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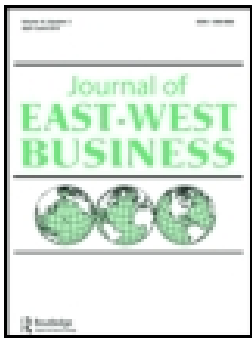
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RESEARCH ARTICLE



## Cypriot Diaspora Direct Investment Patterns in times of Financial Crisis

Eva Karayianni<sup>a</sup>, Panagiotis Kontakos<sup>a</sup>, Aristides Bitzenis<sup>b</sup>, and Angelina Sergi<sup>a</sup>

<sup>a</sup>School of Business and Management, UCLAN, Preston, UK; <sup>b</sup>Department of International and European Studies, University of Macedonia, Thessaloniki, Greece

### ABSTRACT

This qualitative study aims to study the phenomenon of diaspora direct investments in the Republic of Cyprus during the period 2013–2021, which succeeded the 2013 Financial Crisis. The unit of analysis has been real estate agencies established on the island, as real estate consists the major sector where diaspora investment takes place. A multiple case study, including in-depth interviews, and an inductive analytical approach were adopted. Data has been triangulated leading to results which contribute theoretically by asserting that diaspora direct investments are predominantly emotionally driven, and not only socio-economically influenced, as in the case of foreign direct investments.

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republic of Cyprus

## Introduction

The accession of the Republic of Cyprus into the European Union in 2004, its entry to the single European currency in 2008, and the Financial Crisis which culminated in the bail-in of all bank creditors on March 15, 2013, the so-called overnight “hair-cut tax on deposits”, have significantly affected the policy response to the recession that followed. This has rendered a high degree of uncertainty in investing in the Republic of Cyprus, either via Foreign Direct Investments (FDI) or Diaspora Direct Investments (DDI).

The decrease of interest in investing in the Republic of Cyprus, as evidenced by the reduced nominal gross capital formation as percent of nominal GDP in the period that followed the major financial and economic crisis in March 2013, bottomed to a record low of 5.2% in March 2016, compared to an average ratio of 21% in the period from March 1995 to March 2022 (CEIC 2022). Therefore, it is important to understand whether

**CONTACT** Panagiotis Kontakos  [pkontakos@uclan.ac.uk](mailto:pkontakos@uclan.ac.uk)  School of Business and Management, UCLAN, Preston, Lancashire PR1 2HE, UK.

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respective variations are a produce of foreign or diaspora investment. This is a complex situation because diaspora Cypriots while hold dual nationalities, they are also considered as “foreigners” since they are holders of foreign passports (e.g. Cypriots in UK have a British passport but can also have a Cypriot one). This makes it difficult to understand whether investments are a product of FDI or DDI and what influences their increase or decrease.

The term “diaspora” conveys the idea of a transnational population living in one place while maintaining contact with their country of origin and often residing permanently in the host country as a minority group (USAID. 2009). People in the diaspora promote investment in two ways: first, when they are in a high position in companies abroad and use their know-how as well as their position to persuade companies to invest in their country of origin, and second, when diaspora managers or even owners of companies, whose parent companies are based in their host countries, establish new partnerships with their home country and thus attempt to help development by financing sustainable projects (Rodríguez-Montemayor 2012).

In the existing FDI literature, it is argued that the investment process is influenced by both negative and positive events (Minniti and Bygrave 2001; Reuber and Fischer 1999) as well as “critical episodes” which have an impact on both development and personal learning (Cope 2003). However, in DDI literature, there is still room to understand how critical events are reflected in the learning efforts of diaspora entrepreneurs investing in their countries of origin and how it influences the real estate industry to successfully establish, develop and maintain their businesses. As elaborated in the next section, there is a paucity of research related to investigating DDI patterns, and this research gap is particularly noticeable in the case of the Cypriot diaspora. Moreover, learning occurs from moments (Rae 2013), a series of events (Morris et al. 2012), and mainly critical events (Cope 2003) that spark the entrepreneurial learning process. Existing literature indeed show gaps in respect to how critical events in the homeland can influence the DDI patterns. At the same time, the relative size of the Cypriot diaspora population renders the consideration of this topic as more acute and worthwhile. Further, considering that migration is constantly growing (Simba and Ojong 2018), it is crucial to understand the investment networking dynamics of diasporas.

Therefore, this study will examine the most recent and major 2013 Financial Crisis as the critical episode that took place in the Republic of Cyprus and the consequences it had on the investment patterns followed by the Cypriots of the diaspora in the later years, particularly during the period 2013 to 2021. It applies an inductive analytical approach, based on a



multiple case study while data has been collected from the eight largest real estate agencies across the Republic of Cyprus together with an additional case of three professionals outside of the real estate industry. The aim of this research is to generate knowledge and contribute to the fields of DDI and FDI, and particularly in conceptualizing how the investment patterns of diaspora, in this study diaspora Cypriots, are developed and affected by a negative critical event, giving answer to the research question:

RQ: How did the 2013 Financial Crisis influence the diaspora Cypriots investment patterns in their homeland?

The paper is structured as follows. It begins with a review of extant research on diaspora direct investments and entrepreneurship, the economic recession and the Financial Crisis in the Republic of Cyprus in 2013 and the diaspora Cypriots, followed by a rationale on the use of triangulation reasoning as methodology and a justification of the qualitative method employed. Next, an analysis of data collected from the participants is made, which is followed by a graphical illustration of the findings. This is then followed by a discussion of the findings, before the paper concludes with the key contributions evolving from this work, future research directions, and the limitations of this study.

