Ethnic and Indigenous Business Studies

Hajer Jarrar
Léo-Paul Dana
Virginie Hachard
George Lodorfos *Editors*

Diaspora Angel Investing

Global Networks, Local Impact

Springer

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In mainstream society, an automobile is understood to be a personally owned asset. In parts of New Caledonia, a private vehicle has a cultural liability in that it is socially incorrect to use a car solely for personal benefit. This is somewhat like the situation in Lesotho where a privately-owned cow cannot be sold nor killed by its owner. Among Indigenous Basuto people, the proprietor of cattle has the obligation to allow others to use cows for transport or other uses.

Cultural assumptions, whether explicit or implicit, are often ignored or misunderstood, yet central to understanding business. The purpose of this series is to bring light to business as conducted by ethnic minorities and indigenous peoples, with an emphasis on understanding the cultural behaviors that shape specific economic structures. This is an interdisciplinary book series welcoming all approaches to research on ethnic and indigenous business origins, practices, history, evolution, demographics, and challenges. Academic monographs, edited volumes, and case studies are welcome. Ultimately, the series aims to provide a nuanced perspective of mainstream business thought, and usher in a spirit of inclusion to a mature understanding of business philosophies.

Hajer Jarrar · Léo-Paul Dana · Virginie Hachard ·
George Lodorfos
Editors

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Editors
Hajer Jarrar
Excelia Business School
La Rochelle, France

Léo-Paul Dana
Kazimieras Simonavicius University
Vilnius, Lithuania

Virginie Hachard
EM Normandie Business School
Le Havre, France

George Lodorfos
Leeds Business School
Leeds, UK

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Contributors

Razan Al-Masri Entrepreneurship and Innovation Centre, Abu Dhabi School of Management, Abu Dhabi, United Arab Emirates

Eiman Ashraf City University Ajman, Ajman, United Arab Emirates

Marc Audi Entrepreneurship and Innovation Centre, Abu Dhabi School of Management, Abu Dhabi, United Arab Emirates

Nada Mallah Boustani Saint Joseph University of Beirut, Beirut, Lebanon

Tehreem Fatima University of Sargodha, Sargodha, Pakistan

Sanaa Hajj Safa LIRSA Laboratory-Cnam, Paris, France

L.' Hocine Houanti EM Normandie Business School, Le Havre, France

Gozde Inal Cavlan Department of Business Administration, Altinbas Cyprus University, Nicosia-Cyprus, Turkey

Roy Matta USJ Business School, Saint Joseph University of Beirut, Beirut, Lebanon

Hani Mawlawi East International University, Tripoly, Lebanon

Guido Migliaccio Department of Law, Economics, Management and Quantitative Methods (DEMM), University of Sannio, Benevento, Italy

Marion Polge USJ Business School, Saint Joseph University of Beirut, Beirut, Lebanon

Marc Poulin Entrepreneurship & Innovation Centre, Abu Dhabi School of Management, Abu Dhabi, United Arab Emirates

Matteo Rossi University of Sannio, Benevento, Italy

Jean-Michel Sahut IDRAC Business School, Lyon, France

Charbel Salloum Métis Lab, EM Normandie Business School, Clichy, France

Muhammad Saleem Sumbal Department of Industrial and Systems Engineering, The Hong Kong Polytechnic University, Hong Kong, China

Ali Tariq Management Science, Unviersity of Lahore, Sargodha, Pakistan

Divya Upadhyay Entrepreneurship & Innovation Centre, Abu Dhabi School of Management, Abu Dhabi, United Arab Emirates

Constance Van Horne Entrepreneurship and Innovation Centre, Abu Dhabi School of Management, Abu Dhabi, United Arab Emirates

Ruba Younes USJ Business School, Saint Joseph University of Beirut, Beirut, Lebanon

Nadia Zahoor School of Business and Management, Queen Mary University of London, London, UK;
Innolab, University of Vaasa, Vaasa, Finland;
Department of Management and Marketing, King Fahd University of Petroleum and Minerals, Dhahran, Saudi Arabia

