgements

I would like to extend my deepest gratitude to all internally displaced entrepreneurs who devoted their invaluable time to participating in this study. This research would not be possible without their openness and extensive contribution.

I am also grateful to my gatekeeper - United Nations Development Programme in Ukraine, that supported my research while I was completing my internship in the organization. I would also like to thank the charity foundation Counterpart Creative Center and its director Volodymyr Kyprii for the guidance and contribution.

I want to express sincere thanks to my supervisor Christopher Swader for his continuous feedback and valuable comments throughout an entire process of this research.

Special thanks goes to my beloved family that inspires me to accept new challenges and supports me with unwavering love and care. Irina and Ketii, I would never be able to do anything, without you in my life. Uncle John, thank you for proofreading my work.

This publication has been produced during my scholarship period at Lund University, thanks to a Swedish Institute Scholarship.

Abbreviations

CCC	Counterpart Creative Center
DFID	Department for International Development
EU	European Union
GEM	Global Entrepreneurship Monitoring
IDPs	Internally Displaced Persons
SLF	Sustainable Livelihoods Framework
SMEs	Small and Medium Enterprises
UAH	Ukrainian Hryvnia
UNDP	United Nations Development Programme
WB	World Bank

Foreword

This study is inspired by the story¹ of two girls - Lyudmila and Nadejda, who bought a one-way ticket to escape the shootings in Donbas in summer 2014. With no contacts or belongings but their clothes, the girls found themselves in the west of Ukraine, in the city called Vinnytse. There a local businessman supported them by giving an old, soviet-era sewing machine and a tiny workshop in the backyard of an abandoned factory.

Inspired by the opportunity and driven by the necessity, the girls decided to start producing tailor-made leather bags. None of them had any experience of sewing or designing, but Internet and video tutorials provided the needed help. After spending days and nights in the workshop, practicing on old wallpapers and rags, Lyudmila and Nadejda assembled the first batch of bags and sold it via social media. By the end of December their products were on sale in three of the Kyiv's largest handicraft stores. One year past, they received a business support grant from international aid agency, which allowed them to get new equipment and necessary inputs for expanding their production and hiring additional people.

Currently, Lyudmila and Nadejda are producing over 20 types of goods such as backpacks, wallets and phone covers. They are able to cover their production costs, rent expenses and earn enough money for the purchase of new input materials. With the clear vision of their business, Lyudmila and Nadejda plan to develop further and export their products outside of Ukraine

¹The story was told by one of the respondents. The details were later enriched by the online source of donor organization. The names of the girls are modified to remain anonymous.

The main title of this study is inspired by the documentary - “Winter on Fire” that features 2013 and 2014 civil unrests in the capital of Ukraine.

Table of Contents

Abstract	2
Acknowledgements.....	3
Abbreviations	4
Foreword	5
1. Introduction.....	9
1.1 Purpose, Approach and Research Questions	10
1.2 Disposition.....	12
2. The Context	12
2.1 The Context of War	12
2.2 Institutions and Entrepreneurship	14
2.3 The Scope of Market.....	15
2.4 Human and Financial Capital Requirements	16
2.5 Appropriate Forms of Government Support	17
3. Review of Existing Research	18
3.1 Defining Entrepreneurship	18
3.2. Entrepreneurship and Conflict	21
4. Analytical Framework	23
4.1 Livelihoods Concept.....	23
4.2 The Reason for Using Livelihoods Approach.....	25
4.3 The Framework for the Analysis	26
5. Methodology	28
5.1. Research Design.....	28
5.2 Data Collection.....	29
5.2.1 Document Review	29
5.2.2 Expert Interviews	29
5.2.3 In-field observations	30
5.2.4 Interviews with Displaced Entrepreneurs (Round I).....	30
5.2.5 Interviews with Displaced Entrepreneurs (Round II)	32
5.3 Data Analysis.....	32
5.3.1 Translation and Transcription.....	32
5.3.2 Coding.....	33
5.4 Limitations and Biases	33
5.5 Ethical Considerations	33
6. Analysis.....	34
6.1 Analysis of Empirical Data.....	34
6.1.1 How Do Displaced Entrepreneurs Make a Living?.....	35
6.1.2 Why Are Displaced Entrepreneurs Doing What They Are Doing?	39
6.1.3. How Do Displaced Entrepreneurs Foresee The Future Of Their Activities?	42
6.2 Discussions	46
6.2.1. Explanation of Entrepreneurial Activities.....	46
6.2.2. Explanation of Conflict and Motivations.....	48
7. Conclusions	50

8. References	54
Appendix I: List of Participants.....	58
Appendix II: Interview Guide (Experts)	59
Appendix III: Interview Guide: (Displaced Entrepreneurs, Round I).....	60
Appendix IV: Interview Guide: (Displaced Entrepreneurs, Round II).....	62
Appendix VI: Extract of transcript	64
Appendix VII: Coding Scheme.....	65
Appendix VIII: Common difficulties for Internally Displaced Entrepreneurs	65
 Figure 1. Sustainable Livelihood Framework.....	 24
<u>Figure 2. An operational map for research using a SLF</u>	<u>26</u>

1. Introduction

Violent conflicts all over the world force an increasing number of people to seek shelter and safety, both within and outside the borders of their countries (UNHCR, 2015b). By the end of 2014, global forced displacement hit a record-breaking number of 59.5 million people, with growing number of refugees and almost two times more Internally Displaced Persons (IDPs) (ibid.).

Violent conflicts may get settled, but they may also escalate, expand or become “frozen”. While the outcomes of these conflicts remain uncertain, displaced persons have no other option but to secure their livelihoods in relocation areas. Since the economies of conflict-affected states are disrupted, job markets have little to offer to IDPs. For this reason, many of them rely on their own skills and experience to create income-generating opportunities for themselves. In these settings, entrepreneurship becomes a strategy for making a living, or in other words, securing one’s livelihood.

Securing livelihoods is recognized as one of the most urgent needs among conflict-affected populations (IRP et al. 2010). For this reason, national and international actors increasingly support the recovery of employment and livelihoods among affected persons (ibid.). Donor-financed employment programs, for example, cash for work initiatives and public works employment schemes only generate temporary results (IRP et al. 2010:21; Maier, 2010:52). In the meantime, support of entrepreneurial activities is thought to be a more durable solution for the problem (Brück et. al 2011, 2013; IRP et al. 2010; Maier, 2010; Naudé, 2007, 2009). Here entrepreneurs are seen as essential actors generating employment, and facilitating economic recovery and development. Since development is regarded as “the best strategy for peace” (Collier 2006:9), some researchers (Naudé 2007, 2009, 2013; Addison & Brück, 2008; Brück et. al 2011, 2013) state that entrepreneurs are consequently contributing to peace as well.

Whether or not entrepreneurs can actually contribute to the recovery and growth of an economy, as well as peace, is unclear. Entrepreneurship in conflict and post-conflict settings is an under-researched phenomenon (Addison & Brück 2008, Brück et. al 2012;; Lingelbach et al. 2005;

Naudé 2007) and there is no conclusive empirical evidence supporting the idea that entrepreneurship per se is good for economic recovery or peace (ibid.). The literature often highlights that not all entrepreneurial activities are productive (Baumol, 1990) and thus may not benefit overall growth. This idea is often linked to motivation factors behind entrepreneurship. Some researchers (Acs et al. 2005:40; Demekas et. al 2002) state that needs-based or necessity-motivated entrepreneurial activities can not contribute to capital accumulation and overall economic development, since they are focusing on survival rather than growth. On the other hand, another strand of literature (Amoros & Cristi 2011; Minniti, 2011; Smallbone & Welter 2001, 2004, 2006;) states that even necessity-motivated entrepreneurship, with “its less glamorous form” (Amoros & Cristi 2011:9) can have a positive impact on an aggregate economic activity.

1.1 Purpose, Approach and Research Questions

This study explores entrepreneurship, as a livelihood strategy of IDPs, in order to understand a relationship between necessity motivation and growth orientation on a micro-level. The research does not provide an overview of macro-level dynamics. Instead, it explores individuals’ experiences of doing business in displacement settings, with the purpose of understanding peoples’ motivations to start and pursue business activities in displacement context. Consequently, this study aims to contribute to the existing knowledge on entrepreneurship in fragile states², which is necessary for overcoming the lack of data that constrains recovery assistance and policy design in post-conflict settings.

The research follows Smallbone and Welter's (2006:203) approach to studying entrepreneurship as an interactive process between entrepreneurs and their external environment. At the same time, it relies on Levine’s (2014) strategy of making people an analytical focus of a study and exploring a broader social context from the perspective of individuals’ livelihood strategies.

This study has a qualitative case study design, with the focus on the path of conflict-affected entrepreneurs in Ukraine. More specifically it investigates 10 enterprises run by Internally

² ‘Fragile States are among the poorest, and lack authority, legitimacy and capacity to promote their citizens’ wellbeing’ (Brück et al. 2013:1)

Displaced Entrepreneurs in Kyiv – the capital. Their displacement is on the rise, since 2014, due to the violent conflict in the eastern part of the country.

The case here is interesting for several reasons. Firstly, displacement in Ukraine is a relatively new phenomenon and thus the study can reflect on ongoing developments from the field. It can capture the gestation period of enterprises and the motivations of IDPs in the immediate aftermath of the displacement. Secondly, since enterprises participating in this study have received business support grants from an international livelihood support project; the study can look at the influence of outside intervention on the capacity of benefiting enterprises. Lastly, the study may capture an interesting occupational change reflecting the displacement from Donbas,³ which is an industry-dominated region, to Kyiv, a more service-oriented city.

The study attempts to answer this overarching research question:

How is entrepreneurship motivated among the group of Donbasi entrepreneurs in Kyiv?

The following sub-questions are asked to generate the answer:

- *How are displaced entrepreneurs making a living?*
- *Why are they doing what they are doing?*
- *How do they foresee the future of their business activities?*

This study acknowledges that it is not accurate to refer to the crisis in Ukraine in post-conflict context and deploy terms such as “the aftermath of the conflict”, “post-conflict reconstruction” and “recovery”. This is due to the numerous violations of the ceasefire agreement and its amendments, as well as the recognition of the Ukrainian conflict by major international organizations as ongoing (UN, et al 2015a). The undefined status of Ukraine’s conflict means that this research is undertaken in the context of ongoing crises.

³ Donetsk and Luhansk Regions (UN et al. 2015a:3)

1.2 Disposition

The following parts of the thesis are organized accordingly: Chapter 2 provides a brief overview of Ukraine's case, featuring the context of conflict and displacement as well as the environment for doing business in the country. Chapter 3 reviews theories on entrepreneurship, including those related to its role, characteristics and attributes. This chapter separately covers existing studies on entrepreneurship in conflict settings. Chapter 4 provides an analytical framework, for studying entrepreneurship as a livelihood strategy of displaced persons. Chapter 5 describes deployed methodology and the rationale of methodological choice. Chapter 6 contains the main body of this thesis, including the presentation and analysis of empirical data. The seventh and final chapter of the study summarizes the findings and provides some concluding remarks on the topic.

2. The Context

This chapter contains background information necessary for the analysis of entrepreneurship in displacement settings in Ukraine. The main body here is structured following Wim Naudé's (2007) paper "Peace, Prosperity and Pro-growth Entrepreneurship", where the author suggests six context-specific dimensions necessary for studying entrepreneurship in post-conflict settings: the context of war, the relationship between institutions and entrepreneurship, the scope of the market, human and financial capital requirements, appropriate forms of government support, and the role played by ethnic/immigrant entrepreneurs in a diaspora. For the purpose of this study, the last dimension is omitted and the others are modified accordingly.

2.1 The Context of War

The period of instability and insecurity in Ukraine started later in 2013, when the prolonged Euromaidan mass demonstration in Kyiv led to removing then president Viktor Yanukovich and his pro-Russian government in February 2014 (UN et. al, 2015:3). Large-scale demonstrations in the capital were first followed by the annexation of Crimea by Russia and then by the eruption of the conflict in the eastern regions of Donetsk and Luhansk, where pro-Russia rebels, in April 2014, began to seize government buildings (IDMC, 2014).

In response to separatist activities, in April 2014, the Ukrainian Government announced the creation of an Anti-Terrorism Operation (OSCE, 2015:6), and by August of that year it recaptured 65 towns and villages (IDMC, 2014). Nevertheless, with the escalation of the situation, the government began to lose control over certain parts of the region. Eventually they had to draw the line between government-controlled and non-government controlled areas (ibid.).

To halt the conflict in Donbas, in September 2015 representatives of Ukraine, Russia, and the separatist regions, under the auspices of the Organization for Security and co-operation in Europe signed a ceasefire agreement in Minsk (IDMC, 2014). However, neither the existence of the agreement, nor its amendment signed in February 2015, has stopped shootings in Donbas. With some periods of relative calm, followed by escalations, the overall situation in Donbas remains tense and unpredictable (UNHCR, 2016:2).

The conflict in the east has greatly affected the social, economic and political life of the country. The impact of war has been especially detrimental for 5.2 million people in Donbas, who have been increasingly forced to relocate both within and outside Ukraine in search of shelter and security. According to the United Nations High Commissioner for Refugees (UNCR:2015b), by mid-August 2015, 1,438,000 persons from Donbas were officially registered as internally displaced. The flow of IDPs has been mainly directed to the neighboring regions of conflict-affected areas and to the larger cities like Kyiv, Kharkiv and Dnitropetrovsk (UN et al. 2015a).

Since many IDPs avoid official registration and often relocate multiple times, tracking their actual number by regions is hard (OSCE, 2014:3, UN et. al 2015a:5). Government and non-government agencies working on IDP issues estimate that the real volume of internal displacement is two to three times higher than the registered number (ibid.). The latest source of UNHCR (2016:2) states that another 1,074,800 Ukrainians are seeking asylum and other forms of legal stay abroad, mostly in neighboring Russia (949,900) and Belarus (126,800).