## **The Cypriot diaspora research**

### ***The diaspora Cypriots***

Diasporas is the nomenclature often adopted to describe immigrants, thus Cypriot diasporas are the Cypriot populations that are scattered across the world, representing half of the Cypriot population living in their homeland, which was estimated for 2018 at 1.2 million (Karayianni 2021). Cypriot diasporas are found mostly to be located in the United Kingdom, with around 300,000 Greek Cypriots located in the UK (Karayianni, Hadjielias, and Glyptis 2023).

Despite the fact that the Cypriots of the diaspora are scattered almost all over the world, they maintain inseparable ties with their homeland (Evripidou 2015). Greek Cypriots often return for retirement in Cyprus, as this is the dream of almost every diaspora (Cohen 2008). The main areas of employment of Cypriot diaspora are in the food industry, the hotel industry and the clothing industry, mostly in companies owned by other members of the Cypriot community (Karayianni 2021). However, in several cases, second-generation immigrants left their family businesses and sought other professional careers (The National Federation of Cypriots in UK 2022). Further, “The second and third generation of the Cypriot diaspora mainly deals in business, politics, and many of them have excelled in their



profession, with some becoming multi-millionaires but constantly yearning to return home to Cyprus” (Loizou 2021).

Cypriot diasporas originated from the more impoverished strata of society. “Because one Cypriot brought his family and friends over, a specific pattern appeared as to their host country destination such as in South Africa (mainly of Paphos origin), the UK (especially from the Larnaca, the mountain villages), Australia (from everywhere), as well as the US. They then showed a particular preference for investing in Cyprus’ real estate, depending on their location of origin. Thus South Africa diasporas preferred to invest in Paphos, Cypriots from the UK chose Oroklini and Kiti. These diasporas were the backbone of the real estate demand post-1974 invasion, on which others followed” (Loizou 2021).

### ***Recession and the Cyprus Financial Crisis in 2013***

European Union member states such as Ireland, Spain, Portugal, Latvia and Greece were significantly affected by the global economic crisis in 2008. The Republic of Cyprus in March 2013 was the last European country to call for financial assistance (European Stability Mechanism 2022). The economic instability of the countries of the European Union, and especially of Greece, resulted in the channeling and beginning of the economic crisis in the Republic of Cyprus, mainly through the exposure of the Cypriot economy to the Greek debt, leading to fears of a collapse of the Cypriot banks, as they came under severe financial pressure due to the deteriorating bad debt ratios (Georgiou 2013). The Cypriot state, unable to raise liquidity from the markets to support its financial sector, requested a bailout from the European Union. In March 2013, the Republic of Cyprus turned to its European counterparts for financial assistance, which resulted in a rescue agreement (Georgiou 2013; Orphanides 2014) that shifted the burden to the depositors with holdings over €100,000, as a precondition for receiving bailout funds from the EU and the International Monetary Fund.

### ***Diaspora and foreign direct investments and entrepreneurship***

In diaspora entrepreneurship there are three main reasons that push immigrants to maintain ties with their homeland and with institutions in their homeland and helps them in times when they want to invest back home (Bagwell 2018). First, diasporas give impetus to the business development (Elo et al. 2018) that connects the context of home and host (Drori, Honig, and Wright 2009; Elo and Volovelsky 2017; Emontspool and Servais 2017; Coviello, Jones, and McDougall-Covin 2015; Terjesen and Elam 2009; Turunen and Nummela 2017). Secondly, immigrants keep in touch with



their homeland because of a “sense of obligation” (Lee 2008, p. 17), or even a sense of altruistic motivation (Gillespie et al. 1999; Nielsen and Riddle 2009). The third reason is the connections they have in their homeland and especially with members of their wider family, a fact that helps them remain informed on several matters occurring in the homeland (Karayianni, Hadjielias, and Glyptis 2023). Many scholars have also underlined the fundamental desire to return to the country of origin, implicating that diasporan may be more affine to invest and plan their future to realize this dream. Thus, the current knowledge seems to underline emotional, cultural and ethnic characteristics of diaspora investment behavior (Elo and Riddle 2016).

In the literature we also find important information on how diaspora people utilize and activate their networks, so as to build new ventures as well as to support existing businesses (Karayianni, Hadjielias, and Glyptis 2023; Bagwell 2018). Networks created by diasporas result in an increase in the businesses of diasporas who are integrated both economically and socially in their host country and in their homeland (Bagwell 2018). This economic and social integration in both countries contributes significantly to diaspora entrepreneurship (Karayianni 2021) as they have the opportunity to take advantage of both the connections and the knowledge from two different markets and systems (Chen and Tan 2009; Wang and Liu 2015), utilize family across borders social capital (Karayianni, Hadjielias, and Glyptis 2023) and to incline toward directly investing in their homeland.

DDI describes the cross-border investment flow directed by companies and made by individuals located in a host country, back to their home country. One of the most common DDI is remittances, the purchase of government bonds issued by the government of their homeland, as well as the purchase of shares in their homeland. The term ‘diaspora investment’ is quite heterogeneous, taking many shapes and forms, proceeding from origin to destination in different ways, initiated by different actors, and a mean for various ends (Elo and Riddle 2016).