From Kinship to Capital

Charbel Salloum

Abstract This chapter explains why diaspora angels have become strategically important in early-stage finance, especially where domestic capital markets remain shallow and formal venture intermediation is weak. It does not treat diaspora investors as a sentimental category or as a substitute for professional investing. Instead, it synthesizes mature evidence on what makes diaspora angels distinctive: they can lower search costs, interpret local context for foreign capital, transfer trust across borders, and help ventures move from community credibility to market credibility. The chapter also clarifies where those advantages are strongest and where they are commonly overstated. Drawing on research on diaspora entrepreneurship, cross-border angel finance, and diaspora policy, it argues that diaspora angels add the most value when identity-based access is combined with disciplined screening, credible governance, and realistic follow-on pathways. The result is a clearer explanation of why diaspora angels matter and how they should be positioned in an investable ecosystem.

1 Introduction

Diaspora angel investing often begins before any term sheet appears. A founder is introduced by a cousin, a university alumnus, a regional association, or a respected professional abroad. That origin can make the phenomenon look informal or purely relational. The better reading is more demanding. Diaspora angels matter because they sit at the point where identity-based access meets investment judgment. They can see ventures that conventional financiers struggle to see, not simply because they care, but because they can interpret signals that would otherwise remain opaque (Leblang, 2010; Riddle et al., 2010; Brinkerhoff, 2012).

This is especially important in markets where the financing chain is broken. Many young firms sit above the level of family funding and below the ticket size or risk tolerance of institutional venture capital. In such settings, the first investor is rarely

C. Salloum (✉)
Métis Lab, EM Normandie Business School, Clichy, France
e-mail: csalloum@em-normandie.fr

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just a capital provider. That investor is also a translator of uncertainty, a validator of founder quality, and a bridge between local opportunity and external standards. Research on angel markets across countries shows that early stage investing is highly sensitive to institutions, investor capabilities, and cross national distance, which makes the role of bridge actors unusually valuable (Li & Zahra, 2012; Cumming & Zhang, 2019).

Diaspora angels are often described as automatically superior to domestic angels or foreign venture capitalists. The literature does not support that kind of romance. Identity can open doors, but it can also distort judgment. What makes diaspora angels distinctive is not emotional attachment by itself. Their advantage lies in dual embeddedness. They can understand the social texture of a home market while still recognizing what outside investors, customers, and later stage financiers need to see before a company becomes broadly investable (Tong, 2005; Ragazzi, 2014; Dizo-Conteh et al., 2025).

This chapter takes that more disciplined view. It explains why diaspora angels emerge where they do, what they contribute beyond money, where their involvement is most credible, and what conditions make their participation effective rather than merely symbolic. The argument is deliberately mature. It does not propose a new model. Instead, it consolidates what the evidence already shows about diaspora finance when kinship based access is converted into commercial capital.

A useful starting correction is to separate diaspora angel investing from remittances, donations, and ceremonial engagement. Remittances stabilize household welfare. Philanthropy may support schools, clinics, or community projects. Angel investing does something different. It prices uncertainty, accepts the possibility of loss, and expects commercial discipline in return for upside. That distinction matters because states and founders often approach diaspora capital with a language of belonging, while investors must ultimately decide with a language of risk, governance, and scalability. The diaspora policy literature has long warned that emotional attachment is a resource only when institutions make participation practical (Brinkerhoff, 2012; Ragazzi, 2014; Park, 2021).

Once that distinction is made, the real contribution of diaspora angels becomes clearer. They are not valuable because they care more in the abstract. They are valuable because they can connect three things that rarely meet smoothly at the seed stage: local opportunity, external standards, and enough confidence to write the first serious check. In corridors where ethnic, educational, or professional ties already support cross-border trade and investment, that bridging role can be unusually strong. The relevant mechanism is not sentiment alone, but the way familiarity lowers search cost and helps investors interpret signals that would otherwise remain noisy or invisible (Tong, 2005; Leblang, 2010; Dizo-Conteh et al., 2025).

