



Review Article

First-generation immigrant entrepreneurship in Malaysia: What do we know so far?

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ARTICLE INFO

Article history:

Received 26 August 2016

Received in revised form 15 December 2016

Accepted 22 December 2016

Available online 11 May 2018

Keywords:

business,
first generation,
immigrant,
migration,
self-employment

ABSTRACT

Research on entrepreneurship in Malaysia has grown timidly in recent years. In fact, immigrant entrepreneurship, as a globally growing avenue of research, has not captured much interest among scholars in developing countries. What is abnormal is that the lack of interest over immigrant entrepreneurship research comes despite the strong presence of immigrants in the country and their large involvement in and contribution to the economy of the country. This paper reviewed the few studies found in the literature that take in their essence first generation businesses in Malaysia and discussed their scope of interest, findings, strengths, and weaknesses in light of the findings available in the literature. Ultimately, the paper aimed to further our understanding on how the link between migration (especially the migration of workers) and entrepreneurship in Malaysia is shaped, to invigorate our understanding on what characterizes the behavior of immigrant businesses, and to provide guidelines for future research in this discipline in the country. We found that the research is limited, but rich in topics where it focuses on immigrants from South and Central Asia.

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Introduction

Following migration movement across the world and the achievement of immigrant businesses in terms of self-employment rates together with their good performance and contribution to the host country economy, a new field of research called “immigrant entrepreneurship” has emerged for around four decades now. On the one hand, a good deal of evidence is available with regard to this phenomenon in the Western context; particularly in the US, Canada, England, and the Netherlands (Aliaga-Isla, Rialp, & Martins, 2013). For instance, the literature

shows that in terms of self-employment, immigrants are over-represented compared to natives (Fairlie, 2012). Immigrant businesses are often thought to be petty traders, dealers, merchants, shopkeepers, and even hucksters and peddlers and typically conduct business in catering and restaurants, laundries, nail salons, liquor stores, swap meets, newsstands, taxicabs, import/export and retail of ethnic and cultural goods, garment industry, services, grocery stores, confectioners, tobacconists, newsagents, and other low-rewarding niches of the economy (Ram, Smallebone, Deakins, & Jones, 2003; Zhou & Cho, 2010). Previous research reached mixed results regarding the performance of immigrant entrepreneurs with some scholars arguing that immigrants are poorer performers compared to their peer natives (Sullivan, 2007) while others contend the opposite.

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Peer review under responsibility of Kasetsart University.

With regards to ethnicity, often research on immigrant entrepreneurship does not distinguish between first and second generation businesses in the host country. This unified view pertains to the fact that ethnic, immigrant, and minority businesses show similar behavioral types and operate under similar conditions in the host country. Whereas [Chaganti and Greene \(2002\)](#) provided a conceptual demarcation between the three types of entrepreneurship, many other studies (for example [Baycan-Levent, Nijkamp, & Sahin, 2009](#); [Beckers & Blumberg, 2013](#); [Efendic, Andersson, & Wennberg, 2015](#)) also assumed this inter-generational distinction between first generation immigrants (born outside the host country) and second generation immigrants who are labeled under “ethnicity” (born in the host country). The main assumption of this distinction is that second generation immigrants operate in different ways compared to their first generation peers because of their limited integration in the host country. In Malaysia, various factors have shaped the inflow and outflow of people into and out of the geographical borders of current Malaysia throughout its history. These long lasting movements have then resulted in the existence of multiple ethnic groups who are now integral parts of the local population. Thus, this paper falls in the latter category and looks into what previous researchers have found regarding first generation immigrant businesses.

Though the inflow of foreign immigrants is increasing and the enlargement of their business activities is witnessed ([Everett, O’Kane, & Hamid, 2015](#)), not much research that concerns immigrant entrepreneurship is produced in the Malaysian context. This parsimoniousness can be attributed to the newness of the phenomenon of concern in the country ([Abdullah et al., 2012](#)) and to the absence of institutional and academic interest. In fact, paucity of research does not only apply to entrepreneurship among immigrants but it concerns all aspects of migration as a transnational socio-economic phenomenon. Given this situation, our understanding on what is the effect of immigrant businesses, how do immigrant entrepreneurs in Malaysia behave, and what conditions shape their performance is limited. This situation is exacerbated when we consider how mixed immigrant businesses are embedded within economic, social, and political conditions ([Kloosterman & Rath, 2001](#)).

To date, we could identify only eight studies that have researched first generation immigrant businesses in Malaysia. These studies will be reviewed in the next sections. Our reviewing approach started with a detailed reading to properly understand these studies. In the next step these studies were categorized in terms of their scope of interest (topic), methodologies, and findings. The current paper aimed: 1) to further our understanding on migration background and links between migration (especially migration of workers) and entrepreneurship of migrants; 2) to provide a general idea on immigrant entrepreneurship research in a developing country (Malaysia) which is so attractive for immigrants; 3) to see how (and when it is relevant), immigrant self-employment is processed, shaped, and effected in a non-Western context; and 4) to

provide guidelines for future research avenues in this discipline in Malaysia.

The remainder of this paper is structured as follows. First we provide an historical overview of migration movements to Malaysia and their impact on the current multi-ethnic composition of the Malaysian society, then we specifically bring to light the inflow of foreign workers in the post –independence era. In the next section, we discuss first generation immigrant businesses in the country based on the existing literature; specifically the eight relevant studies. These studies are then reviewed in terms of their focus, methodologies, and findings in the discussion section. The conclusion and recommendations make up the last section.

Migration and the Changing Composition of the Malaysian Society in a Nutshell

Since long ago, Malaysia has been, and continues to be, an important destination for migrants from the Asia Pacific, Southeast Asia, Western and Central Asia, and the Middle East. Its strategic location and resource endowment has increased the interest of traders and foreign colonial powers alike. In a nutshell, Hindus and Buddhists descended from India were the earliest settlers to mark their presence in the country. In the 13th century, Arabs and Indian Muslims arrived in Malaysia bringing with them Islam which is now the majority religion. In the 16th century, the Portuguese were the first European colonial power to establish themselves in Malaysia after they captured the strategically located Malacca city in 1511. The Portuguese were then followed by the Dutch who arrived early in the 17th century and lately the British who dominated a big part of Malaya in the 18th and 19th centuries.

The British implemented a capitalist economy which was accompanied by the establishment of multiple firms that operated in industries like plantations (for example, coffee, rubber, and coconut), tin mines, and the construction of railways, roads, and buildings. Given the scale of the projects, the small size of the local population and the low wages, British authorities adopted open policies that encouraged the entry of foreign labor, especially from China and India and, to a lesser degree, from neighboring Indonesia ([UNESCO, 2003](#)). These migratory movements have played a continuous role in reshaping the ethnic composition of the country. Currently, though the original people are the majority, migratory movements, especially those facilitated by the British presence, engendered a new multi-ethnic form of Malaysian society.

According to the Department of Statistics website, the ethnic distribution of the total population is: Malay (67.4%), Chinese (24.6%), Indian (7.3%), and others (0.7%). From a policy perspective, the population forms two categories. The first is known as *Bumiputra*; a local term that literally means “the sons of the soil”. *Bumiputra* refers to the Malays and the aborigines in Peninsula Malaysia and to over 20 indigenous ethnic groups in Sabah and Sarawak. The term *non-Bumiputra* refers to those ethnic groups who are the off-springs of immigrants; mainly Chinese and Indians ([Sultana, 2008](#); [UNESCO, 2003](#)).

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