Studies (UN et al. 2015a; UN et al. 2015b; OSCE, 2014; UNHCR 2015c, 2016) show that IDPs in Ukraine face several difficulties and most of them are related to livelihood processes in their relocation areas. Access to housing and employment are cited among the top concerns of displaced persons (UNHCR, 2015c). Lack of access to goods and services, as well as medicine, social benefits and education are also often mentioned alongside the limited freedom of movement (ibid.).

2.2 Institutions and Entrepreneurship

Ukraine, likewise many transition economies, is characterized by weak institutions and insufficient regulatory frameworks that particularly hinder private sector development (Smallbone & Welter 2011). In these greatly inadequate regulatory settings of Ukraine, it is hard for a business to operate within the scope of the law and remain profitable. Frequent changes in regulations make the cost of tax compliance very high (Isakova, 2011; IHS, 2015). For this reason, a common coping strategy among entrepreneurs involves non-compliance or partial compliance with regulations (Isakova, 2011:132).

According to some estimates (UN et al. 2015a:18), 30 to 60 per cent of Ukraine's economic activity occurs in the shadows as part of an informal economy and thus remains undeclared. Nevertheless, tax evasion and grey activities do not completely free business from paying out its money. Out of 160 countries on Transparency International's 2015 corruption perception index, Ukraine has ranked 130th (Transparency International, 2016). Bribing is a widely practiced strategy for finding illegal ways of complying with the rules (Isakova, 2011). Entrepreneurs willing to get permits, registrations or inspection service, either find a private consulting company that can pass their bribe to government officials, or bribe a government representative directly (ibid.).

To facilitate entrepreneurship and small business in the country, certain bureaucratic and legal procedures have recently been simplified. The changes included reduction of minimum capital requirements, elimination of registration procedures and reduction of required time for tax processing (WBG, 2015:19-22). Nowadays, starting a business in Ukraine requires 4 formal

procedures that take an average of 7 days and cost about 0.6% of average per capita income (ibid.). Nevertheless normative procedures for starting a business are still quite complex and in certain cases require “private consultancy” that was mentioned previously in this section.

On January 1 2016, widely criticized amendments to the tax code of Ukraine became effective. The law introduced modifications to several existing taxes including corporate tax, personal income tax, value added tax and Simplified Taxation System. The last one is thought to have considerable implications for entrepreneurship and small business in the country (Kisil et al. 2016).

All in all, despite the existence of formal market institutions, a legislative framework and reform package, Ukraine still struggles in actual implementation of the agenda and its institutions remain unfavorable for entrepreneurship. Dominant business culture, values, norms and modes of behavior also hamper entrepreneurial initiatives (OECD, 2016)

2.3 The Scope of Market

Since gaining independence in 1991, Ukraine has been attempting to transition from a planned to a market economy, but after 25 years the country is still struggling with manifesting its potential (Isakova, 2011). Following several years of relatively stable growth, in 2008 the economic situation in Ukraine started to deteriorate significantly. During and after the 2008-09 global economic crisis, Ukraine’s economy suffered double-digit declines, which was partially due to the severe decline in Ukraine’s low value-added exports, such as steel, on which the country greatly depends (IHS, 2015).

With the outbreak of civil unrest and later the violent conflict, another financial and economic crisis loomed in 2014 (UN et. al 2015a:19). The macro-level impact of the crisis has been particularly detrimental for eastern Ukraine. Here large enterprises, mostly concentrated in non-government controlled areas had to considerably reduce their economic activities, or completely shut down (UN et. al 2015b:80). The majority of small-scale businesses and individual entrepreneurs have left the region due to security reasons - leaving most of their business assets behind (ibid.).

Since the industry-dominated eastern region used to contribute about 16 percent to the Gross Domestic Product and 25 percent to Ukraine's total exports, the conflict in Donbas has significantly affected the economy of the whole country. From November 2013 to late February 2015 Ukrainian Hryvnia (UAH) lost approximately 70 percent of its value (IHS, 2015:4). Conflict-related economic decline combined with currency depreciation, rising inflation, and depletion of international reserves, have fundamentally undermined the stability of the banking system (UN et. al 2015a). The total number of banks decreased from 180 at the end of 2013 to 148 by April 2015 (OECD, 2016:329).

The Ukrainian economy, and especially its industry-dominated east, have since August 2013 been further affected by the endless trade disputes with Russia - its historical trade partner (UN et. al 2015a). Among several "tit-for-tat" sanctions like the blockade of transportation and trade embargos, the friction has involved Russia completely banning Ukrainian products from its market (OECD, 2016), as well as Ukraine filing the dispute in the World Trade Organization over Russia's import of railway equipment (WTO, 2015). Starting from 1 January 2016 Russia has officially suspended its free trade with Ukraine due to the entrance of the Deep and Comprehensive Fair Trade Agreement with the European Union (EU) in force (Kremlin, 2015). The agreement has opened the EU market to Ukrainian exporters.

2.4 Human and Financial Capital Requirements

Ukraine, like other transition economies, is characterized by a high adult literacy rate (data.worldbank.org, 2016) and particularly high rates of university graduates. Nevertheless, firms in the country continuously report a shortage of skilled workers (WBG, 2015). Many university graduates end up working in a field which does not use their formal education (ibid.). This has been explained by the existing skills mismatch (ibid.) as well as the low quality of education institutions in the country (OECD, 2016).

Economic recovery recommendations jointly made by the United Nations, the World Bank (WB) and the EU in 2015, have stressed investment in human capital and particularly tertiary education and entrepreneurial training (UN et al. 2015:32). A low entrepreneurial culture and lack of

financial literacy have also been cited among the factors hindering development of SMEs and entrepreneurship in the country (OECD, 2016).

The banks remain the major source of financing for Small and Medium Enterprises (SMEs), but some studies (OECD 2016:338) suggest that less than 20 per cent of all firms in the country use bank credit. With bank lending to SMEs significantly declining since 2012, combined with interest rates of over 20 percent, access to finance remains a major constraint for entrepreneurship development in the country (OECD: 2016:325). Micro-financing – another potential source of finance for SMEs – is quite widespread in Ukraine, but there are high interest rates, reaching up to 60 per cent in real rate values (ibid.). High interest rates as well as access barriers are reported to be discouraging entrepreneurs from seeking finance.

2.5 Appropriate Forms of Government Support

During the entire process of transition to a market economy, Ukraine has adopted several policy documents, laws and formal frameworks to facilitate the growth of entrepreneurship. However, systematic planning and comprehensive approaches to policy implementation have been lacking (OECD, 2016; Isakova, 2008).

International donors have been continuously supporting Private Sector Development and particularly entrepreneurship with various assistance projects. The examples include: SMEs support project financed by the German Government, the Small Business Support Programme implemented by the European Bank for Reconstruction and Development and the SME Credit Project implemented by the WB.

Following the crisis in the east, international organizations have started to increasingly support entrepreneurial activities of conflict-affected persons in order to facilitate their livelihood restoration. Here the examples include International Organization of Migration with its project “Employment, Microenterprise and Self-employment”, the EU funded project “Support to conflict-affected areas” and the United Nations Development Programme (UNDP) with its cluster of early recovery assistance projects, financed by the government of Japan.

3. Review of Existing Research

This chapter reviews existing research on entrepreneurship by focusing on motivational factors. It begins with giving several definitions of entrepreneurship, that reflect existing theories on the concept and different schools of economic thought that have emerged around it. The chapter then discusses the studies on the nature of entrepreneurship in conflict settings.

3.1 Defining Entrepreneurship

What is entrepreneurship? What are its attributes and characteristics? What is its role and contribution? How is it motivated? How is it related to growth and prosperity? Economic literature does not give an agreed upon answer to any of these questions. Different schools of economic thought have emerged around the concept and many of them have undergone considerable modifications over time.

Despite all debates and discussions one broad consensus has emerged among scholars: Entrepreneurship is a social phenomenon; it is embedded in a variety of social contexts (Baumol, 1990) and takes various forms depending on the setting (Minniti, 2011). For this reason, the study of entrepreneurship needs to first define what is meant by entrepreneurship for a specific social environment (Naudé, 2007:3).

Economic literature suggests several definitions of entrepreneurship. Scase (1997:14) states that in its classical sense entrepreneurship is a person's commitment to taking risks and investing capital into productive activities for the purpose of capital accumulation and growth. Following this definition, entrepreneurship implies reinvesting profits and holding current consumption to modest levels. This is the same idea as the one emphasized by classical political economists ranging from Smith to Marx (Mcintyre, 2001:18).

The classical definition of entrepreneurship, which implies risk-taking and profit orientation by investing capital and labor, is also emphasized in Knight's (1921) work. Though according to Knight profit realization is related to uncertainty bearing instead of risk bearing. Uncertainty here

is defined as an immeasurable risk that an entrepreneur cannot influence by his/her actions (Ricketts, 2008:9). Thus the key function of Knight's entrepreneur is to assume these unforeseeable risks (Bosma et.al 2010:12).

Schumpeter (1934), who was one of the first authors to set out a clear definition of entrepreneurship, stated that entrepreneurship is a "creative destruction" by exercising innovation in one of the following acts: introduction of new products or production methods, opening up of new markets, supplies of resources, or organizational changes (Baumol, 1990:896). The Schumpeterian entrepreneur is an individual who takes advantage of existing profit opportunities in the market, increases productivity, and by doing so contributes to economic growth (Minniti, 2011:3).

Kirzner (1973, 1979), another big contributor to the definition of entrepreneurship, shifted the attention from the individual entrepreneur by positioning him/her into local conditions and specific circumstances (Ricketts, 2008:11). The Kirznerian entrepreneur is also exploiting profit opportunities, but unlike a Schumpeterian, he/she discovers previously unnoticed opportunities in the market, learns from the existing local knowledge and experience, and drives a market to equilibrium (ibid.). Besides that, Kirzner points out the relationship between institutions and entrepreneurship. According to him, institutions facilitate the level of competitiveness and incentives structure necessary for entrepreneurship.

The Interactive nature and local incentive structure of entrepreneurship is also emphasized in Baumol's (1990) work. According to Baumol (1990:897) entrepreneurs are "...persons who are ingenious and creative in finding ways that add to their own wealth, power and prestige". By bringing historical examples, Baumol (1990:898) argues that entrepreneurial behavior at any time has been determined by "...prevailing rules of the game that govern the payoff". Since the characteristics and nature of such payoffs are different, according to Baumol, entrepreneurial activities contribute to the greater social product. For this reason, he suggests to expand the list of Schumpeterian innovations and include unproductive and destructive activities, which add to the wealth, power and prestige of entrepreneurs but not necessarily to greater economic growth. Baumol's paper is often used for defining entrepreneurship in developing countries (Brück et. al

2012:163), transitional economies (Estrin et al. 2005:5), and conflict/post-conflict settings (Naudé, 2007:3).

While defining entrepreneurship, some authors (Mcintyre, 2001; Scase 1997) highlight the importance of differentiating between entrepreneurship and proprietorship. According to Scase (1997) this distinction is particularly important for the context of Transition Economies. In contrast to entrepreneurship - a growth oriented capital accumulation activity described at the beginning of this section, Scase (1997:14) defines proprietorship as an "...ownership of property and other assets for trading purposes and therefore for profit realization, without projecting a longer-term capital accumulation".

Some other authors (Naudé, 2013) suggest that entrepreneurship is synonymous to self-employment. This idea is greatly supported by economic theory (Lucas 1978; Murphy et al. 1991), which defines entrepreneurship as an occupational choice between self-employment and wage-employment. Since the choice between being employed and being self-employed is often motivated by necessity, several studies (Minniti 2011; Naudé, 2010; Smallbone & Welter 2004, 2006) distinguish between necessity and opportunity motivated entrepreneurship. This distinction will further be described in the following sections.

As we can see, different definitions of entrepreneurship are related to different theories about the characteristics, function, motivation as well as the general role of entrepreneurship. Since delimitating the concept of entrepreneurship is very difficult, this study relies on a rather broad definition. Here it is defined as:

“Any attempt at new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business” (Reynolds et al. 1999:3).”⁴

⁴ Definition of Reynolds et al. (1999) is also used by the GEM study

Following this definition, entrepreneurship can be any business regardless of its nature, size, motivation and characteristics. Most importantly, it can be used for analyzing entrepreneurship in a variety of settings, including conflict, post-conflict, transition economies and displacement.

3.2. Entrepreneurship and Conflict

Even though the literature on entrepreneurship is embedded with various theories, most of them have been developed and tested in mature market economies, with the focus on innovative, growth-oriented or productive entrepreneurship (Naude, 2007:2). Relatively little attention has been paid to entrepreneurship in developing countries where economic stagnation, violent conflict, uncertainty, capital scarcity and various other factors determine an entrepreneur's playing field (Brück et. al 2011:163). With an increasing global attention on entrepreneurship as a source of generating economic growth and wealth (Minniti, 2011:5), as well as a tool for facilitating prosperity and peace (Naudé 2007), the topic is receiving more attention from scholars. Nevertheless, the lack of data and systematic analysis is still very problematic, especially for the purpose of policy design in countries that have been exposed to violent conflicts (Brück et.al, 2011:161).

A large portion of the recent studies on entrepreneurship is based on a quantitative examination of the data generated by Global Entrepreneurship Monitor (GEM). GEM has been a leading longitudinal study in surveying the environment and nature of entrepreneurship since 1999 (Bosma 2013; Minniti, 2011). It aims to understand a complex relationship between entrepreneurship and economic growth by analyzing differences in the individual level of entrepreneurial activity (GEM, 2016). GEM data from conflict-affected countries (for example, Philippines, Columbia, Uganda, Bosnia-Herzegovina) has motivated a considerable amount of research and context-specific analysis of entrepreneurship in conflict settings.

In 2001 GEM introduced the concept of “opportunity” versus “necessity” entrepreneurship, as different motives for starting and further pursuing business activities. The notion has become dominant in studying motivational factors behind entrepreneurship, particularly in developing and conflict-affected countries. According to GEM, opportunity entrepreneurship is viewed as a voluntary occupational choice motivated by pull factors, while necessity entrepreneurship is a

choice made due to the absence of other career options and thus motivated by push factors (Reynolds et al. 1999:12; Smallbone & Welter 2004:3). The distinction between different motivational factors is in line with the previous research on push and pull factors, as well as Bögenhold's (1987) study that differentiated between entrepreneurship motivated by economic needs and entrepreneurship driven by a desire for self-realization. Necessity entrepreneurship can also be synonymous with needs-based entrepreneurship (Estrin et al. 2006).