In comparison, based on OECD (2022), FDI is a “category of cross-border investment in which an investor resident in one economy establishes a lasting interest in and a significant degree of influence over an enterprise resident in another economy, either directly or indirectly, of 10% or more of its voting power”.

DDI differs from FDI in that it relies on a transnational social network of migrant mechanisms as well as migrants operating between host and home countries, as it is a lever, because a very good knowledge of their homeland and culture as a factor makes immigrants more sustainable in raising capital and investing (Debass and Ardovino 2009).

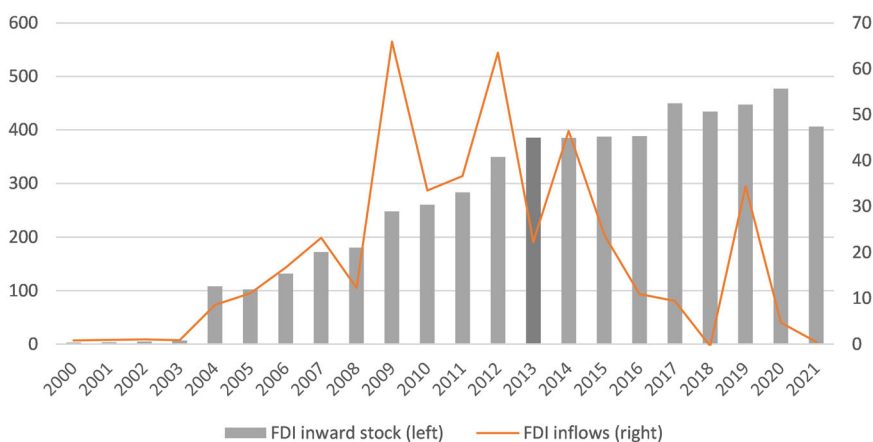


Diaspora investors and entrepreneurs can play a key role in attracting foreign investment by setting up joint ventures and promoting domestic export companies, and DDI is expected to provide suppliers and distributors with the best business practices and technologies, especially as the diasporas are more aware of the technical requirements of the country of origin (Rodríguez-Montemayor 2012). Compared to FDI, DDI is a larger transnational construct that promotes the integration of society into the global economy through the interconnection of donations, large and small investments, trade, tourism and unilateral transport (Debass and Ardovino 2009). DDI plays an important role in development for some countries and the resurgence of areas of the economy which have been seriously affected by critical events (Gould 1994), which for this study is the Financial Crisis which occurred on the island.

In the case of FDI, respective inflows in the Republic of Cyprus appear to follow a downward trend after the impact of the Financial Crisis started to unfold (Figure 1). Overall, while existing literature provides fruitful information in respect to the influences that critical events have on FDI in Greece (Bitzenis 2020; Kexagias and Kyriazis 2017) and Cyprus (Kontakos and Kiteos 2020; Georgiou and Kontakos 2018), or other countries (Vlachos and Bitzenis 2018; Bitzenis and Vlachos 2013; Bitzenis and Szamosi 2009), however, inadequate relevant data and existing literature show gaps in respect to how critical events in the homeland can influence the direct investment patterns that diasporas follow.

## Methodology

To examine the influences of the 2013 Financial Crisis in the Republic of Cyprus on the direct investment patterns of Cypriot diasporas, this article



**Figure 1.** FDI inflows and inward stock in Cyprus 2000–2021 (billion USD dollars). Source: UNCTAD. (2022), FDI/MNE database ([www.unctad.org/fdistatistic](http://www.unctad.org/fdistatistic)).



relies on qualitative data collected on the basis of the triangulation logic, by deploying face-to-face, in-depth, semi-structured interviews, non-participant observations and the study of documents (Ryan, Coughlan, and Cronin 2009).

### ***Criterion sampling strategy***

This study adopts the purposive sampling strategy (Greening, Barringer, and Macy 1996) to identify real estate agencies, which could provide a fertile setting to examine the influences of the 2013 Financial Crisis in the Republic of Cyprus on DDI. Adopting this sampling strategy defends the use of small samples (Greening, Barringer, and Macy 1996) conforming to certain criteria applicable to non-probability methods and allowing efficient data collection (Bryman and Bell 2015). Hence, sampling for this study has not been based on a random selection, since not all real estate agencies can participate in this study (Alvi 2016). To this end, the selection of real estate agencies as cases to form the case cohort for this research, involved reviewing and studying ‘all cases that meet some predetermined criterion of importance’ (Patton 2002, p. 238).

Respectively, a criterion sampling strategy has been applied to choose those cases that could provide fruitful information to address the research question (Suri 2011). The year of establishment of real estate agencies, their links to diaspora Cypriots, the need for Cypriot ownership, the requirement to be located in the Republic of Cyprus, their years of work experience and their activity in the real estate sector consisted the six criteria based on which the cases were selected. These set criteria while they reflect the personal choice of the researchers, they narrow the choice of real estate agencies as they need to comply to all six criteria.

### ***Data collection***

To examine the lived experiences of the real estate agency owners, this research has relied on their subjective and context-specific viewpoints. Hence it is important to explore the social construction of their social and multiple realities, so that conclusions can be drawn based on their understandings. To acquire knowledge from participants about these multiple realities we have followed an interpretivist approach based on the qualitative data collection and a triangulation logic. This approach entails using more than one method of investigation or source of data when studying social phenomena (Bryman and Bell 2015). Therefore, semi-structured interviews have been made, observations have been carried out, and



documents have been accessed studied and analyzed, in line with the triangulation of sources approach (Patton 2002; Denzin 2017).