2 Why Diaspora Angels Emerge where Finance Chains Are Thin

The first reason diaspora angels matter is structural. Early-stage finance is full of search and screening problems, even in deep markets. In thinner markets, those frictions become sharper because founders have fewer visible comparables, fewer intermediaries, and weaker routes into trusted investor networks. Diaspora actors can reduce those frictions at the front end of the market by bringing deal flow into view. Their social and professional ties create access to founders, sectors, and places that outsiders would find costly to reach or difficult to interpret (Riddle et al., 2010; Brinkerhoff, 2012; Cumming & Zhang, 2019).

Importantly, diaspora angels do not solve scarcity by replacing institutions. They make weak markets more navigable by lowering the cost of first contact and first conviction. A founder who would look unverified to a distant investor may look legitimate to someone who understands the school system, industry reputation, family business background, or home region of the entrepreneur. That kind of familiarity does not eliminate risk, yet it can help investors decide which opportunities deserve professional diligence rather than immediate dismissal (Leblang, 2010; Park, 2021).

A second structural factor is corridor formation. Diaspora investment does not move evenly across countries. It tends to cluster in pathways where migration history, commercial exchange, and professional mobility have already built channels of communication. Those channels matter because they reduce the number of interpretive jumps between founder and funder. Research on diaspora entrepreneurship consistently shows that cross border economic activity is easier to sustain when actors can work across home and host institutions rather than being trapped in one of them (Ojo et al., 2013; Schmutzler et al., 2021).

This is why diaspora angels often appear before formal funds do. Angel investing can tolerate smaller deals, imperfect information, and higher involvement. That makes it a practical starting point for equity mobilization in corridors where opportunities are promising but the market is not yet thick enough for scaled venture capital. The logic is not patriotic charity. It is micro market formation. Small groups of informed investors can test whether a corridor has repeatable deals, credible founders, and enough follow on potential to justify more organized capital later (Lerner et al., 2018; Mason et al., 2022).

Seen in that light, kinship is not the endpoint. It is the opening mechanism. Diaspora angels matter because they can move ventures from a world of private recognition into a world of investable evidence. That transition is difficult, but it is exactly where early stage ecosystems either deepen or stall.

This is one reason diaspora angels repeatedly show up in settings where the formal financing ladder is incomplete rather than absent. India offers the clearest large-scale illustration. Diaspora participation mattered not simply because nonresident investors had money, but because they could identify exportable businesses and connect them to international standards at a time when domestic intermediation was still maturing. In African and Balkan contexts, the pattern is similar even at smaller scales. Returnees and diaspora professionals often help founders cross the first credibility threshold by bringing outside expectations into local ventures and local context into outside conversations (Tong, 2005; Leblang, 2010; Nyame-Asiamah et al., 2020; Mustafa, 2021; Schmutzler et al., 2021).

The economics of the first check also matter. Many promising ventures require ticket sizes that are too large for family finance and too small or too risky for formal venture funds. Diaspora angels can operate in that gap because angel investing tolerates imperfect information and rewards close involvement. That does not make the asset class easy. It means the investor can profit from doing work that institutions find too expensive at small scale. International evidence on angel markets and cross-border business angel activity shows that such investors are especially valuable when they can combine hands-on judgment with syndication and later-stage pathway building, rather than acting as isolated benefactors (Lerner et al., 2018; Cumming & Zhang, 2019; Mason et al., 2022).

Equally important, diaspora angels often emerge before a corridor becomes legible to outsiders because they can bear ambiguity at the exploration stage. They know which sectors are culturally overhyped, which local success stories are mostly narrative, and which founder reputations actually carry weight across professional communities. That ability to discriminate early between noise and opportunity is hard to institutionalize quickly. It is one reason corridor formation often begins with individuals and networks before it is noticed by funds, accelerators, or public agencies.