Motivating factors behind entrepreneurship have often been a subject of research in the context of transition economies (Estrin et al. 2006; McIntyre 2001 Smallbone & Welter 2004;). Smallbone and Welter in their study: "Entrepreneurship in transition economies: Necessity or opportunity driven?", analyzed firm data from Ukraine, Belarus and Moldova in the late 1990s and found that in slow pace transition economies necessity is an important driver of starting a business. However, the authors also emphasized the importance of learning experience and an individual's ability to change motivations over time. The study concluded that even though entrepreneurial start-up might be motivated by necessity at the beginning, over time motivations for pursuing the business can change, reflecting external conditions. For this reason, Smallbone and Welter suggested that using a simple dichotomy of necessity versus opportunity entrepreneurship is insufficient and it can lead to underestimation of entrepreneurs' capacity to contribute to the economy.

The literature on entrepreneurship and conflict often stresses a strong causal linkage between conflict and weak economic performance, pointing out its bi-directional nature (Collier and Hoeffler 2004 in Brück et.al 2011:164). According to these studies the relation of economic activities to conflict is not straightforward and is often influenced by the specificity of context Meier (2010). In line with this idea, the studies examining the relationship of economic activities and conflict (Brück et. al 2011; Naudé, 2009) suggest that the simple dichotomy that entrepreneurs are always victims of violent conflicts is not accurate and that a distinction needs to be made between those entrepreneurs who benefit from conflict and those who suffer. "Violent conflict can make or break the business" (Brück et.al, 2012:164), thus conflict can also create profit opportunities that were not available before.

Those entrepreneurs who are benefiting from newly emerged profit opportunities, as a result of the conflict, are not necessarily occupied with destructive activities (Baumol 1990:895) such as smuggling or illegal trading. Some researchers (Benett, 2010) suggest that these profit opportunities may arise due to the relative change in prices on some goods, or through decreased market entry requirements. The overall drawback is that entrepreneurship in conflict settings is not necessarily a positive or a negative phenomenon. Instead, its motivation is influenced by the specificity of payoffs at particular times and in particular social settings.

4. Analytical Framework

This chapter describes the framework for analyzing livelihoods, which in this case is used for examining motivations behind entrepreneurial activities. It then provides a justification for using livelihoods approach for studying entrepreneurship. Lastly, the chapter describes a specific approach that will be applied for the analysis of the data.

4.1 Livelihoods Concept

A livelihood – a noun indicating a means of securing the necessities of life (Oxforddictionaries.com, 2016) - is a term broadly used among governments, civil society organizations and international actors. Here this term describes strategies that humans develop and implement for securing means of living (IRP et al. 2010:1). Since livelihoods have increasingly been recognized as the most important need among disaster (including conflict) affected populations, livelihood recovery has emerged as a field of practice among disaster relief actors (ibid.). Provision of adequate relief requires understanding of context specific processes. Subsequently, the study of livelihoods has attracted considerable attention from development researchers and practitioners.

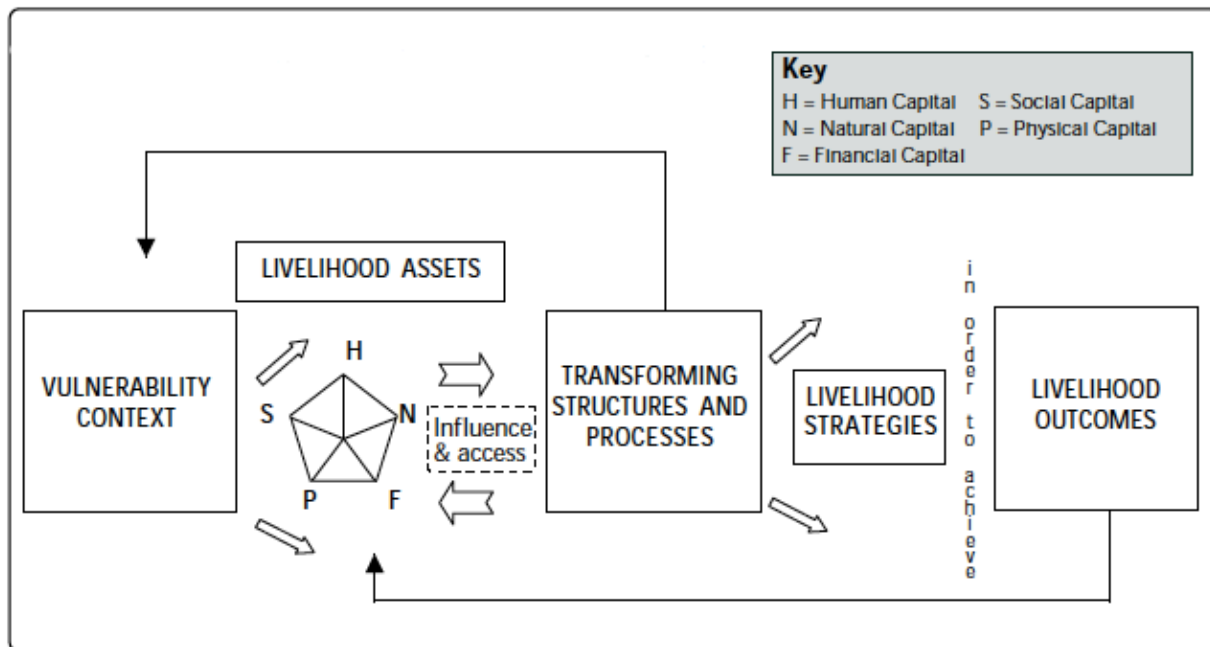
Since a livelihood is a social phenomenon it is shaped and influenced by a number of interacting factors, which named and uncovered make a simple means of living a complex social process (Chambers & Conway 1991; Levine, 2014). Following its complex make up, there are several definitions of a livelihood, which have emerged through extensive studies and practice. Among

them the one by Chambers and Conway (1991:6) has gained considerable momentum. It states that:

“A livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living: a livelihood is sustainable if it can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels and in the short and long term.”

This definition of Chambers and Conway has been embraced in the Sustainable Livelihoods Framework (SLF). This analytical tool, developed by the Department for International Development (DFID) in 1999, remains recognized as the most far-reaching framework for understanding peoples’ means of living (Levine, 2014:1). On the one hand it presents people as active agents making their choices and deploying their own strategies. On the other hand, it looks within a broader context where the livelihoods of these people take place (*ibid.*) (*See Figure 1 for illustration*).

Figure 1. Sustainable Livelihood Framework



Source: DFID 1999:2

The classical SLF begins by looking at the vulnerability context, or in other words context-specific factors that expose livelihoods to shocks and risks. It then examines its influence on the actions of the people and consequently its outcomes for their livelihoods. Here one practical issue arises: the intention to capture multiple aspects of a social reality (institutions, culture, power structures, laws, policies, demography, etc.), make it almost impossible for a single piece of research to fully cover all details of the context and properly link it with the livelihood strategies of individual actors (Levine, 2014:4).

To overcome this difficulty, Levine (2014) suggests making people an analytical center of the study and to instead look at the broader social context from the perspective of individuals' livelihood strategies. This way Levine (2014) offers a practical guide that makes SLF an applicable research tool.

4.2 The Reason for Using Livelihoods Approach

Since this study attempts to explore a specific livelihood strategy – entrepreneurship, from multiple individual perspectives, Levine's people-centered approach provides ideal framework for the analysis. This approach to uncovering SLF allows an in-depth understanding of livelihood strategies capturing various differences among them. By looking at motivations, objectives and actual performance of livelihoods, the link can be made with the theories of entrepreneurship outlined in the previous chapters. Individuals' perceptions of context-specific risks and opportunities covered in this approach, adds additional level of individual touch to understanding livelihood processes. Lastly, Levine's approach is specifically developed for researching livelihoods and services affected by conflict. For this reason, it is more reflexive of the conflict and post-conflict context than the traditional SLF, which has been criticized (Collinson et al. 2003) for disregarding the issue.

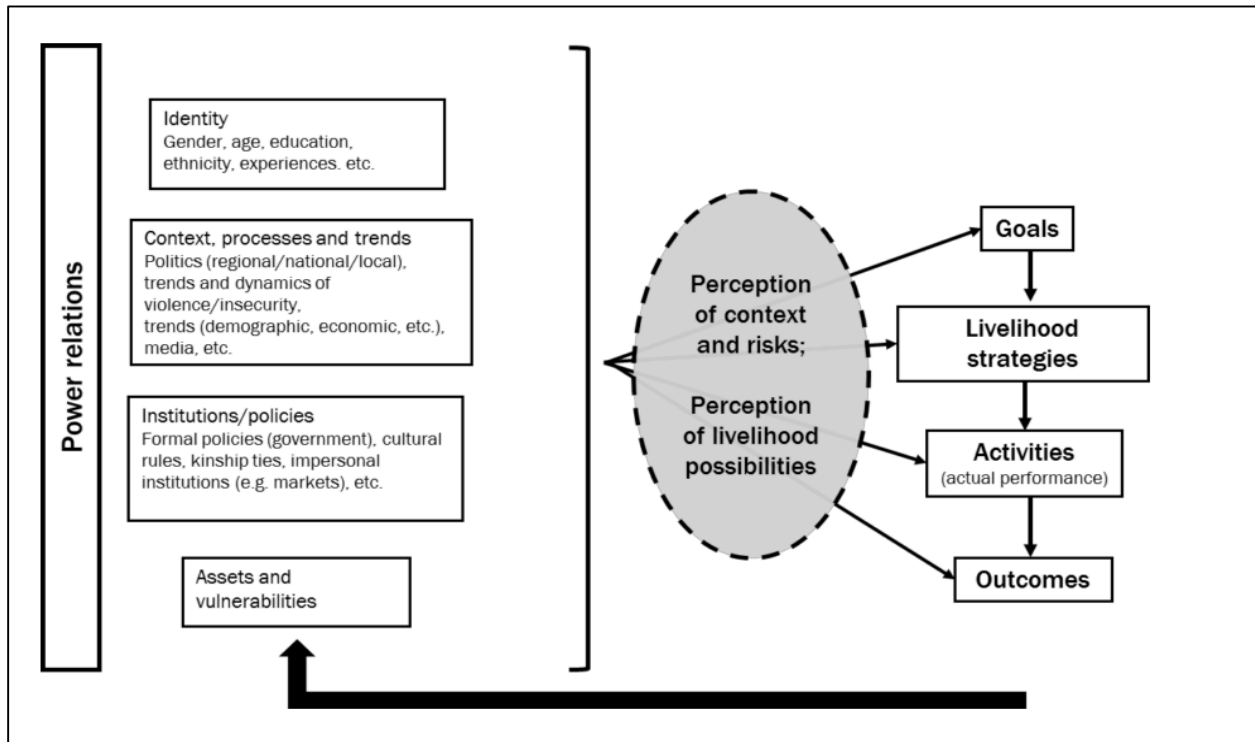
All in all, using livelihoods approach in this thesis and specifically Levine's guide for the study of SLFs is justified by the following reasons: Livelihoods approach captures the interaction of individual actors with their external environment. Understanding this interaction has been emphasized as crucial for the study of entrepreneurship (Smallbone & Welter 2006:203). The

given framework focuses on motivations, objectives and outcomes of livelihood strategies - a main research interest of this study. Lastly, since Levine’s approach relies on individuals’ perspectives and perception it can provide an in-depth understanding of entrepreneurship in displacement settings.

4.3 The Framework for the Analysis

Levine’s approach to understanding livelihoods through individuals’ perspectives is presented in Figure 2. This operational map draws the line between individual factors influencing livelihoods such as different dimensions of perceptions, goals, and livelihood strategies, and external factors such as context, institutions and policies. Based on the right side of the map, this study will analyze entrepreneurship from the individual perspective of entrepreneurs. The left side of the map will be used to examine the relationship between individuals’ strategies and their surrounding context. In addition to the relevant context for studying entrepreneurship suggested by Naudé (2007), (already presented in the second chapter of this thesis) following this framework the analysis will also consider individuals’ identities and assets.

Figure 2. An operational map for research using a SLF



Source: Levine 2014:10

As the first step to understanding peoples' livelihood strategies Levine (2014) suggests answering two main questions: (1). *What are people doing to make a living?* (2.) *Why are they doing what they are doing?* Here answering the second question is particularly important since it sheds light on the rationale of people, in this case the motivating factors behind entrepreneurship that are the key determinants of livelihood choices.

Since the rationale for undertaking certain strategies may not be straightforward this research may pose further questions regarding: (2.1) the *choices people feel they had*, (2.2) the *choices they actually made* and (2.3) *the reason why they made certain choices*. According to Levine, the starting point for understanding individuals' livelihood rationale involves understanding their perception of context and risks. Here the perception of livelihood possibilities is another influential factor. For the case of entrepreneurship, perception factors can be linked again to motivations to grow or survive as well as opportunities to start a business. Levine (2014) also links the perceptions of individuals to their identities and highlights the importance of this relationship.

The next step for analyzing livelihood strategies, according to Levine (2014), is asking (3.) *What are people trying to achieve (i.e., what are their livelihoods as well as broader life goals)?* In response, he asserts that livelihood goals can be very different and they may not necessarily involve achievement of optimal economic outcomes. In conflict settings livelihood, as well as broader life goals, may rather emphasize security and survival. This notion is particularly relevant for understanding the growth, or survival orientation of entrepreneurs.

Moving to the context, Levine (2014) states there is a plethora of ways that the different layers of context influence each other and how they subsequently shape peoples' choices. For this reason, the simple conclusion that one specific dimension of context is a determinant of livelihood choices can be inaccurate and superficial.