The basic data on which the interpretation is based were gathered through qualitative semi-structured interviews (Cullen, Bradford, and Green 2012). A total of 15 in-depth fieldtrips and interviews took place, within a time length of 30 minutes per interviewee. The 15 in-depth interviews were the sum of interviewing 12 members from 8 cases (real estate agencies) and 3 members with professional backgrounds who formed an external case. The number of case participants and hence interviews, was the result of following the saturation approach (Guest, Bunce, and Johnson 2006), while to eliminate any dilemmas the researchers took interviews from members residing outside the real estate agencies with professional backgrounds related to the process of FDI and or DDI, such as legal, financial as well as auditing and taxation. Although some of our interviewed real estate agencies have longer market experience or different market focus (e.g. some specialize in the luxury real estate segment while others do not), we have treated them equally in terms of validity and impact of their opinions. As privacy and anonymity was of paramount importance, the anonymity of all participants was ensured with pseudonyms (Table 1).

The interviews preceded by observations, so that we could be better informed about the setting we will be entering (Cohen and Crabtree 2006). A very important parameter that we took into account is the direct observation of the environment, which can have a direct effect on the accuracy and interpretation of the phenomenon under investigation. Thus, the observations during the fieldwork have been noted down on an observation form, consisting “the systematic description of events, behaviors, and artifacts in the social setting chosen for study” (Marshall and Rossman 1989, p. 79). The direct non-participant observations for this study comprised data gathering, through attending at least one field visit per real estate agency.

The enhancement of procedural validity as well as the reliability of the data collection process have been triangulated with data extracted from documents (Graham 2005). The documents can provide important information, significantly helping to better understand the social reality of the real estate members (Bryman and Bell 2015). Our collection of documents involved many different sources (private, public, media, personal, etc.), press releases and web pages of the real estate agencies, thus presenting a diversity and heterogeneity (Bryman and Bell 2015). These documents facilitated complementing any gaps from the interviews and observations made (Connell, Lynch, and Waring 2001), by integrating the coding content into topics and enriching the data structure.



**Table 1.** Participants-case cohort.

Real Estate	Date of establishment	Profile	Number of interviews	Interview location	Interviewee Pseudonym(s)
Real Estate 1	1976	Investment development, construction, Nicosia region focus, architecture with high esthetics promoting energy saving systems and renewable sources.	2	Nicosia	Mr Andreas Mr Marios
Real Estate 2	1991	The largest and leading private land development company in Cyprus, developing vast residential, commercial and mixed-use projects, involved in strategic acquisition and consulting.	2	Lamaca	Mr Costas Mr Michalis
Real Estate 3	2007	Luxury houses, apartments, plots, offices. The company has recently started to provide customers with high quality constructions, luxury houses, apartments, plots, offices with regional focus in Larnaca.	3	Lamaca	Mr Christos Mr Giorgos Mr Iacovos
Real Estate 4	1991	Develops luxury properties at various prices and designs throughout Cyprus, headquartered in Larnaca and a branch office in Nicosia.	1	Nicosia	Mr Chris
Real Estate 5	2017	An expert real estate professional both in Cyprus and in the UK, focusing on innovative creative projects that will impress and benefit any home buyer or potential local or foreign investor.	1	Lamaca	Mr Sawvas
Real Estate 6	2009	Its portfolio includes a wide range of apartments, houses, villas, seaside properties; it offers investments in real estate for obtaining a visa for a permanent residence permit on the island.	1	Limassol	Mr Constantinos
Real Estate 7	2001	Established in Cyprus by Greek Cypriot owners with an extensive network of diaspora Cypriots; it is actively involved in the construction and development sector and has many foreign investors.	1	Paphos	Mrs Eleni
Real Estate 8	1999	A family enterprise established in Cyprus by Greek Cypriot owners with an extensive network of diaspora Cypriots.	1	Lamaca	Mr Symeon
Professional 1		An auditor in one of the largest auditing companies in the world and one of the largest on the island, with experience in foreign and Cypriot companies for over 20 years, providing services to diaspora Cypriots investing in Cyprus and connections mostly in Nicosia, Larnaca and Famagusta regions.	1	Famagusta	Mrs Maria
Professional 2		A lawyer with a large law firm that deals with the registration of companies for foreign investors. As a professional company they work with many real estate agencies to manage and offer services to foreign investors.	1	Lamaca	Mr Georges
Professional 3		A former high-ranking forex employee, in charge of the anti-money laundering department and a compliance officer with over 7 years of experience in the field of investment.	1	Lamaca	Mrs Marianna



## **Data analysis**

Our thematic analysis was initiated by taking the raw data from the interview sheets and going over them several times (Mason 2002), to reach a level of acquaintance with both the data and the general knowledge and opinions of the participants. By using triangulation, between data from the interviews, observations and from the study of documents, categories became evident to establish first-order codes following an open coding approach (Strauss and Corbin 1998).

In the second stage of coding, the aim was to find any similarities between the original codes in order to group and thus reduce them to second-order categories (Gioia, Corley, and Hamilton 2013). In the third coding cycle, we reached to a further selection of the second order categories by using an “aggregate dimension” (Gioia, Corley, and Hamilton 2013, p. 20). In this round, the aim was to compare the established theories with the views expressed by the participants of this research (Gioia, Corley, and Hamilton 2013). This allowed to see whether there were any new concepts emerging from the findings that could not be reconciled by existing DDI and FDI theories and if so, that would essentially provide for theoretical discovery (Gioia, Corley, and Hamilton 2013).