3 What Diaspora Angels Add beyond Money

Capital is only one part of the contribution. The more distinctive the value, the more it often lies in interpretation. Diaspora angels can help founders present the business in a language that travels. They know when a locally impressive achievement will mean little abroad, and they know which signals will actually travel across borders, such as verified customer revenue, regulatory clarity, export readiness, or a founder profile that can stand up in an international data room (Riddle et al., 2010; Mason et al., 2022; Dizo-Conteh et al., 2025).

They also transfer trust, though not in a simplistic way. In many diaspora deals, the initial introduction comes from a person whose reputation substitutes for the institutional certainty that is missing. That reputation does not guarantee the venture's quality. What it does is reduce the probability that the opportunity is wholly spurious. In practice, that helps investors decide where to spend diligence time. Research on diaspora networks and entrepreneurial ecosystems suggests that this trust transfer is one of the mechanisms through which diaspora actors help overcome institutional distance (Brinkerhoff, 2012; Schmutzler et al., 2021).

Another contribution is commercial reach. Diaspora angels often have direct knowledge of customer needs, procurement norms, compliance expectations, and partnership cultures in host markets. That matters greatly for young ventures because export potential is not created by aspiration alone. It depends on knowing which product features, certifications, channels, or proof points matter in the target market. Studies of diaspora-backed internationalization show that these networks can move firms from local relevance to cross-border commercial traction faster than firms could manage on their own (Dizo-Conteh et al., 2025).

There is also a governance effect. Experienced diaspora angels often push founders toward cleaner cap tables, more disciplined reporting, and more realistic milestone planning. Those interventions may seem modest, yet they change the future financeability of the company. A venture that learns early to separate relationship warmth from governance discipline is much easier to syndicate, easier to diligence, and easier to position for a future lead investor (Edelman et al., 2017; Cumming & Zhang, 2019).

Still, value added is not automatic. Recent evidence on diaspora investment motives shows that financial and emotional social drivers can coexist in the same decision, which is precisely why discipline matters. Identity may accelerate engagement, but it should not create a valuation premium of its own. The strongest diaspora angels treat community proximity as an informational asset, not as a substitute for price discipline or legal clarity (Park, 2021; Park & Tuxhorn, 2025).

The translation function is more demanding than it first appears. Founders frequently assume that a strong local reputation or a compelling social mission will speak for itself abroad. It rarely does. Diaspora angels help by converting diffuse credibility into portable proof. They push entrepreneurs to specify customer acquisition, regulatory status, gross margin logic, and reporting rhythm in forms that can survive outside the home network. In this sense, trust is useful because it motivates closer scrutiny, not because it excuses the absence of evidence. Work on diaspora entrepreneurship, angel investing, and investor signaling reaches the same practical point from different angles: identity may open the file, but financeability depends on what can be verified and repeated (Riddle et al., 2010; Edelman et al., 2017; Park & Tuxhorn, 2025).

Another advantage is that diaspora angels often know what cross border commercial traction actually looks like. They have seen which certifications buyers insist on, how enterprise procurement differs from home-market selling, where channel partners create leverage, and what kinds of compliance weakness will later block growth. That is why their advice can matter as much as their money. A founder may discover, for example, that the venture's true bottleneck is not demand but payment processing, data governance, or documentation discipline. Investors who understand both sides of the corridor can identify those bottlenecks earlier and connect the venture to the right professional service providers, reference customers, or pilot opportunities (Brinkerhoff, 2012; Dizo-Conteh et al., 2025; Kontakos & Stavrou, 2025).

Finally, diaspora angels frequently improve a firm's readiness for syndication. Early governance habits travel forward. A company that learns to maintain a clean cap table, document board decisions, and report against clear milestones is easier to back in the next round. This is where value added becomes cumulative. The original diaspora investor is not merely supporting the founder in a moment of scarcity. The investor is helping create an asset that can be evaluated by others who do not share the same relationship network. Table 1 summarizes the mechanisms, risks, and better practices associated with that transition.