5. Methodology

This chapter reviews the deployed methodology for studying the motivation of displaced entrepreneurs to start and pursue their business activities. It begins with a description of research design and a broad theoretical stance. It then provides information about deployed methods of data collection and analysis. The chapter separately addresses the limitations and ethical considerations of the study.

5.1. Research Design

This research was initially driven by an interest in the micro-level relationship between entrepreneurs' necessity motivation and growth orientation. Consequently, this research interest derived a choice of methodology (Yin, 2009:11). Since human behavior cannot be meaningfully understood without considering the specificity of a social context (Flyvbjerg, 2006:223-224), this study chose to focus on the case of displacement in Kyiv. In this way the research reflected an interest in the human experience of two social phenomena – displacement and entrepreneurship. Considering the complexity of the problem (Yin, 2009:5) and the interest in individuals' perspectives (Silverman & Marvasti, 2008:34), the research chose to deploy qualitative methods.

The qualitative research method of this study is imbued with epistemological and ontological commitments of interpretivism and constructionism (Bryman, 2012:619). Here an interpretivist theoretical perspective acknowledges that the social world is multiple and relative and for this reason individual perspective is necessary to understand distinctive meanings (Bryman, 2012:28; Creswell 2009:19). The people-centered approach of this study attempts to interpret the world "...through the eyes of the people who are studied..." (Bryman, 2012:660), and to construct different realities from their individual perspectives (Gray, 2014:36-37).

This study has an explanatory and exploratory nature. By asking "how" and "why" questions it seeks to explain people's experiences as well as their perspectives on these experiences (Gray, 2014:36). It also attempts to explore a newly emerged phenomenon in a specific social context and a topic which has been notably underresearched (Creswell, 2009:35; Gray, 2014:37).

5.2 Data Collection

In order to understand a “nuanced view of reality” (Flyvbjerg (2006:223), research data was obtained from various sources (Yin, 2003: 74) in the following five steps: document review, 2 expert interviews, 6 hours of in-field observations and two rounds of interviews with 12 displaced entrepreneurs. All data, except certain documents, was obtained in the Russian language by the researcher.

The UNDP in Ukraine acted as a gatekeeper to those internally displaced entrepreneurs who are starting or renewing their business activities in Kyiv. The direct contact with IDPs was made through the charity foundation, which is administrating the allocation of business support grants to the displaced entrepreneurs. An activity is part of UNDPs’ project “Rapid Response to Social and Economic Issues of Internally Displaced Persons in Ukraine”. Here the business support grants were awarded based on IDPs’ business proposals, which were evaluated by a committee of independent experts.

5.2.1 Document Review

Following Yin’s suggestion (2003:107), the first step to attaining knowledge about the topic involved the review of relevant documents. For this case particular attention was devoted to the materials on the topic of displacement and doing business in Ukraine. The documents involved: reports about Internal Displacement in Ukraine, reports on the livelihoods of IDPs, legislation on the rights and freedoms of displaced persons, reports on doing business in Ukraine, and material about the ongoing changes in the legal framework related to business.

A considerable amount of information and understanding was obtained during the researcher’s 3-month internship at UNDP Ukraine, in Autumn 2015. It also gave the researcher access to the unpublished material relevant to the topic.

5.2.2 Expert Interviews

Two experts were interviewed in the second step of gathering the data. The first respondent was UNDP's grant coordinator Mykola Smirnov, who provided general information about the UNDPs' small grants project. He also gave his personal observations about the business proposals of IDPs and their potential for survival and growth. The interview took place on 26 November 2015 in UNDP's office and it had an unstructured format. It was not recorded, but detailed notes were made during the conversation.

The second respondent was a director of a charity foundation Volodymyr Kuprii, who had personally attended the evaluation of over 600 business proposals. The interview had a semi-structured format (*see interview guide in Appendix II*) and was recorded with the permission of the respondent on 1st December 2015 in the office of the charity foundation. The main purpose of the interview was to understand specific characteristics, or emerging themes among displaced entrepreneurs' business proposals. Another important reason was to get recommendations for the further flow of the research, such as, what themes to explore and what questions to avoid.

5.2.3 In-field observations

The third step of data collection was suggested by the key informant Volodymyr, who invited the researcher to attend a grant evaluation committee meeting following the interview. The purpose of attending the evaluation process was to get individual experts' vision on the growth or survival potential of specific business projects. The insights of these experts turned out useful for understanding specific difficulties that businesses may encounter. They were also helpful for designing the interview guide for displaced entrepreneurs.

The committee meeting took place on 12 December 2015. It lasted for 6 hours and decisions were made about 249 applications. Since business proposals are displaced entrepreneurs' intellectual property, preserving the confidentiality of information was crucial. For this reason, the audio material of the committee meeting was not recorded. Instead, manual notes were made related specifically to the interest of this research.

5.2.4 Interviews with Displaced Entrepreneurs (Round I)

At the time of this fieldwork the independent experts had reviewed over 200 business applications of displaced persons in Kyiv and had selected 15 winning projects. The charity foundation, with the endorsement of UNDP, agreed to disclose the contact information of these entrepreneurs, strictly for the purpose of this research. For this reason, the names of participating individuals are modified to remain anonymous.

Initially, 12 enterprises were selected to participate in the research. A generic purposive sampling strategy (Bryman, 2012:422) of this study had two main criteria: The first one assumed achieving maximum variation (Bryman, 2012:419) of the sample in terms of different kinds of entrepreneurial activities such as provision of goods and services. The second criterion was to include at least two businesses of the same field, in order to make a comparison. The first contact with selected entrepreneurs was made with an email on December 13. The letter defined the purpose of the study, the researcher's identity and how their contact information was obtained. Six entrepreneurs replied to the email with the written consent to participate in the study. Another 4 gave an oral consent after being contacted through the phone call. The sample size of 10 individual enterprises allowed the research to conduct a deep and case-oriented analysis (Onwuegbuzie and Collings 2007:289 in Bryman 2012:425) while also covering a variety of themes that were relevant to the topic.

Location and time for conducting interviews were selected based on the preference of the respondents. Consequently, 3 interviews were recorded in displaced persons' living spaces; 3 others were conducted in their working environments; and another 4 were recorded in public places, such as coffee shops and cafes. Two respondents chose to attend the interview with their business partners. Consequently, 12 people were interviewed between 13 and 29 December 2015. See the list of participants in A. The interviews had a semi-structured format and were following the guide presented in Appendix III. The average duration of an interview was 43 minutes, with the shortest lasting 28 minutes and the longest one 94 minutes. All interviews were audio-recorded, following the oral consent of the respondent. The audio material of one interview was lost due to a technical malfunction, though detailed notes were made immediately after the interview.

5.2.5 Interviews with Displaced Entrepreneurs (Round II)

Following the first round of interviews and a preliminary transcription of obtained data, several new questions arose. Some of the questions were related to the researcher's interest in the developments of entrepreneurs' activities. Some others were caused by the desire to mitigate bias, which will be described later in this chapter. To obtain the answers, the respondents were contacted for the second time.

The second round of interviews was conducted from a greater distance, between 11 and 17 February 2016, by using Skype, or a phone call. The average duration of an interview was 14 minutes; the shortest one lasting 8 minutes and the longest 18 minutes. The interviews had a semi-structured format, following the guide attached in Appendix IV. These interviews were also audio-recorded, with the oral consent of a respondent.

5.3 Data Analysis

5.3.1 Translation and Transcription

Since this research is specifically interested in displaced entrepreneurs' perspectives, interviews with IDPs were translated and transcribed word-by-word by the researcher. The interviews with key informants had an introductory character and for this reason only rough transcripts and translations were made.

Transcription and translation of interview records were done simultaneously in a two-stage process. First, rough manual transcripts were made by taking notes, without rewinding the audio material. At a second stage, existing notes were expanded to fully cover all details of the record (See an extract in Appendix V). The transcription was made using Nvivo's software support. The process took an average of four hours per one hour of recorded material. In three cases a format of a recording did not allow importing audio material into the software. These interviews were transcribed manually by stopping, rewinding and typing audio material into the text file. Here the process took relatively longer. The final text transcripts were also entered into Nvivo's document, which is available for public scrutiny upon request.

5.3.2 Coding

Coding of the empirical material was done in a multi-stage process. First, fieldwork diaries and notes were analyzed to observe emerging topics and themes. Then, outlined topics were sub-coded into the analytical framework to form a unified coding scheme. In the process, a flexible approach (Saldaña, 2013:37) was deployed: First, the longest interview was coded and the scheme was modified to better reflect the problem. This version was used for coding the rest of the material, yet minor changes were gradually made to refine it. See a final version of the coding scheme in Appendix VI.

5.4 Limitations and Biases

The initial sample that provided the basis for 10 enterprises was selected by the grant evaluation committee and thus reflects their preferences. This factor limited the variation of participants to the priorities of the committee. As a result, none of the respondents are engaged in trading activities even though, according to Volodymyr, this is the most common occupation among displaced entrepreneurs. The small size of the initial sample also limited the capacity of this research to analyze the gender aspect. There were only four female participants within the group of selected participants. This number reflects a gender distribution within the specific group of grant-winners, but is insufficient for exploring the aspect of gender.

The first round of the interviews was conducted shortly after the respondents received business support grants and signed corresponding grant implementation contracts. Consequently, during the first round of interviews the respondents still had certain contractual obligation to the UNDP. Even though the participants were informed about the purpose of the study and its independence from the organization, the researcher's affiliation with the UNDP may have affected the reliability of their responses. More specifically, their responses about their future business plans may have been intentionally overestimated. Conducting the second round of interviews, after the completion of their formal agreements, was an attempt to overcome this bias.

5.5 Ethical Considerations

As Bryman (2012:178) states, there are various ways in which research can harm a participant, and stress may be counted among them. Since the respondents of this research had been exposed to violent conflict, the research was specifically concerned about questioning the size of their loss and the affect of war on their livelihoods. Considering that most participants fled shooting and bombing not that long ago, making inquiries about their future repatriation plans seemed possibly insensitive. Nevertheless, understanding the respondents' past experiences and their future life plans was a crucial part of the analysis. For this reason, the research took an indirect approach and instead of asking what was the size of the entrepreneurs' loss, questioned what the size of their assets was in the past. It also made an indirect inquiry about the IDPs' vision on the future of the eastern conflict.

Another ethical dilemma emerged after conducting the interviews. The respondents were primarily informed that the research was concerned with identifying common difficulties of displaced entrepreneurs. Since the initial research question of the study was later modified, the focus of the study was shifted from the respondents' problems to their motivations and goals. Since many participants agreed to participate in the study to "make their voices heard", the research found it ethically important to include these issues in the thesis. Yet the analytical structure of the study, as well as the given word limit, does not allow including these problems in the main body of the text. For this reason, the findings were attached to the thesis in Appendix VII.

6. Analysis

This chapter contains two main sections. The first one presents empirical data based on the analytical framework that was outlined in chapter 4. Here the influence of context on entrepreneurship is analyzed through individual perspectives. Particular attention is devoted to individuals' perceptions of risks and opportunities. The second section, called discussions, links this data to the concepts and theories related to entrepreneurship and particularly, its motivations.

6.1 Analysis of Empirical Data

This part of the chapter is divided into three sub-sections. It begins with the description of different entrepreneurial activities deployed by the respondents. This is a foundation for an understanding of *how different entrepreneurs make a living*. Here the study stresses that there are significant individual-level differences, even among those people who are engaged in similar activities. The next section attempts to understand the rationale and motivation behind specific entrepreneurial activities. Following the thread of Levine (2014), the answer to the question of *why are people doing what they are doing* is generated indirectly, by investigating the choices that the given persons have made. The final sub-section of the analysis provides an insight into how displaced entrepreneurs see the future of their business, in the immediate as well as the long-term future. The purpose is to understand whether these enterprises are motivated to grow or to survive. A holistic picture of displaced persons' future plans is constructed by linking their future business plans with their broader life goals.

6.1.1 How Do Displaced Entrepreneurs Make a Living?

The IDPs captured in this study are engaged in a variety of business activities summarized in Appendix I. Most of them were previously doing business in Donbas and now are reestablishing or expanding their businesses in Kyiv. There are also respondents who had never owned a business prior to their displacement.

All participants in this study lost a major part of their personal assets in Donbas and have limited access to the remainder of their property. Those participants who were previously doing business lost a big part of their business assets as well. Konstantin summarizes the size of his loss in the following way:

“... I lost my homeland, my mother, my sister, my house, my car, my factory, a full warehouse, a two-story administration building and all production facilities. Most of these things cannot be transported to Kyiv.”

The loss of assets has differently affected entrepreneurs' activities, depending on the previous size and characteristics of their business. For example, Matvei who was engaged in renovating

houses lost all necessary equipment for doing his job. Yet, since his business is labor intensive, he managed to return to this work in one month following the displacement. In contrast to this, almost two years after his displacement, Yegor still struggles to restore his lost production. Since his access to finances is limited (*see Appendix VI for more information on common difficulties for IDP entrepreneurs*), he can not procure all necessary equipment for his small factory. This issue limits the capacity of his production, and consequently - his livelihood.

Many respondents emphasize that the loss of physical assets and displacement caused less damage than the effects of war. These effects continue to hinder their businesses in a relocation area. Some entrepreneurs emphasize that due to the crisis the demand for their products and services has considerably declined. For example, Pavel who is engaged in a children's entertainment business, states that fewer people spend money on celebrations. The decline of demand is also an issue for Matvei, who mentions that people stopped purchasing and renovating houses and instead prefer to save money. The conflict has not affected the demand for the services of some entrepreneurs. Katerina explains it by the specificity of her business activities:

“...In good times and bad times, in Kyiv or in Donetsk, people always need to repair their shoes ... The competition in this business is always high... Shoe repair is not that simple and good masters in this business always have their customers...”

Some entrepreneurs emphasize that the conflict has affected their access to export markets. For example, Konstantin's company lost all international customers due to the unstable image of the country. The Russian market, which was the largest consumer of his product, is also closed. For this reason, Konstantin is now developing a new product that can be sold on the local, Ukrainian market.