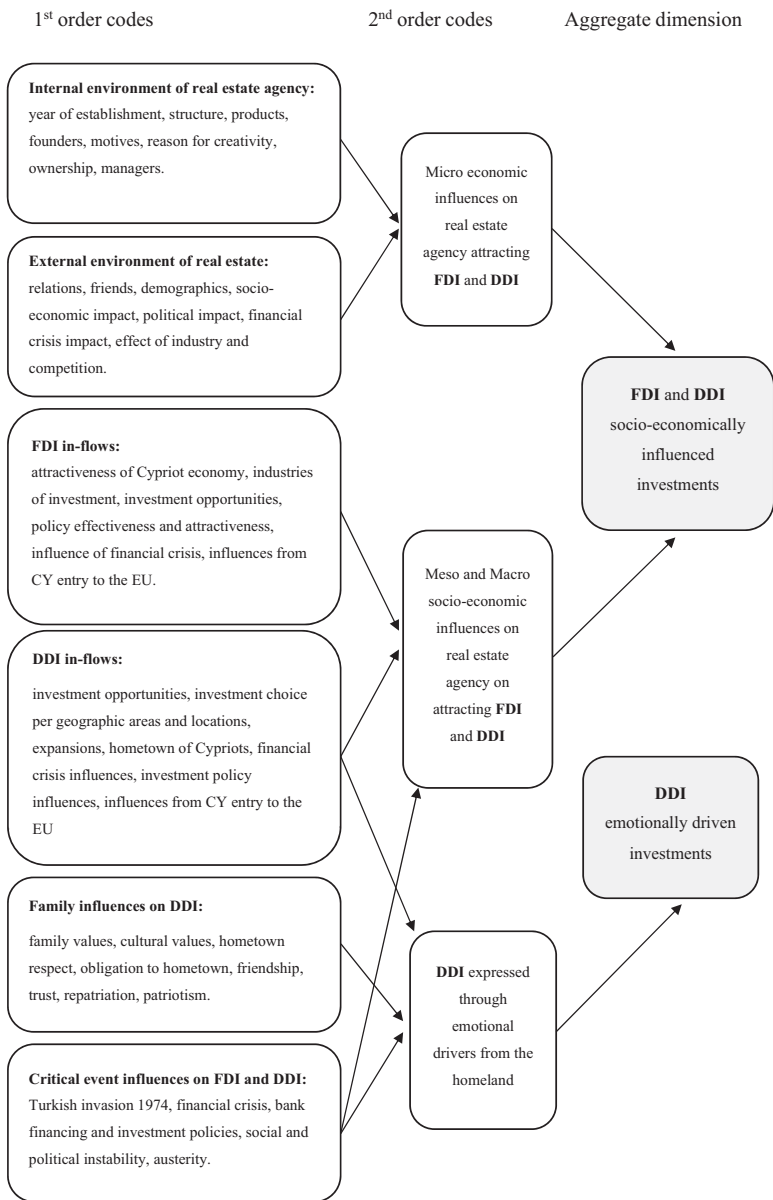
## **Findings**

The findings emerging from this study are articulated alongside two key dimensions, offering in this way the qualities, meanings and contributions of the themes which have been highlighted in the data. The sections that follow elaborate on these two dimensions. First, the influence of the Financial Crisis in the Republic of Cyprus on FDI and DDI as socio-economically influenced investments; second, the influence of the Financial Crisis in the Republic of Cyprus on DDI as emotionally driven investments.

### ***The influence of the Financial Crisis in the Republic of Cyprus on FDI and DDI as socio-economically influenced investments***

Socio-economically influenced investments, i.e. investments affected by social or economic factors (Figure 2), appear to be critical in explaining the influence that the Financial Crisis in the Republic of Cyprus had on FDI as well as DDI. The interpretation of the two themes is presented in the data structure of the 2nd order codes and are, first, Micro influences and, second, Meso and Macro influences.





**Figure 2.** Data structure.

**Micro influences**

The findings direct us toward the micro-level influences affecting the attractiveness of the real estate agencies sector for FDI and DDI. The following extracts illustrate that the internal environment of the real estate agencies and the external environment which surrounds them, play a significant role in influencing their attractiveness to draw FDI and DDI. Specifically, Mr Christos from Real Estates 3, shares that:



“... I visioned the new creation of the company as I saw the potential of FDI in the real estate sector. Following the Financial Crisis, the region had a lot of demand from Lebanese investors and hence we restructured the business”.

Therefore, the data extract suggests that real estate agencies were influenced internally by the personal visions of the owners and tried to find creative ways to attract FDI.

Similarly, Mr Michalis, a member of the management team Real Estates 2, that

“[...] we tried to create unique investment opportunity for clients who were looking to invest in real estate in Cyprus and to have favourable returns to the investor whether foreign or Cypriot”.

