

Still an ethnic enterprise after a generational change? Indian-owned SMEs in Malaysia

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This study grapples with two key puzzles: first, what happens when companies established as ethnic-based enterprises, including by migrants, are passed on to the next generation? Second, do these migrant businesses remain as ethnic enterprises after generational transitions? The empirical focus of this study is Malaysia, a country with one of the largest ethnic Indian populations outside India. To provide insights into these questions, this article pays particular attention to how an ethnic enterprise functions, in terms of types of goods and services produced and its targeted market, after the emergence of a new generation of owners with more class resources. The evidence from this study will provide insights into the validity of the concept of ethnic enterprise following a generational transition.

Ethnic Indians constitute only about 7 per cent of Malaysia's population,¹ and yet this vibrant and diverse minority group has contributed enormously to the development of the country's economy since the turn of the last century.² However, there has been scant research on Indian-owned businesses in Malaysia, specifically in terms of the evolution of their employment of ethnic and class-based resources to develop their enterprises. There has similarly been no research on how these Indian business owners resort to employing their cultural heritage to define and create their products and services to establish a niche for themselves in the economy. Crucially too, many of these enterprises are now run by the second or third generation. In spite of a long history of Indians in business, there has been no assessment of the outcomes and implications of these generational transitions as well as the opportunities and barriers faced by members of this ethnic group in the Malaysian economy.

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1 This was in 2016, an appreciable fall since its peak in the late 1930s, when Indians comprised 15 per cent of the population. Sinappah Arasaratnam, *Indians in Malaysia and Singapore* (Kuala Lumpur: Oxford University Press, 1970).

2 See *Rising India and Indian communities in East Asia*, ed. A. Mani, K. Kesavapany and P. Ramasamy (Singapore: Institute of Southeast Asian Studies, 2008).

Another concern is that the theoretical perspectives regularly employed to analyse the growth of enterprises owned by members of particular ethnic groups appear increasingly inapplicable in multiethnic Southeast Asia. Logan et al. define an ethnic economy 'as any situation where common ethnicity provides an economic advantage'.³ Ivan Light and Steven Gold define an ethnic economy more explicitly as an economy where all stakeholders are of the same ethnicity.⁴ Ethnic entrepreneurship is seen as 'a set of connections and regular interaction patterns established in the name of trade and commerce among people sharing common national background or migration experiences'.⁵ Min Zhou notes that

ethnic entrepreneurs are frequently referred to as both owners and managers of their own enterprises, whose group membership is tied to a familiar cultural heritage and is known to out-group members as having such qualities; more importantly, they are intrinsically intertwined in particular social structures in which individual behavior, social relations and economic transactions are encumbered.⁶

Joel Kotkin popularised these views by presenting a monolithic view of ethnic groups as 'global tribes' driven by a 'strong sense of common origin and shared values' and that 'success in the new global economy is determined by the connections which immigrant entrepreneurs carry with them around the world'.⁷

Such transnational perspectives that essentialise ethnic identity can be problematic in the Southeast Asian context. Unlike Europe, which continues to see large-scale migrations, and where migrants may eventually become citizens, similar migrations largely ceased in Southeast Asia by the early 1930s, and migrants find it difficult to acquire citizenship.⁸ Yet in Southeast Asian countries with substantial migrant populations, non-indigenous ethnic groups, such as the Chinese, identify with their country of birth, not with their ancestral homeland.⁹ Arguments based on socially-oriented economic behaviour by minorities who are ascribed a pan-ethnic identity can thus serve to distort their resilience and agency in developing their businesses.

This study therefore critically reviews concepts such as ethnic entrepreneurship, ethnic enclaves and ethnic business that are widely employed to describe how businesses owned by members of ethnic groups operate. These concepts are particularly

3 J.R. Logan, R.D. Alba and T.L. McNulty, 'Ethnic economies in metropolitan regions: Miami and beyond', *Social Forces* 72, 3 (1994): 693.

4 Ivan H. Light and Steven J. Gold, *Ethnic economies* (San Diego: Academic, 2000).

5 Roger Waldinger, Howard Aldrich and Robin Ward, *Ethnic entrepreneurs: Immigrant business in industrial societies* (Newbury Park, CA: Sage, 1990), p. 33.

6 Min Zhou, 'Revisiting ethnic entrepreneurship: Convergencies, controversies and conceptual advancements', *International Migration Review* 38, 3 (2004): 1040.

7 Joel Kotkin, *Tribes: How race, religion and identity determine success in the new global economy* (New York: Random House, 1993), p. 4.

8 The one exception is Singapore, though even here this policy change is a recent occurrence. Citinships are offered to foreigners who the government feels can make a major contribution to the development of the Singaporean economy. Hong Liu, 'Beyond co-ethnicity: The politics of differentiating and integrating new immigrants in Singapore', *Ethnic & Racial Studies* 37, 7 (2014): 1225–38.