The effects of conflict not only disrupted the activities of entrepreneurs, but also gave them an opportunity for some new ventures. For example, Denis is starting a business manufacturing specific chains used in construction. He explains that before the crisis manufacturing this product in Ukraine was not efficient, since the cost of production was much higher than the import price.

According to him, now manufacturing this product in Ukraine is much cheaper than importing it from China, due to the devaluation of the domestic currency:

“I have been saving money to start my own business through my entire life... I was saving money in USDs and after the crisis erupted, the value of my savings doubled...the prices of domestic manufacturing equipment are the same... due to the high influx of displaced persons labor is cheaper than it used to be... I see it as an opportunity. It is either now or never...”

Entrepreneurial activities of the displaced persons have also been affected by their perceptions of the conflict. Those entrepreneurs who had a more realistic view of conflict at the moment of fleeing Donbas reacted more efficiently than the others. For example, Pavel, Andrei and Matvei state that they knew that they would not be able to come back soon. For this reason they carried with them certain equipment and materials that would help them earn a living in the relocation area. Other participants, for example Denis, Katerina and Vitalii, mention that when leaving Donbas they thought it would be for a very short period. It took them a considerable amount of time to realize that they had to secure their livelihoods in Kyiv. This factor also influenced their spending patterns and savings:

“When we were leaving Donetsk, I had around 10,000 USD of savings. At first we thought that the conflict would resolve very soon... There were rumors that it would not take more than a couple of months... We decided to travel around Ukraine, until the end of the conflict... We did not save money...” Vitalii

“We did not leave right away... we could not believe that it was happening... It seemed like a bad dream, which would soon end... but it did not... We did not take anything but our summer clothes... We moved to Kyiv and started waiting for the conflict to resolve... all our savings were spent on rent... We were thinking to return by New Years Eve... then we realized that it was impossible and started thinking about a business here...” Katerina

Some respondents, for example Viktoriya, Yegor and Konstantin, emphasize that their old contacts helped them to get established in Kyiv by providing help with office space, new employees or new customers. Some others mention that old clients, who had also been displaced to the capital, play an important role in facilitating their businesses. Andrei, who has opened his practice of Manual Therapy in Kyiv, states that his old Donetsk patients often visit him and

bring new customers. This is the main way for him to establish his name in this new city. On the contrary Diana, whose husband is also providing manual therapy, states that old patients are not enough for sustaining their business in Kyiv. For this reason, Diana tries to attract new customers by online advertising. She mentions that in Donetsk they did not need to spend money on marketing. According to her, in Kyiv competition is much higher and it is harder to establish an adequate pool of customers.

The respondents often emphasize that their families, friends and other IDPs play an important role in facilitating their business activities. For example, Boris mentions that his wife financially supports him while his business gets established. Displaced entrepreneurs also act as a support structure for their families. In most cases, the activities of these entrepreneurs are the only way to secure a livelihood for a household. Some respondents mention that following displacement their family members also decided to contribute to the business. For example, Katerina's daughter, who is a medical student, now actively contributes to the shoe repair service of her father. In order to diversify business activities, she is even getting trained in sewing.

Friends and informal networks are also a strong support structure for entrepreneurs' activities. Some participants mention that they learned about the business support grants from their friends who are also displaced. Others state that friends helped them write a business proposal for getting the grant. Yegor mentions that he constantly borrows funds from friends to cover the costs of business. Yet, the empirical evidence suggests that not all displaced entrepreneurs find it easy to keep their old networks. For example, Denis mentions that he finds it difficult to interact with his friends who are also displaced:

“I am not sure that I want to see my friends ... even those who have been displaced to Kyiv. It is very depressing... I want to distance myself from all these negative things that are taking place around me and these people... The more you speak about the home you left, about your city and the more you socialize with the people who were part of your life there, the harder it is to get used to a new life...”

The respondents emphasize that social networks, for example Facebook and V Kontakte, play an important role in their business activities. They often mention that the IDPs' social network

groups provide them with some input for their business such as information about training opportunities, financial support and legal changes. Some entrepreneurs, for example Boris, use it to advertise their business or find employees.

The entrepreneurs often emphasize that they prefer to hire other IDPs. Furthermore, the evidence suggests that they often employ those IDPs who come from the same region as themselves. The respondents emphasize that providing jobs is a way of making a contribution to the community of displaced persons. Matvei summarizes it accordingly:

“... when I have an order, I always try to find out if there is anyone from Luhansk searching for a job who could possibly work with me... We share information and try to help each other out...”

Pavel goes further and states that other companies on the market also prefer to hire IDPs and work with Donetsk companies. He provides the following explanation:

“People prefer to work with us since we work harder, better and cheaper. Our people are more motivated to do a better job since we have to pay rent and gain means for our families...”

Vitalii also mentions that due to competition prices of services are very low and increasing the volume of work is the only way to earn enough money. Many other respondents also mention that they work long hours. For example, Katerina’s family business serves customers 12 hours a day, including during weekends.

6.1.2 Why Are Displaced Entrepreneurs Doing What They Are Doing?

According to the empirical evidence of this study, a common motivation for the business activities of displaced entrepreneurs is the necessity to secure their livelihoods. Yet, there are different factors deriving this necessity, including absence of other job opportunities, limited income from employment and the substitution for lost employment. Some respondents also mention that entrepreneurship is a more reliable, or additional source of income for them.

Those respondents who are renewing their entrepreneurial activities in the relocation area often choose the same business as they did in the past. This is because they have the knowledge, experience or necessary contacts for managing a specific business. Some of these entrepreneurs, for example Matvei and Konstantin, indicate that they have not even considered any other occupation for themselves, due to their knowledge of a specific business. Viktoriya and Pavel were also driven to restore their business in Kyiv. According to Pavel, they deliberately chose to relocate to the capital, since it was an attractive location for their business. Some also had previous contacts to work with in the city. However, not all respondents who restored their old activities have been so confident about running the type of same business in Kyiv. For example, Yegor mentions that he was considering opening a fitness club, or a small restaurant. Eventually, he chose to return to a small manufacturing business since he was offered the chance to renew the contract with his old client. He mentions that he would not have made this decision without this form of guarantee.

Those entrepreneurs who start their enterprises also indicate that their businesses are based on their past knowledge and experience. For example, Denis, whose new venture is the small manufacturing business, has previously worked in a large factory in Donetsk. He is especially knowledgeable in production assembling and also has some experience in sales and marketing. He states that after he was displaced and unemployed, his knowledge of the market prompted this business idea.

Most participants in this research state that employment via the regular job market was not available for them, or was not generating enough income to cover their necessities. For this reason, starting a business has been the only option for securing their means of living. Some participants also mention that prior to the displacement, they were formally employed, but also engaged in their family businesses on a part-time basis. For example, Katerina was employed at a bank and Diana was working for an advertising company. Now they solely rely on their family businesses to secure their livelihoods, since the crisis has destroyed their formal jobs (Katerina's bank got liquidated, Diana's company significantly cut their activities).

Those entrepreneurs who stress the limitations of the job market often indicate their own age and/or skills mismatch as a barrier. For example, Boris who used to be a teacher of theology started work repairing shoes and consequently teaching how to do it. He explains it in the following way:

“I lost a job at the age of 53. I had knowledge, experience but no one wanted to hire me... My wife once asked me to go and get her shoes from the shoe service...this is how I became a cobbler.”

The absence of other job opportunities also forced Katerina’s husband into the shoe repair business, at the beginning of the 1990s. Katerina explains that following the breakdown of the Soviet Union, the usual formal employment was ruined. Since there were no other job opportunities, her husband learned how to repair shoes and gradually built a chain of repair service shops. Now after almost 20 years, the conflict has left Katerina and her family without any means. Yet a reliable job market is still not available for them:

“I am 40 years old. I am experienced, I am full of energy and enthusiasm, I have grown-up children, I am a good professional, I am ready for everything...but I get rejected from potential employers saying that I am not suitable for the job, due to my age...”

Age has not been a barrier for 58 year old Andrei to find a position in a hospital in Kyiv. Though, as he explains, the job was neither providing him with enough income, nor corresponding to his long-standing qualifications:

“... With the highest possible degree in Neurology, I was going around with the Emergency Service... It was taking me an hour and a half to get there... I was working for up to 7 hours and getting paid 3000 UAH⁵, while just my rent expense is 4000 UAH⁶... for this reason I decided to give up on searching for a job and instead created one for myself.”

Vitalii also was employed in Kyiv: first as a guard and then as a repairman at a garage. He mentions that the pay from his security job was not providing enough means to cover his rent

⁵ Approximately 117 USD on 16 May 2016 (OANDA, 2016)

⁶ Approximately 155 USD on 16 May 2016 (OANDA, 2016)

expense. According to Vitalii, his current work at the garage is earning him enough money to secure his basic needs. Starting his own business in repair service is a way for Vitalii to earn more money. He states that having his own business will make his livelihood more “stable”, though he still plans to keep his work in the garage on a part-time basis.

6.1.3. How Do Displaced Entrepreneurs Foresee The Future Of Their Activities?

Almost all participants of this study describe a clear vision of the future of their company and specific strategies to achieve their goals. Interestingly, most participants indicate that a growth in size and capacity is an ultimate goal of their business. They provide several explanations as to why growth is important for them. These include: sustainability of their livelihoods, restoration of past lifestyle, personal aspirations, competition in the market, achievement of a desired quality of production and even sustaining the business.

Some entrepreneurs indicate that their companies need to grow in order to provide them with enough resources for sustaining their livelihoods. For example, Diana explains that if her business is too small, it will not be able to provide enough resources to cover all household expenditures of her four-member family. As she states, “In order to live a decent life in Kyiv”, her family business needs to grow. Training interns and adding new services is Diana’s strategy to increase the limited physical capacity of her business. Andrei, who is providing the same services as Diana’s family business, mentions his limited physical abilities in providing customer service, but as a factor discouraging his growth ambitions. He mentions that the current capacity of his business is providing enough means for him and his wife. Physical capacity is also hindering the future perspectives of Matvei’s business. He explains that after some time, his age and health will limit his physical ability to deliver the service. For this reason, he plans to hire a group of workers, which he will then supervise. Additional human resources and growth are necessary to sustain his business and secure his livelihood in the long run.

Those entrepreneurs who previously had successful businesses in Donbas, and lost considerable assets as a result of displacement, indicate that growing the business is the only way to restore their previous lifestyle. For example, Boris states that he used to own a nice three-story house in Luhansk, but now is forced to illegally reside in a factory warehouse. He states that if he does not

establish the chain of repair shops in Kyiv, he will never be able to achieve the “past quality of life”. He also mentions that growing the business is his personal aspiration: “... *I like the idea of aiming for something big. This is necessary for my personal fulfillment...*”.

There are participants who mention that their business needs to grow in order to be competitive on the market. For example, Pavel explains that in the industry of entertainment the companies with their own event venues are more successful. For this reason, his company aims to grow in capacity by adding tangible assets.

Denis, whose long-term plan is to export his product abroad, states that he not only wants his business to be profitable, but also wants it to be of an exemplary quality. Denis explains that since the Russian market is closed to his business, he will instead need to target the European market. A higher quality of production is necessary for him to meet the quality criteria of the European market. Denis mentions that if the free trade agreement between Ukraine and the EU comes into force⁷, and his company does not have to pay import taxes, his stores will have a considerable price advantage over some European competitors. According to him, to achieve a desired quality of production, it is necessary to increase the capacity of production.

Interestingly, most entrepreneurs who describe their plans for growth also indicate that following the crisis they stopped making long-term plans for the future. They attribute this to the uncertainties shaping their surroundings:

*“After everything that happened I learned that making long term plans does not make any sense... I am looking forward to the immediate future, but I don’t know what is going to happen afterwards.”*Matvei

“I can not make firm statements about our future any more, since I am unsure of what is going to happen tomorrow. Maybe we will have to flee Kyiv too...”
Katerina

“Following the displacement, I stopped making plans for the future, I feel uncertain about everything in this country.” Viktoriya

⁷ Note: The first round of interviews was recorded at the beginning of December, when the EU-Ukraine free trade agreement was not yet ratified.

Some participants indicate specific uncertainties that affect their future planning. For example Diana states that the upcoming tax reform⁸ has several dubious clauses that discourage her from thinking about expansion:

“Considering all uncertainties, I am not even sure if it is worthwhile to plan on expanding the business... take taxation reform as an example. It is unpredictable and I am not certain how it will affect our profits... It does not make sense to invest in the expansion of business if you will still be earning the same amount of after tax profit...” Diana

Tax reform is not a barrier for the expansion plans of Vitalii, who states that no matter what the legal framework is, part of his business will still remain undeclared:

“I don’t think that the tax system or legal context can affect our company... part of our business will anyways remain in the shadows... Paying taxes from this income is very hard... You need to save money for future development...”

Since the displaced entrepreneurs have limited access to finances, retaining their profits in the business is a common source of financing their expansion plans. For example, Katerina and Boris plan to reinvest a considerable part of their profits in the business. To do that, Katerina plans to keep her household expenditures to a minimum level. Boris goes further and states that he will not consume any profits and will reinvest all gains back into the business. He explains that until his company grows to the desired level, his wife will continue to provide means for their family. Unlike Katerina and Boris, saving money for expansion is not an option for Yegor, who states that his manufacturing business will not be profitable during its first 6 months. In order to increase the capacity of his factory, and to add new services, Yegor plans to attract additional outside investment in the business. Yet, as he mentions, it is very hard to persuade investors in the given circumstances.

The inquiries about the future plans of these entrepreneurs were made during both rounds of interviews and in some cases, considerable changes were recorded⁹. For example, Vitalii, who

⁸ The new tax reform was not yet enforced during the first round of the interviews

was very confident about the future prosperity of his company during the first round, did not feel so certain after the implementation of the project. He explained that not everything went according to plans and that the upcoming 6 months would show if the business would be able to survive or not. During the second round, Konstantin also mentioned that launching the new consumer product did not go as smoothly as he was planning. He states that more inputs are necessary to complete the project. At the same time, he notes that development of a new product facilitated his employees' trust in the company and they stopped leaving. This has been a significant relief for Konstantin's company which was suffering from the outflow of valuable employees.