As presented in the extract, real estate agencies are open to find new ways to offer investment returns and take necessary steps internally to do so, so that they remain attractive to both FDI and DDI. The way by which they enhance attractiveness is associated with the external environment which surrounds the real estate agencies. In addition, the network of the real estate agencies' members, are presented as a supporting system in times of critical events, as well as a pool of information from where the real estate agencies utilize them as resources. The extract shared below by Mr Costas, Real Estates 2, illustrates exactly the relevance and importance of the networks:

“[...] they established the company in 1991, they had a very good network of friends from small to high-net families which were their main supporters during difficult times.”

Therefore, it is the participant's belief that the networks are those who help to support the real estate agencies, when critical events, such as the Financial Crisis, occur.

### *Meso and macro influences*

The triangulated data has shown that the Meso-level and Macro-level influences on the real estate agencies play a significant role in attracting FDI and DDI. In the words of Mr Iacovos, Real Estates 3:

“Before the deposit haircut the industry prospered, we had investors as well as enough demand from the local market. After the Financial Crisis, the competition increased even more because investors did not come to the island to invest due to the collapse of the banking system. They did not want to have any transactions with the local banks of the island”.

As suggested by the data extract, the Financial Crisis as a critical macro-level event, on the one hand affected the attractiveness of FDI and DDI investors, but on the other hand, increased the competition amongst the real estate agencies on the island. As shown, this was not a result of the



geographic location of immovable properties on the island, nor of the local market but instead it was a consequence of the collapse of the banking system. Additionally, as shared by Mr. Chris, Real Estates 4:

“The deposit cut, did not have a big impact on my own company, because the foreign buyers did not have deposits within the island and any transactions they make are processed through their own banks”.

Therefore, as long as the FDI was not made in the financial sector, the real estate agencies were not critically affected as they remained an industry with high investment opportunities. Furthermore, a combination of micro-meso-macro level influences surrounding the real estate agencies became positive influential factors toward an increase of FDI attractiveness:

“FDI was attracted though our contacts (lawyers, agents, colleagues). Also the demand from foreign investments on the island created a hype in the market mainly for older properties that were cheaper and good policy... people were reluctant to trust the banks... people wanted to invest in properties as they didn’t want to have their money in the bank.”, as shared by Mr Christos, Real Estates 3.

Therefore, it is in the participants’ view that there was an increase in FDI during the Financial Crisis period because potential foreign investors found immovable properties in lower prices, an opportunity which came with policy effectiveness as a result of the Republic of Cyprus entry to the EU. Also, with the Financial Crisis, investors lost their trust in the banking system which led them to invest in a more reliable sector such as the real estate sector, by putting their money in immovable properties on the island. This came with additional benefits for foreign investors, such as EU citizenship and favorable tax regime and according to the words of a participant:

“They [foreign investors] are attracted to the fact that a country can offer passports to investors living outside Europe. They are also attracted by the tax rate of the tax exemption”, as mentioned by Mr Savvas, Real Estates 5.

However benefits and opportunities were not restricted only to those investors outside Europe, since according to a participant’s view:

“European citizens were affected by the fact that they had the opportunity of a new market and non-Europeans to take advantage of the government’s incentives to obtain a passport and become European citizens”, according to Mr Symeon, Real Estates 8.

### ***The influence of the Financial Crisis in the Republic of Cyprus on DDI as emotionally driven investments***

The findings of emotionally driven investments appear to be critical in explaining the influence that the Financial Crisis in the Republic of Cyprus had on DDI. The interpretation of this theme, as presented in the data



structure of the 2nd order codes, is incorporated in the “DDI expressed through emotional influences from the homeland”.

### *Emotional influences from the homeland*

Emotional influences from the homeland are expressed by the participants to this study taking a form of family and cultural values, as well as a sense of respect and obligation toward their homeland. As the findings show diaspora Cypriot investors tend to invest in their homeland driven by altruism and patriotism and reflect their personal repatriation willingness alongside their love for continuation of their family’s connection to the homeland, which goes beyond their children to grandchildren. The words of Mr Constantinou, Real Estates 6, confirm that:

“They [diaspora Cypriots] invest first for themselves and then for their children. They [diaspora Cypriots] want to keep and give their roots to the next generations. They want their grandchildren to know the roots of their homeland and the manners and customs”.

As the extract demonstrates, the ultimate purpose of DDI coming from diaspora Cypriots, is not financially driven but is very much connected to their personal drive of continuation of their cultural links with the homeland. However, while the 1st generation diaspora perceives DDI as part of family heritage, 2nd and even 3rd generation diasporas associate such investments as holiday houses. As such the diasporas use their investments as a source of pressure on their children so that they feel obliged to return to their homeland. This is clear from the words of Mrs Eleni, Real Estates 7:

“They motivate their children to come back to their homeland by saying they have a holiday house”.

Even though the Financial Crisis did affect DDI, the love for their homeland was stronger than the trust they lost in the banking regulating system. Mr Savvas, Real Estates 5, explained that:

“[...] some were affected by the deposit cut but not to a great extent that would make them love their homeland less... the love for their homeland does not stop them in anything”.

The diaspora Cypriots’ love for their homeland is also expressed by DDI made in their hometowns. It is a participant’s belief that:

“even if they don’t invest for themselves, they make donations to their communities and institutions”, as shared by Mr Symeon, Real Estates 8. In this way they show patriotism and respect to their hometown.

However, the Financial Crisis in 2013 of the Republic of Cyprus was a critical event which stigmatized Cypriots for a second time, since the



Turkish invasion in 1974 led to the loss of 37% of Cypriot land, which could have potentially been the land that diasporas could have utilized for investment purposes. It is the participants' view that:

“the diaspora Cypriots investments had an effect because of the insecurity and the fear of losing their property for the second time and brought to the surface of a memory not so pleasant”, as justified by Mr Iacovos, Real Estates 3.

Additionally, diaspora Cypriots tend to invest in their homeland

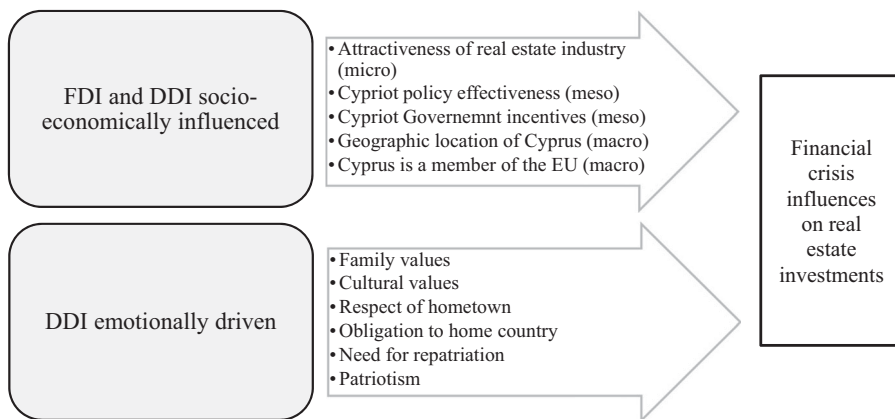
“only to invest in real estate because they have absolutely no policy incentive. They are looking for real estate in regions same as their origin”, as clarified by Mrs Eleni, Real Estates 7.

Therefore, as the extract demonstrates, the participants believe that there is no policy incentive for DDI in the Republic of Cyprus and hence all investments by diaspora Cypriots are primarily emotionally driven, rather than financially, and directed primarily in the real estate sector for personal use.

## Discussion

This study has allowed via a thematic analysis of our qualitative findings to specify the two key dimensions which resulted from the data structure. Our current discussion demonstrates how they differentiate or support the existing literature on FDI and DDI, embracing our findings within a conceptual diagram which presents the influences on FDI and DDI in the Republic of Cyprus which are triggered by socio-economic influences and emotional drivers (Figure 3).

Cyprus has a long history of migration populations (Karayianni 2021) and hence Cypriot diaspora people are found in various countries across the world, with the majority located in the UK (Karayianni, Hadjielias, and



**Figure 3.** Financial crisis influences on real estate investments.



Glyptis 2023). While the migration flow of Cypriots has been associated with critical events which occurred on the island (Constantinou 1990) there is no evidence whether Cypriots have had an increased migration flow due to the 2013 Financial Crisis. While the diasporas keep in touch with their homeland due to a sense of obligation (Lee 2008), altruistic motivation (Gillespie et al. 1999; Nielsen and Riddle 2009) and to remain informed on matters of their homeland (Karayianni 2021), our findings have additionally shown that connection to the homeland is socio-economically influenced. This is not uncommon in the field of DDI, since diasporas connect the context of home and host country (Drori, Honig, and Wright 2009; Elo and Volovelsky 2017; Emontspool and Servais 2017; Coviello, Jones, and McDougall-Covin 2015; Terjesen and Elam 2009; Turunen and Nummela 2017) with business development (Elo et al. 2018).

Literature on DDI has also shown that DDI relies mostly on a transnational network of migrant mechanisms which operate between host and home countries (Debass and Ardivino 2009). Further, the findings of our study have informed that investment agencies, such as those found in the real estate industry, are the units which create the necessary environment on a micro level, connect to the meso to increase attractiveness and are triggered by macro level influences such as critical events, which subsequently pull or push DDI.

On the other hand, the literature on FDI shows that there is a decline in FDI in countries when foreign investors are affected by critical events, such as abrupt variations in the main stock exchange market index (Kexagias and Kyriazis 2017), which links to the second contribution of our study. Our study has revealed that effects caused by critical events, such as the 2013 Financial Crisis in the Republic of Cyprus, do have an inclining effect on foreign investors toward the real estate industry.

Such FDI investment choices are made in Cyprus due to, firstly, lower immovable property prices. Secondly, in an attempt to overcome the recession period as a consequence of the 2013 Financial Crisis in the Republic of Cyprus, the Cyprus Government introduced incentives to attract FDI (Georgiou and Kontakos 2018). Therefore the findings of this study have highlighted that FDI and DDI are socio-economically influenced, while FDI in the real estate industry is attracted on the island in a greater extend due to the incentives that the Cyprus Government offers which do not apply for DDI.

Moving forward, we proceed with a discussion of the findings as found in the section of emotional influences from the homeland. Existing literature in the field of diaspora entrepreneurship, suggests that Cyprus has a close link with Western Europe due to ties created over time by the island's colonization (Karayianni, Hadjielias, and Glyptis 2023). However, their



investment patterns regardless of host country, have been shaped by critical events which occurred on the island and are directly emotionally driven, which leads to our third contribution. Firstly, the findings have shown that the ethnic division of Cyprus and the loss of 37% of Cypriot land, was a first determinant to whether diaspora Cypriots would invest in their home country. Since the diaspora Cypriots had partially or fully lost their land, they had nowhere to invest since their own property was enclaved under the Turkish military. The second determinant was the 2013 Financial Crisis in the Republic of Cyprus. Some diasporas had lost their investments due to the deposit cut, rising feelings of concern and uncertainty.