Broader Life Plans

Almost all participants in this research indicate that they plan to settle in Kyiv instead of returning to Donbas in the future. They provide different reasons to explain their choice. For example, Viktoriya and Matvei state that the conflict has disrupted human relations, which are impossible to restore in the near future. The others, like Andrei and Pavel, mention that they will not be able to live in the east due to their political views. Some others state that returning to Donbas is impossible since they will not be able to earn a living there. Most of these respondents state that even though they would not have to pay rent there (*see common difficulties of IDPs in Appendix VI*), their livelihood will still be much more limited.

Denis was the only entrepreneur who indicated the desire to return to Donbas, during the first round of interviews. He mentioned that in the case that there is an opportunity to participate in a repatriation program in the future, he will be happy to do that. He also noted that the foundation of his small factory is the only thing that can not be transported from Kyiv. Yet, during the second round of the interviews, which coincided with the outbreak of the violence in the east, Denis had changed his opinion:

⁹ Reminder: The first round of interviews was recorded when entrepreneurs were in the early implementation phase of their grant agreements. The second round of interviews was recorded after the grant contracts were completed.

“...Looking at what is happening in Donbas, I stopped thinking about going back. I am glad that I am in Kyiv now... Donetsk is past for me, now I have to adapt to living here...”

During the second round of interviews, Vitalii, whose business did not take off with great success, mentioned that if the current business would fail, he would be forced to return to Donbas. He explained that his old store in Donetsk could provide some income for his family. Yet, he also emphasized that he would do everything to not return to the east, since the security of his family would be endangered there.

Some respondents indicated that they have made long-term arrangements for accommodation in Kyiv. For example, two respondents state that they are participating in a government program that provides land for construction of communal housing. The others mention that they plan to purchase apartments gradually, as their businesses get established. Some respondents mention that they plan to sell their apartments in Donbas and invest the money in long-term housing in Kyiv. Yet for now, selling the property in Donbas is not possible.

6.2 Discussions

This part of the analysis is divided into two main sub-sections. The first one attempts to explain the IDPs' entrepreneurial activities, based on some definitions and theories described in the literature review. The second part focuses specifically on the effects of conflict on entrepreneurs' motivations. Here the analysis compares and contrasts the empirical findings of this research to the existing studies on conflict and entrepreneurship. Consequently it points out certain aspects that were not covered in previous studies. It also suggests a broader understanding of specific notions.

6.2.1. Explanation of Entrepreneurial Activities

The IDPs' economic activities can be explained with different theories of entrepreneurship. These include: creative destruction (Schumpeter 1934), capital accumulation (Scase 1997), uncertainty bearing (Kirzner 1973, 1979, Schumpeter 1934), and local incentives (Baumol's (1990). Economic theory about occupational choice between self-employment and wage-

employment (Lucas 1978; Murphy et al. 1991, Naudé, 2013), or the absence of such choice, can explain the activities of all respondents of this study.

Scase's distinction (1997) between entrepreneurship and proprietorship explains different actions of some respondents. For example, holding consumption to a minimum level, allows Katerina to accumulate capital and aim for growth. This qualifies her as an entrepreneur, according to Scase (1997). On the other hand, Andrei who consumes all his profits, without projecting growth, is occupied with proprietorship. This definition of Scase (1997) is useful for understanding the actions of entrepreneurs at the moment, though it fails to understand the rationale for the growth orientation of individuals. In this case, for Katerina there is the necessity to aim for growth because her current profits are not enough for providing the desired means for her household. This growth orientation is a strategy that will allow her to achieve a desired level of consumption in the future.

There are the displaced entrepreneurs who exercise creative destruction defined by Schumpeter (1934). Konstantin's activities qualify for three of the five possible ways of exercising innovation: he is introducing a new product to a new market and also making organizational changes in his production. Yet, Konstantin's activity is not induced by the existing profit opportunities in the market, as Schumpeter (1934) would suggest. Instead, Konstantin's actions are derived from the necessity to find a substitution for the lost market. In order to do this, Konstantin is pushed to come up with new products that can be sold on the market. He also has to change the structure of his enterprise in order to be able to deliver the product. In this case, the causal relationship described by Schumpeter (1934), is reversed. Profit realization through innovation is still a strategy, but in this case it is determined by the push factors.

Risk-taking, which is often emphasized in the literature as entrepreneurs' profit-realization strategy (Knight, 1921, Scase 1997, McIntyre 2001), is often limited among displaced entrepreneurs. This is due to the high cost of the possible loss to their livelihoods. For example, Diana states that if she had not received the business support grant, she would not have added a new innovative service to her business. She explains that borrowing money for investment would endanger her livelihood. There are other examples of risk-aversion. For example, Yegor chose a

specific business because of a guaranteed demand for the product, even though he was considering other, more profitable options.

Uncertainties, defined by Knight (1921) as immeasurable risks that entrepreneurs can not influence, are often cited among displaced entrepreneurs as factors that hinder their activities and specifically, their growth orientation. Kirzner's (1979) theory on the relationship of institutions and their influence on the incentive structure of entrepreneurship, is useful for understanding the effect of an uncertain legal framework on the motivation of enterprises to invest in growth.

Baumol's (1990) theory on the local incentive structure of entrepreneurship is also useful for understanding the behavior of some entrepreneurs. Tax aversion and bribing practices, mentioned by some respondents, can be an example of "prevailing rules of the game that govern the payoff" (Baumol, 1990:898). Following Baumol's theory (1990), such activities are unproductive, or destructive in terms of their contribution to economic growth. Yet, they are significant for securing the livelihoods of entrepreneurs and those people who are depending on them.

6.2.2. Explanation of Conflict and Motivations

The empirical evidence of this study suggests that the relationship between necessity motivation and growth orientation is not straightforward. It depends on various aspects that shape individuals' capacity of doing business as well as their broader life goals. These include: human and financial capital, perceptions of risks and opportunities, previous experience, and beliefs and factors that individuals can not influence themselves. Furthermore the study has found that there are significant individual-level differences between the growth ambitions and strategies of those entrepreneurs who are managing a similar type of business and have approximately the same physical and financial assets. This difference can be attributed to the composition of their households, their perceptions and past experience. This finding is in line with Levine's (2014) notion about individual-level differences between livelihood strategies and goals due to the varied perception of risks and opportunities.

The evidence of this research agrees with the findings of several studies, such as Brück et. al, 2012; and Naudé, 2009, that conflict may create profit opportunities that were not available before. Furthermore, the study confirms Benett's (2010) theory that newly emerged profit opportunities may be occupied with productive activities. Denis, who is starting a manufacturing business due to the favorable market entry conditions that were indirectly created by the conflict, is an exemplifying case. Even though Denis is exploiting a profit opportunity, his motivation for starting the business and for seeking such opportunity had been initially derived from the necessity to secure a livelihood. In other words, Denis was pushed into entrepreneurship because of necessity, but he was also pulled by the profit opportunity that he found in the market. This finding suggests that the distinction between opportunity versus necessity entrepreneurship, described by Reynolds (1999) and used by GEM studies, can sometimes be blurry. Since conflict and resulting unemployment pushed Denis to follow his long-time dream of starting a business, Bögenhold's (1987) distinction between entrepreneurship motivated by economic needs and entrepreneurship driven by a desire for self-realization, proves also inaccurate.

The findings of this study suggest that some entrepreneurs may be pushed to innovate and come up with new products that were not on the market before. They may also be pushed to search for new markets or organizational structures for their existing businesses. This implies that the necessity for securing profits may lead them to finding profit opportunities that were not on the market before. This finding expands the idea of Smallbone and Welter (2004) on the learning experiences and changing motivations of entrepreneurs. It also agrees with Smallbone and Welter 's (2004) notion that the distinction between necessity and opportunity motivation is inadequate for estimating the growth and contribution potential of entrepreneurial activities. The history of Katerinas' shoe-repair business, which began in the 1990s due to the absence of other job opportunities and eventually grew into a profitable chain of repair shops, also proves Smallbone and Welter's (2004) finding about the changing motivations of entrepreneurship.

This research has revealed motivations that are specific to the phenomenon of displacement, which is not covered in the literature. Since the livelihoods of displaced entrepreneurs have significantly deteriorated, the restoration of their previous lifestyle, or at least achievement of a "more decent life" often determines their growth ambitions. Consequently, some displaced

persons who are pushed to create a business to secure a living are also pushed to aim for growth, in order to restore their old quality of life. This finding contradicts the notion of Demekas et al. (2002) that necessity motivated entrepreneurial activities are focused on survival, rather than growth. The finding of this study suggests that even though the immediate goal of entrepreneurs' activities is determined by necessity, they may still pursue growth in the long run. Their long-term plans and capital accumulation strategies prove that their ambitions may be attainable.

7. Conclusions

This study has explored an exemplifying case of Donbasi IDPs' motivations to start and pursue entrepreneurial activities. The purpose was to explain a relationship between necessity motivation and growth orientation from individual perspectives. Extensive fieldwork including document review, expert interviews, field research and observations and two rounds of interviews with displaced entrepreneurs, contributed rich empirical material about individuals' activities and motivations in the context of displacement. Levine's (2014) people-centered approach for studying conflict-affected livelihoods provided research with a framework for analyzing various dimensions of context that shape displaced entrepreneurs' motivations and strategies. Consequently, the findings of this study mitigated some existing notions about necessity-motivated entrepreneurship and suggested expanding their scope. The research also revealed entrepreneurial ambitions that are specific to the phenomenon of displacement and confirmed some previous findings on the relation of conflict and entrepreneurship.

This research began by looking at displaced entrepreneurs' current activities in order to understand individual-level differences between them. The study found that depending on the previous size and characteristics of a business, the loss of assets and livelihoods differently affected entrepreneurs' activities. The study also found that individual perceptions of conflict, at the moment of escaping, had a different influence on entrepreneurs' capacity of doing business in a relocation area. The research found that varied effects of war, such as the decline of prices and demand, or limited access to markets, differently hinder entrepreneurs' capacity in the relocation area. Yet, the study also found that the effects of war gave an opportunity for a new venture into certain productive activities that were not available before. The study found various

ways in which certain support structures such as families, social networks and community shape the activities of displaced persons. On the other hand, it also captured different ways that entrepreneurs contribute to these structures.

The analysis of empirical data continued by investigating the rationale of IDPs' motivations to start and pursue business activities. The study found that different factors such as absence of other job opportunities, limited income from employment, or loss of employment pushed IDPs into entrepreneurship. In the process, the study identified various aspects that hindered entrepreneurs' access to the job market, such as their age or skills mismatch. The research also found that some entrepreneurs start businesses to earn additional income, or to have a more reliable source of livelihood. The inquiry into displaced entrepreneurs' thinking and rationale showed that they often try to capitalize on their existing knowledge and experience in their business activities. Yet, the study also showed that some entrepreneurs were pushed to acquire completely new skills due to the necessity of their business.

At the final step, the research explored displaced entrepreneurs' future business plans, in order to understand their growth ambitions. Interestingly, most respondents emphasized that growth was their ultimate future orientation and attributed this to various circumstances. Most of these circumstances were related to livelihood processes. Yet, some entrepreneurs also attributed their ambition to their personal aspirations. The study also observed that displaced entrepreneurs' growth orientation can be related to their desire of restoring a past life-style, or achieving an approximation of their old quality of life.

Based on the empirical evidence, the research concluded that even though entrepreneurs may be motivated by a necessity to secure a living at the moment, their long-term aspirations for pursuing business may still be related to growth. In this way the study mitigated the notion that needs-based entrepreneurial activities are aiming at survival only. Instead it suggested that necessity-motivated entrepreneurial activities may result from different motivations in short and long-term perspectives. This study proved that Reynolds' (1999) distinction between necessity and opportunity entrepreneurship is not always clear. For this reason, the study concluded that a distinction between necessity and opportunity driven entrepreneurship cannot be applied to

predict the growth potential of entrepreneurship. This idea confirmed Smallbone and Welter's (2004) finding about changing motivations of entrepreneurship and that a dichotomy of necessity versus opportunity fails to estimate the growth potential of business. The study also proved that Bögenhold's (1987) distinction between entrepreneurship motivated by economic needs and entrepreneurship driven by a desire for self-realization is inaccurate.

This study opened several new directions for future research. For example, there is the question of how the motivation for restoring lost quality of life influences entrepreneurial activity. Other research can focus on the role of family in facilitating entrepreneurship in conflict and post-conflict settings. Further quantitative research is also necessary to examine the degree of individual entrepreneurs' influence on the restoration of economic activity in post-conflict settings.

The results of this study are useful for rethinking the growth and contribution potential of necessity-motivated entrepreneurial activities. For this reason, they can be helpful for designing policy and recovery assistance in conflict and post-conflict settings. Given findings are especially useful for addressing issues in Ukraine, where the lack of data and analysis constrains policy design and assistance.

Concluding Discussion

The violent conflict in eastern Ukraine resulted in the destruction of Donbasi entrepreneurs' physical and financial capital, but it did not deteriorate their human resources. The knowledge and experience of these entrepreneurs traveled with them all the way from Donbas and helped them establish their livelihoods in Kyiv. Will their businesses succeed? Will they contribute to the recovery and growth of the economy? These questions cannot yet be answered. Yet, it is clear that with the possible success of their business ventures, the likelihood of entrepreneurs' repatriation in Donbas is very low.

The crisis in the east not only destroyed the lives and properties of thousands living in the conflict zone, but it also discharged Donbas of its most resourceful capital - people contributing

to the functioning of an economy. For this reason, as long as the question of restoring Donbas is on the agenda, an important challenge is to understand what factors and circumstances can motivate these people to repatriate and how this can be achieved.

Word Count: 14 725

8. References

- Acs, Z.J., P. Arenius, M. Hay, and M. Minniti. (2005). *The Global Entrepreneurship Monitor. 2004 Executive Report*. London Business School and Babson College.
- Addison, T. & Brück, T., (2008). *Making peace work: the challenges of social and economic reconstruction*. Publisher: Palgrave Macmillan, Editor: Tony Addison and Tilman Brück.
- Amorós, J.E. and Cristi, O., 2011. Poverty and Entrepreneurship in Developing countries. *The Dynamics of Entrepreneurship: Evidence from Global Entrepreneurship Monitor Data*, pp.209-230.
- Baumol, W.J., (1990). Entrepreneurship: Productive, unproductive, and destructive. *Journal Political Economy*, 98(5), pp.893-921.
- Benett, J. (2010). Informal firms in developing countries: entrepreneurial stepping-stone or consolation prize?. *Small Business Economics*, 34(1) pp. 53-63.
- Bögenhold, D. (1987) *Der Gründerboom: Realität und Mythos der neuen Selbständigkeit*. Frankfurt/Main, New York: Campus.
- Bosma, N. (2013). The Global Entrepreneurship Monitor (GEM) and Its Impact on Entrepreneurship Research. *Foundations and Trends® in Entrepreneurship*, 9(2), pp.143-248.
- Brück, T., Naudé, W. and Verwimp, P. (2011). Small Business, Entrepreneurship and Violent Conflict in Developing Countries. *Journal of Small Business & Entrepreneurship*, 24(2), pp.161-178.
- Brück, T., Naudé, W. and Verwimp, P., (2013). Entrepreneurship and violent conflict in developing countries (No. 2013/028). WIDER Working Paper.
- Bryman, A. (2012). *Social Research Methods 4e*. Oxford, UK: Oxford University Press.
- Chambers, R. and Conway, G., (1992). *Sustainable rural livelihoods: practical concepts for the 21st century*. Institute of Development Studies (UK).
- Collier, P. (2004). Greed and grievance in civil war. *Oxford Economic Papers*, 56(4), pp.563-595.
- Collier, P., (2006). War and military expenditure in developing countries and their consequences for development. *The Economics of Peace and Security Journal*, 1(1), pp.9-13.
- Collinson, S. (2003). Power, livelihoods and conflict: case studies in political economy analysis for humanitarian humanitarian action. HPG Report 13. [online] Available at: <http://www.odi.org.uk/resources/docs/289.pdf> [Accessed 21 Jan. 2016].
- Creswell, J. (2009). *Research Design*. Thousand Oaks, California: SAGE Publications, Inc.
- data.worldbank.org. (2016). Adult literacy rate, population 15+ years, both sexes (%). [online] Available at: <http://data.worldbank.org/indicator/SE.ADT.LITR.ZS> [Accessed 18 Feb. 2016].
- Demekas, D.G., McHugh, J., McHugh, J. and Kosma, T., (2002). *The economics of post conflict aid (Vol. 2)*.

- International Monetary Fund.
- DFID (Department for International Development), (1991). Key Sheets for Sustainable Livelihoods. [online] Available at: <http://www.oneworld.org/odi/keysheets/> [Accessed 20 Jan. 2016].
- Estrin, S., Meyer, K.E. and Bytchkova, M., (2006). Entrepreneurship in transition economies. The Oxford handbook of entrepreneurship, pp.693-725
- Flyvbjerg, B. (2006). Five Misunderstandings About Case-Study Research. *Qualitative Inquiry*, 12(2), pp.219-245.
- GEM (Global Entrepreneurship Monitor). (2016). What is GEM?. [online] Available at: <http://www.gemconsortium.org> [Accessed 3 Feb. 2016].
- Gray, D. (2014). *Doing research in the real world 4e*. London, UK: Sage Publications.
- IDMC (Internal Displacement Monitoring Centre), (2014). Time to act: Internal displacement on the rise in Ukraine. [online] Available at: <http://www.internal-displacement.org> [Accessed 12 Nov. 2015].
- IHS (Information Handling Services), (2015). Country Reports – Ukraine. [online] Available at: <https://www.ihs.com/search/results.html?search=ukraine> [Accessed 10 Oct. 2015].
- IRP (International Recovery Platform), UNISDR (United Nations Office for Disaster Risk Reduction), UNDP (United Nations Development Programme), (2010). Guidance note on recovery: livelihood. [online] Available at: <https://www.unisdr.org/we/inform/publications/16771> [Accessed 27 Mar. 2016].
- Kirzner, I. (1973), *Competition and Entrepreneurship*. Chicago: University of Chicago.
- Kirzner, I. (1979), *Perception, Opportunity and Profit*. Chicago: University of Chicago.
- Kisil, V., Matsyuk, T. and Maksymov, M. (2016). New Tax Code of Ukraine: in-depth overview. [online] *lexology.com*. Available at: <http://www.lexology.com/library/detail.aspx?g=f9af62e9-66cf-43e3-8481-50c35c317cf0> [Accessed 15 Mar. 2016].
- Knight, F.H., (1921). *Risk, uncertainty and profit*. New York: Hart, Schaffner and Marx.
- Levine, S. (2014). *How to Study Livelihoods: Bringing a sustainable livelihoods framework to life*. SLRC Working Paper 22. [online] London: ODI. Available at: http://www.securelivelihoods.org/publications_details.aspx [Accessed 27 Dec. 2015].
- Lingelbach, D.C., De La Vina, L. and Asel, P., (2005) What's distinctive about growth-oriented entrepreneurship in developing countries?. UTSA College of Business Center for Global Entrepreneurship Working Paper, (1).
- Lucas, R. (1978). On the Size Distribution of Business Firms. *The Bell Journal of Economics*, 9(2).
- Maier, R., (2010). *Early recovery in post-conflict countries: a conceptual study*. The Hague: Clingendael Institute.
- Mcintyre, R. (2001). The role of Small and Medium Enterprises in Transition. Research for action 49. Helsinki: WIDER (World Institute for Development Economics Research).
- Minniti, M. (2011). *The dynamics of entrepreneurship*. Oxford: Oxford University Press.
- Murphy, K., Shleifer, A. and Vishny, R. (1991). The Allocation of Talent: Implications for Growth. *The Quarterly Journal of Economics*, 106(2), p.503.

- Naudé, W., (2007). Peace, prosperity and pro-growth entrepreneurship (No. 2007/02). WIDER Discussion Papers, World Institute for Development Economics (UNU-WIDER).
- Naudé, W., (2009). Entrepreneurship, post-conflict. In *Making Peace Work* (pp. 251-263). Palgrave Macmillan UK.
- Naudé, W., (2013). *Entrepreneurship and economic development: Theory, evidence and policy. Evidence and Policy. IZA Discussion Paper, (7507).*
- Nina, I. (2011). Fostering Women's Entrepreneurship in Ukraine. In: D. Small bone and W. Fredrik, ed., *Handbook of Research on Entrepreneurship Policies in Central and Eastern Europe*, 1st ed. Edward Elgar Publishing.
- OANDA. (2016). *Currency Converter | Foreign Exchange Rates | OANDA*. [online] Available at: <https://www.oanda.com/currency/converter/> [Accessed 16 May 2016].
- OECD (Organization for Economic Cooperation and Development), (2016). *SME Policy Index: Eastern Partner Countries 2016. Assessing the Implementation of the Small Business Act for Europe*. [online] Paris: OECD Publishing. Available at: <http://dx.doi.org/10.1787/9789264246249-en> [Accessed 15 Feb. 2016].
- Onwuegbuzie, A.J. and Collins, K.M., (2007). A typology of mixed methods sampling designs in social science research. *The qualitative report*, 12(2), pp.289.
- OSCE (Organization for Security and Co-operation in Europe), (2014). *Internal Displacement in Ukraine. Thematic Report*. [online] Available at: <http://www.osce.org/ukraine-smm/122620?download=true> [Accessed 2 Feb. 2016].
- OSCE (Organization for Security and Co-operation in Europe), (2015). *Access to Justice and the Conflict in Ukraine. Thematic Report*. [online] Available at: <http://www.osce.org/ukraine-smm/212311> [Accessed 27 Mar. 2016].
- Oxforddictionaries.com. (2016). *livelihood - definition of livelihood in English from the Oxford dictionary*. [online] Available at: <http://www.oxforddictionaries.com/definition/english/livelihood> [Accessed 16 May 2016].
- Reynolds, P.D., Hay, M. and Camp, S.M., (1999). *Global entrepreneurship monitor* (p. 3). Kansas City, Mo.: Kauffman Center for Entrepreneurial Leadership.
- Ricketts, M. (2008). *Theories of Entrepreneurship: Historical Development and Critical Assessment*. Oxford Handbooks Online.
- Saldaña, J. (2013). *The coding manual for qualitative researchers*. Los Angeles [i.e. Thousand Oaks, Calif]: SAGE Publications.
- Scase, R. (1997). The Role of Small Businesses in the Economic Transformation of Eastern Europe: Real But Relatively Unimportant?. *International Small Business Journal*, 16(1), pp.13-21.
- Schumpeter, J.A., (1934). *The theory of economic development: An inquiry into profits, capital, credit, interest, and the business cycle* (Vol. 55).
- Silverman, D. and Marvasti, A. (2008). *Doing Qualitative Research: A Comprehensive Guide*. Thousand Oaks: SAGE publications Inc.
- Smallbone, D. and Welter, F., (2004). *Entrepreneurship in transition economies: Necessity or opportunity driven*. Babson College-Kaufmann Foundation, Babson College, USA

- Smallbone, D. and Welter, F., 2001. The role of government in SME development in transition economies. *International Small Business Journal*, 19(4), pp.63-77.
- Smallbone, D. and Welter, F., 2006. Conceptualizing entrepreneurship in a transition context. *International Journal of Entrepreneurship and Small Business*, 3(2), pp.190-206.
- Smallbone, D., Welter, F., 2011. *Handbook of research on entrepreneurship policies in Central and Eastern Europe*. Edward Elgar Publishing.
- Transparency International, (2016). Corruption Perception Index. [online] [transparency.org](https://www.transparency.org/country/#UKR). Available at: <https://www.transparency.org/country/#UKR> [Accessed 27 Feb. 2016].
- Twig, J. and Merry, E. (2014). Ukraine's Real Crisis: A Demographics and Health Time Bomb. [online] *The National Interest*. Available at: <http://nationalinterest.org/feature/ukraines-real-crisis-demographics-health-time-bomb-11851> [Accessed 15 Feb. 2016].
- UN (United Nations), WBG (World Bank Group) & EU (European Union), (2015). *Ukraine Recovery and Peacebuilding Assessment. Volume I*. [online] Available at: http://www.ua.undp.org/content/ukraine/en/home/library/poverty/Recovery_and_Peacebuilding_Assessment.html [Accessed 7 Sep. 2016].
- UN (United Nations), WBG (World Bank Group) & EU (European Union), (2015). *Ukraine Recovery and Peacebuilding Assessment. Volume II*. [online] Available at: http://www.ua.undp.org/content/ukraine/en/home/library/poverty/Recovery_and_Peacebuilding_Assessment.html [Accessed 7 Sep. 2016].
- UNHCR (United Nations High Commissioner for Refugees), (2016). UNHCR Operational Update. [online] Available at: <http://www.unhcr.org/pages/49e48d4d6.html> [Accessed 29 Apr. 2016].
- UNHCR (United Nations High Commissioner for Refugees), (2015). *Summary of Participatory Assessments with internally displaced and conflict affected people in Ukraine*. [online] Available at: http://unhcr.org.ua/attachments/article/1526/PA%20Summ_proof.pdf [Accessed 16 Feb. 2016].
- UNHCR (United Nations High Commissioner for Refugees), (2015). *Ukraine: Internally Displaced People -14 August 2015*. [online] Available at: http://unhcr.org.ua/attachments/article/1244/ukr_IDPs_A4L_14.08.2015.pdf [Accessed 20 Nov. 2015].
- UNHCR (United Nations High Commissioner for Refugees), (2015). *World at war: Forced Displacement in 2014*. [online] Available at: <http://unhcr.org/556725e69.html> [Accessed 29 Apr. 2016].
- WB (World Bank), (2016). *Ukraine: Country at glance*. [online] [worldbank.org](http://www.worldbank.org). Available at: <http://www.worldbank.org/en/country/ukraine> [Accessed 20 Nov. 2015].
- WBG (World Bank Group), (2015). *Doing Business 2015: Ukraine*. [online] Available at: <http://www.doingbusiness.org/data/exploreeconomies/ukraine> [Accessed 27 Feb. 2016].
- Yin, R. (2009). *Case study research 4e*. Los Angeles, Calif.: Sage Publications.

Enterprise				Representative		
ID	Category	Description	Stage ¹⁰	Name	Gender	Age
Enterprise 1	Services	Medical Services	Start-up	Andrei	Male	50+
Enterprise 2	Services	Repair of shoes	Restoration	Boris	Male	50+
Enterprise 3	Services	Repair of machine parts	Start-up	Vitalii	Male	30-40
Enterprise 4	Goods	Manufacturing of construction chains	Start-up	Denis	Male	30-40
Enterprise 5	Goods	Production of alternative energy blocks	Restoration	Yegor	Male	40-50
Enterprise 6	Goods	Development of telecommunication equipment	Restoration	Konstantin	Male	40-50
Enterprise 7	Services	Renovation of houses	Restoration	Matvei	Male	50+
Enterprise 8	Services	Childrens' entertainment service	Restoration	Viktoriya	Female	30-40
				Pavel	Male	30-40
Enterprise 9	Services	Medical Services	Restoration	Diana	Female	40-50
Enterprise 10	Services	Shoe Service, combined with the repair of clothing and preparation of keys	Restoration	Inna	Female	20-30
				Ekaterina	Female	40-50

¹⁰ Start-up indicates that IDP got engaged in a specific business activity following displacement. Restoration indicates that IDP had previously been engaged in the same business in Donbas.

Interview Guide **Respondent: Volodymyr Kyprii**

Interview protocol

- Clarifying the purpose of the study;
- Providing details on how the data will be used;
- Explaining the interview structure;
- Indicating possibility to refrain from answering the questions;
- Guaranteeing anonymity, if not otherwise requested by the respondent;
- Taking consent for recording the interview.