Secondly, our findings highlight that the diasporas had lost the trust in the Government since they did not suggest new incentives for DDI. The critical events associated with the uncertainty caused by Government regulations reduced the investment opportunities that diaspora Cypriots would have over other foreign investors. Despite the lack of incentives and uncertainty that may appear to negatively influence the DDI flows to the home island, our findings highlight that DDI on the island follows a pattern which is emotionally driven on an individual level, in addition to the sense of obligation toward the homeland, as existing literature suggests (Lee 2008). In other words, our study has found that DDI from Cypriot diasporas during the period 2013 to 2021 is not undertaken in a sense of unity and purpose to pursuit overcoming Financial Crisis goals, nor do the diaspora Cypriots act as a social collectivity to take on an ambassadorial role and contribute toward reestablishing financial stability. Instead, DDIs are made to fulfill personal desires.

Thirdly, cultural values play a significant role in the investment pattern that diasporas shape. Our findings suggest that these values influence the way in which potential diaspora investments occur on the island, since diasporas prefer to invest for their family such as family holiday houses, rather than for financially driven investments. Additionally, the findings indicate that the diasporas invest for their own repatriation purpose or even in a sense of patriotism.

## Conclusions

The findings elucidate the phenomenon of diaspora direct investments in the context of the Cypriot diaspora by employing real estate agencies located in the Republic of Cyprus, as the unit of analysis. Toward this aim, several factors affecting the decision of diaspora Cypriots to invest in their homeland during the period of Financial Crisis were identified.

The emotionally driven and socio-economically influenced direct investment diagram is a result of similarities and differences that drive FDI and



DDI in the Republic of Cyprus and which are influenced by the Financial Crisis on the island. The interpretation of the data shows that FDI has different drivers than DDI. FDI appears to be socio-economically influenced since, as the data suggests, foreign investors are interested in investing in the Republic of Cyprus due to three main factors: firstly, on a macro-level, the geographic location of Cyprus and its EU membership enhance its geopolitical attractiveness in the real estate industry; secondly, on a meso-level, the Cypriot Government has introduced attractive incentives, especially for those foreign investors coming from countries outside the EU; and, thirdly, on a micro-level, the real estates, intensify their policy effectiveness and introduce investment opportunities to foreign investors.

In parallel, DDI in the Republic of Cyprus during the period of Financial Crisis appear to have predominantly emotionally driven influences. As such, the findings reveal that emotional drivers surround DDI and are immediately connected to critical events. These emotional drivers are linked to family values and cultural values and hence influence the choice of investment. Emotional drivers also influence DDI since the diaspora investors are driven by a sense of respect toward their home country, altruism compatriots and obligation toward their hometown. This feeling of patriotism and the need for repatriation inclines DDI to take a form of family holiday houses or investments to retain their family's heritage.

### ***Implications to practice***

The findings of the present study can be beneficial to both professionals in the field of real estate and policy makers. But, most importantly, this qualitative study has reached to findings that contribute to existing literature and theory, as presented in our conceptual diagram (Figure 2).

As discussed, the diaspora investor does not perceive their country of origin as potential economic investment opportunities, as in the case of foreign investors. Additionally, the Cyprus Government does not have any investment incentives for DDI. This creates DDI deficiencies as 3rd generation diasporas are not emotionally connected to the homeland to the same extent as 1st and 2nd generation diasporas would be.

### ***Limitations and routes for future research***

The design of the current study is subject to some limitations, which can set the ground for future research. First, the literature surrounding DDI in relation to critical events is underdeveloped, particularly during times of Financial Crisis occurring in the homeland. The study has offered insights on DDI in the context of diaspora Cypriots who have idiosyncrasies linked



to their culture and norms. Hence, the results may not be applicable to diasporas bearing different characteristics to Cypriots. Second, with this study the diaspora Cypriots are perceived as a unified and homogenous community, without taking into consideration their ethnicity such as Greek, Turkish, Maronite or Armenian. Therefore, this research did not investigate whether the various ethnic backgrounds exert different influences on DDI, since there is a possibility that investments are also made in the northern side of the island which is controlled by Turkish military. Third, diaspora Cypriots have dual citizenships, depending on their hosting countries. Therefore, it makes it difficult to identify whether their investments are categorized as FDI or DDI.

Finally, researchers in the field of FDI and DDI tend to conduct qualitative studies. This study recommends future quantitative investigations, by drawing on larger scale of participants or multiple cases, including more advanced demographics. Future research should draw upon sampling coming from diasporas sharing the same ethnicity and host countries so that findings can result in generalizations. Moreover, it is suggested that data be drawn from multiple cases between diaspora investors sharing the same home country but located in different host countries, to identify and measure the differences and similarities between host countries.

In the past, reports have been made on small states and Commonwealth nations, by conducting Diaspora Investment reports, presenting results from the Commonwealth Diaspora Investor Survey Country Report (The Commonwealth 2022). These reports focus on the results of each country to reach a better knowledge of investment potentials of those diaspora communities. However, there has not been a study on Cypriot diasporas in the UK and hence the investment potential in the eastern Mediterranean region is excluded. Therefore, it is suggested that a similar survey is made following a mixed methodology of a quantitative survey sample and a qualitative sample from the diaspora community of Cypriots in the UK.

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