Introductory Questions:

1. Could you tell a little bit about the activities of your organization?
2. How did your organization get involved in this project?
3. Did your organization have a previous experience of working with such projects?
4. How does the committee evaluate IDPs' business proposals?
5. What are the main criteria?
6. What kind of projects does the committee give a preference?
7. What is your role in the process of evaluation?
8. Have you noticed any general characteristic among displaced entrepreneurs' business projects?
9. Do you think that selected projects could have found another source of financing, if this project was not available?
10. How do you foresee the future of these enterprises?
11. Do you think they have a potential to grow in the future?
12. What will happen with their business, if they decide to return to Donbas?
13. What institutional barriers do IDPs encounter when doing business in Kyiv?
14. Can you give recommendations for the future inquiry of this study?
15. What questions are interesting to explore?
16. What kind of questions should I avoid?

Interview Guide ROUND I

Respondents: Internally displaced entrepreneurs

Interview protocol

- Clarifying the purpose of the study;
- Providing details on how the data will be used;
- Explaining the interview structure;
- Indicating possibility to refrain from answering the questions;
- Guaranteeing anonymity, if not otherwise requested by the respondent;
- Taking consent for recording the interview.

Introductory Questions:

1. Where are you from and where did you live before the conflict?
2. What is your profession?
3. What was your occupation before the conflict?
4. Do you have the family?
5. What is the main source of income for you/your family?
6. Do you have any previous experience of doing business?

Business related questions¹¹:

1. Can you briefly describe your business project?
2. How did you come up with this idea?
3. Did you have any previous experience of working in this field?
4. How many people will be involved in your enterprise?
5. What will they be doing?

¹¹ Business Related Questions were modified based on the characteristic of entrepreneurial activity

6. Who will be your customers?
7. How do you plan to attract potential customers?
8. What is the main risk in this business?
9. What kind of barriers do you face when doing this business?
10. What part of your income do you need for supporting yourself/ your family?
11. Will you be able to retain part of the income? If so, how much?
12. How do you see the future of your business?
13. Do you think about expanding your business?
14. How do you plan to achieve it?
15. Do you cooperate with other IDPs?
16. From where did you learn about the grant project?
17. What was the role of the grant in starting your business?
18. Would you be able to find any other means of financing your business idea for example bank loan or personal savings to realize your business plan?
19. Are there any barriers on the market that are faced by IDPs only?
20. Are there any barriers on the market that are specific to Kyiv?
21. How do you plan to adapt your business to the specificity of your relocation area?
22. Have you adapted to living in a new environment?
23. How do you see the future resolution of conflict in Donbas?
24. What influence will it have on you and your business?

**Interview Guide
ROUND II**

Respondents: Internally displaced entrepreneurs

Interview protocol

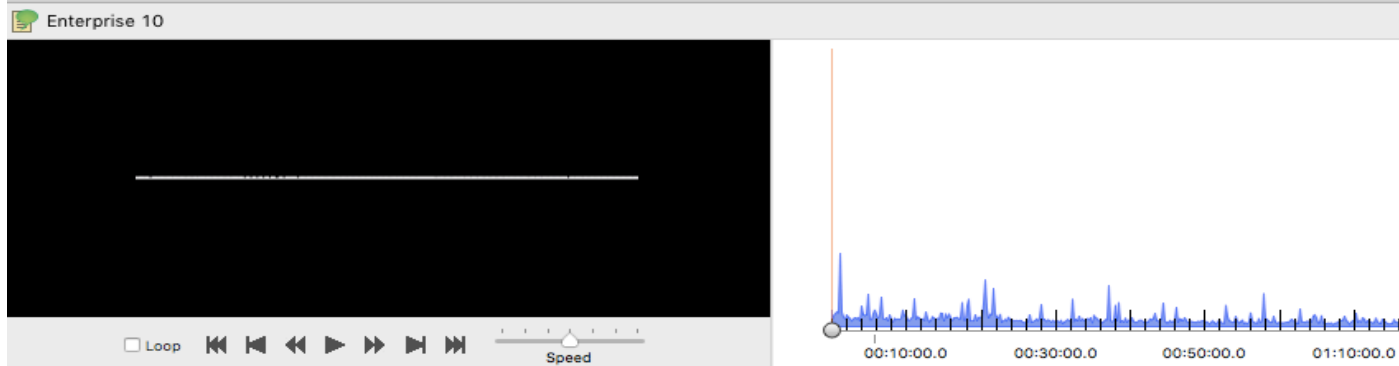
- Clarifying the purpose of repeated interview;
- Providing the details on how the data will be used;
- Guaranteeing anonymity, if not otherwise requested by the respondent;
- Taking consent for recording the interview.

General Questions:

1. How is your business progressing?
2. Have you encountered any difficulties in the process?
3. What are the challenges that you are facing right now?
4. Have your expectations been met?
5. Was there any challenge that you did not anticipate to face?
6. How do you see the future of your business?
7. How do you plan to achieve them?
8. How is your life in Kyiv?

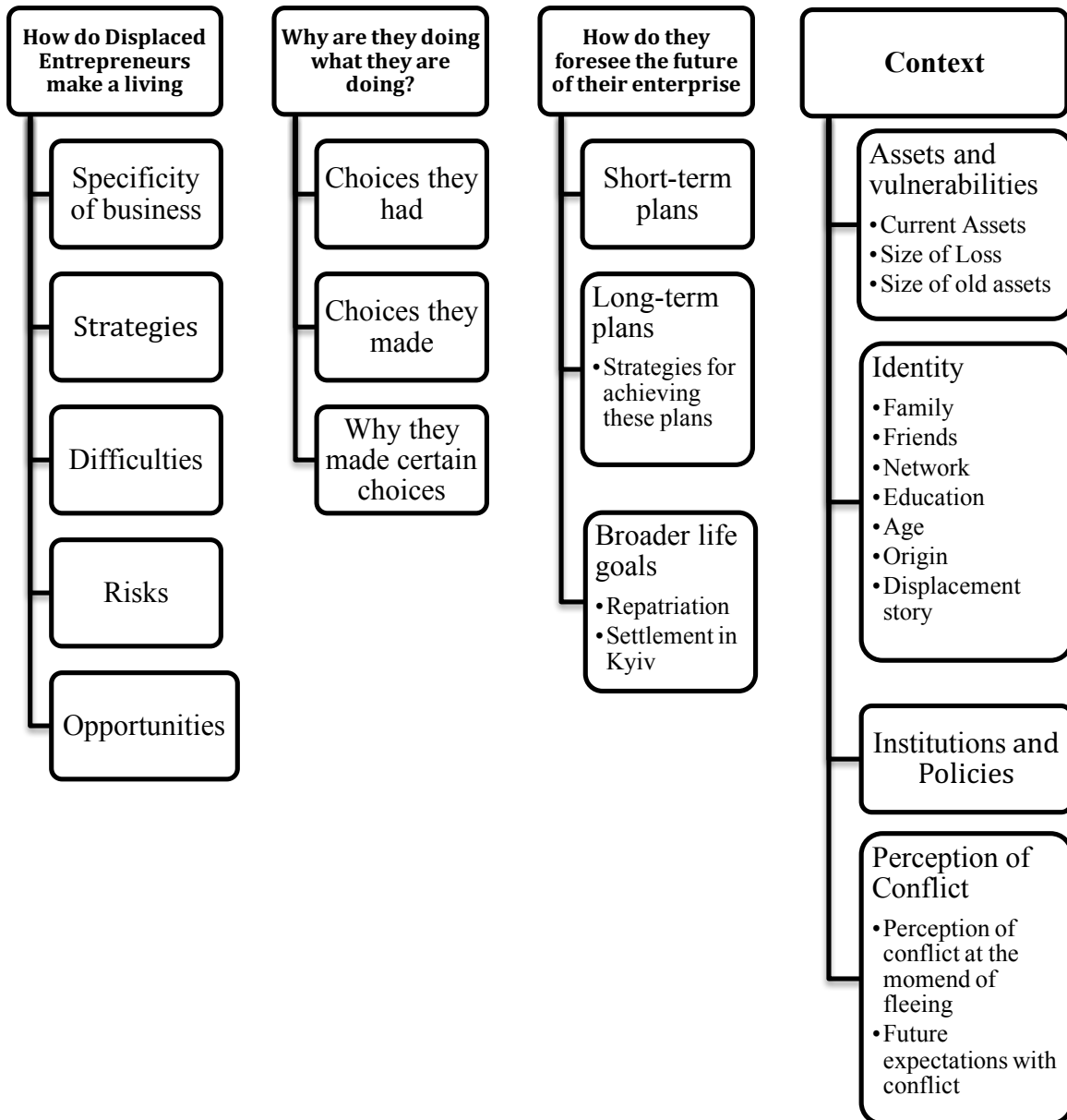
Appendix V

Enterprise 10



Start Time	End Time	Transcript	Sp
00:02:52.0	00:02:58.0	When did you move to Kyiv?	
00:03:06.2	00:05:42.4	Mother: We did not move right away. We had our business in Donetsk, were doing the same business. When the war started we did not at first believe in what was happening. It seemed like a bad dream, which would soon end. But it did not. We sent kids to Odesa. We did not take anything but our summer clothes. We moved in Kyiv because our friends had moved and we were initially planning to wait here for some time before the conflict resolves. We started renting the place and all our savings were spent on rent payments. We were thinking about returning by the New Years Eve. Then we realized that it was impossible. It was easier for Kids. Our youngest daughter got into 11th grade here in the high school. We could not transfer ██████████ documents from Donetsk and she had to retake one year of University studies.	Mo
00:05:42.4	00:05:42.5	What was your business in Donetsk?	
00:06:53.0	00:08:42.6	We had our repair shop in Donetsk. We started at the beginning of 90s out of the scratch. These were times when everything ruined and there wasn't any job available on the market, this was the reason why I decided to start the business. My husband learned how to repair the shoes. We borrowed some funds to buy the cabin and he started running his own shoe-repair box. I was helping with organizational issues. We started with one and ended up with 10 boxes and one new functioning. At first he started working alone. Then he hired a young man who was assisting him. After some time he got good at repairing the shoes and earned a good name of a master. The things started getting better and we afforded to get a second child. Then my husband bought one more cabin, then one other. We bought the building. We	Mo

Coding Scheme



Appendix VII

Common difficulties for Internally Displaced Entrepreneurs

This research revealed some common difficulties and related discriminations faced by displaced entrepreneurs. These include *the access to living/working spaces, the access to finance and the access to Government Services*. These aspects are summarized in the following short sections

The Access to living/working spaces

All participants of this research have indicated access and availability of living and working spaces in Kyiv as an issue for their livelihoods and economic activities, which Katerina summarizes in the following way:

“...Renting a place in Kyiv is very hard... With the inflow of IDPs all good places get taken right away. Renting a working space is twice as harder. Landlords are not willing to rent the place to displaced persons. They are afraid that IDPs won't be able to pay the rent and they won't have any mechanism to force them out... There are a lot of scammers... they indicate one price and when you go to check the place, they tell you another one... the prices are insane... no one gives official documents and thus any guarantees...”

Some respondents have mentioned that the high cost of rent has been a serious burden for their savings, which could have otherwise been used for investing in their business ventures. Some also mention that the rent, which is the biggest expenditure for their households, will trigger their ability to retain the profit in the business.

The Access to Financial Services

Another issue that has been emphasized by all displaced entrepreneurs captured in this study is the access to finance and financial services. Almost all participants indicate that the business support grant and other forms of assistance are the only way for them to mobilize resources for their business activities, since the regular financial markets are either not available for them, or are overly expensive to use. Some respondents also mention specific discrimination from banks in relation to their IDP status.

“Taking a bank loan would not be an option. Some banks even refuse to open me a bank account. I am telling them that I am a client and that I have a displacement registration record, which states that I reside in Kyiv nowadays, but I still get rejected....” Yegor

“The banks don't issue credits to people with Donetsk Registration. It is some kind of an unwritten rule. I have some acquaintances and I would probably be able to borrow privately, but then I would have to live the car as a collateral...” Vitalii

“...as a displaced person, I can not even take a cell phone on a credit. My status in bank credit rating is just like that of a homeless person, which means that no serious financial institution will issue any kind of loan to me” Denis

“It is impossible to get a bank credit. The banks do not issue credits for the development of a small business... Collaterals are very high. The only way for me to finance this project was with the grant...” Andrei

The Access to Government Services

The entrepreneurs participating in this research have often mentioned their relationship with the state, which in most (if not all) cases has been the subject of dissatisfaction and

irritation. Corruption, inefficiency and incompetence have been often used to describe the nature of the state and its capacity to provide public services. In the meantime, some respondents have also mentioned difficulties in accessing the government services that were specific to the displacement context.

Entrepreneurs who reestablished their businesses in Kyiv: Konstantin, Diana and Matvei, mention that the tax records of their enterprises got lost when the Government services in Donbas were forced to relocate to the government controlled areas. Even though given entrepreneurs have reregistered their companies in Kyiv, the Revenue Service still does not have their previous tax records and for this reason, refuses to provide services to them. According to Matvei due to this problem, notary agencies, banks and custom-houses also reject to provide services to his company. He mentions that the government representatives have suggested him to shut down his enterprise and reestablish it as a new company, but this solution is very costly for the company.

Even though the new regulations have made procedures for starting the business much easier, some entrepreneurs who are just starting their business activities mention certain difficulties with registering their businesses. Inna summarizes this issue in the follow way:

“There are enormous lines... There are no clear directions on where to go and where to seek information... They send you from one desk to another... There is no holistic picture of the system... There are a lot of changes, but people in the system are not fully aware of them. You have to find out everything on your own. ... In Donetsk we knew how the system was working...” Inna

“ The reforming of state institutions is going in a very slow manner. You don't need any special documents to start a business... It is great... though in reality, the system is quite complicated... the government institution that was previously giving the permits for starting the business is the same

and it is following the old habits. People working there do not have necessary information about the reform and what they have to do...I gave up on the first stage, when I was standing in the line to leave the necessary documents... I decided to seek a “professional” help. It was fast, though it cost me some money...”Denis