9 See, for example, Sharmini Patricia Gabriel, "'It ain't where you are from, it's where you're born": Re-theorizing diaspora and homeland in postcolonial Malaysia', *Inter-Asia Cultural Studies* 12, 3 (2011): 341–57; Hong Liu, 'Beyond co-ethnicity', *Belonging to the nation: Generational change, identity and the Chinese diaspora*, ed. Edmund T. Gomez and Gregor Benton (London: Routledge, 2015).

debateable when employed in Southeast Asia as the empirical evidence, presented from a historical perspective, suggests that they may not provide an accurate representation of core issues such as the use of ethnic identity to nurture corporate ventures. These concepts have also inspired the creation of another major theme in the literature on ethnic enterprise: intra-ethnic business networks. The concept of ethnic networks, based on the idea that the bonds of ethnicity shape business cooperation for mutual benefit, is widely employed in the literature on Chinese business.¹⁰ One revisionist view is that while co-ethnic business ties still exist, a majority of these networks are now trans-ethnic in nature and forged on the value they will bring to these companies.¹¹ The concept of intra-ethnic business networks has been similarly deployed in assessments of Indian-owned enterprises in developed and developing economies.¹²

Malaysia has the second-largest ethnic Indian population in the world outside of India, and it is a community now deeply embedded in the economy and society.¹³ To assess the proposition that concepts such as ethnic entrepreneurship and ethnic enterprise may not be applicable to this country, this study traces the evolution of eleven Indian-owned small and medium-scale enterprises (SMEs) in three sectors. Based on the assessment of these SMEs, with a focus on the impact of generational shifts within each firm, this article reviews the applicability of core concepts such as ethnic resources, class resources, ethnic business networks and modes of enterprise development.

Indian business in Malaysian history

Prior to the influx of Indians into Malaya during the late nineteenth and early twentieth centuries, traders from South Asia had been arriving and settling in the trading ports of Penang, Malacca and Singapore. These South Asian traders had initially seen themselves as temporary migrants, or sojourners, though new settlements emerged following inter-ethnic marriages, which gave rise to new communities such as the Chettis of Malacca and the Chulias of Penang; both emerged as prominent business groups in these ports.¹⁴ However, these two groups no longer have a major presence in the economy, including in these cities.

About 80 per cent of Malaysian Indians are Tamils whose forefathers were primarily migrant labour recruited during the early 1900s through an indentured system to work in the plantation sector controlled by foreign, particularly British, enterprises.¹⁵ The other sub-ethnic Indian groups include the Malayalees, Gujeratis,

10 See, for example, S. Gordon Redding, *The spirit of Chinese capitalism* (Berlin: de Gruyter, 1990); and *Asian business networks*, ed. Gary G. Hamilton (Berlin: de Gruyter, 1996).

11 Hong Liu, 'Beyond a revisionist turn: Networks, state and the changing dynamics of diasporic Chinese entrepreneurship', *China: An International Journal* 10, 3 (2012): 20–41.

12 For a recent study on Indian businesses in a number of countries, *Indian and Chinese immigrant communities: Comparative perspectives*, ed. see Jayati Bhattacharya and Coonoor Kripalani (London: Anthem, 2015).

13 The United States has the largest ethnic Indian population outside of India.

14 Khoo Salma Nasution, *The Chulia in Penang: Patronage and place-making around the Kapitan Kling Mosque 1786–1957* (Penang: Areca, 2014).

15 Under this system, the migrants signed a contract under which they would be 'indentured' to their employer for five years; they did not have the right to change employers or employment and their wages were fixed for the entire period (Arasaratnam, *Indians in Malaysia and Singapore*).

Sindhis, Punjabis and Telegus. The members of these sub-ethnic groups, particularly the Punjabis and Malayalees, have served as professionals or in the civil service. Sindhis and Gujeratis have a long history of involvement in business, with a major presence in the textiles industry. Chettiars were known for their moneylending, but no longer feature prominently in this sector.¹⁶ Tamil Muslims, comprising also the Chulias, have commanded a particularly telling position in the food industry, due to a perceived affinity with the majority Malay Muslims, stemming from their common religious identity.

The varying degrees of business involvement by these sub-ethnic groups and the evolution of their companies following generational shifts was due to a variety of factors including class background (financial assets, education and skills), purpose of migration (by design as investors or by misfortune as indentured labour), the role of the state (policies and legislation), and market conditions (competition and selective patronage). Like the South Asian traders in the 1800s, these Indians saw themselves as sojourners, though over time a number of them settled in the country. Small Indian-owned businesses began to emerge to cater to the demands of co-ethnics, most of them functioning as micro-based informal enterprises.¹⁷ These businesses allowed them to shift away from poorly remunerated wage-earning occupations such as rubber-tapping to profit-making enterprises in ethnically Indian-based industries. These traders settled mainly in the more industrialised states on the west coast of the peninsula, in Penang, Perak, Selangor and Negeri Sembilan.

Among Indians in business, the Gujeratis were revered as 'kings of textiles', though they have also secured some repute in the import and sale of spices and goods from India. One Gujerati enterprise that emerged as a major textile company is Kamdar, a publicly-listed firm that operates a number of departmental stores in major cities. The Sindhis began establishing themselves as merchants in Malaya around the 1880s, settling mainly in towns in the west coast of the peninsula. Pakistan's partition from India in 1947 had a major impact on members of this sub-ethnic group, contributing to the migration of Sindhi families to Malaya. Sindhis have since ventured into real estate, electronics, departmental stores, entertainment, food and jewellery, though they remain best-known for their involvement in the textiles sector. Reknowned Sindhi businessmen include the textile tycoon Rupchand Binwani, the founder of Binwani's; Utumal Valiram, who established the Valiram Group; and Kishu Thirathai, who owned Globe Silk Store in the heart of Kuala Lumpur, a major retail outlet in the 1970s.

Indian entrepreneurs have had an insignificant presence in the corporate sector, however. By 1970, Indians owned only about 1 per cent of the country's corporate

16 The Chettiars were major moneylenders, catering to all segments of society — European businessmen, Chinese traders, Malay peasants and members of the Malay royal houses. Chettiars emerged as major landowners when they called in their loans to Malay rulers and peasants following the onset of the economic depression from the late 1920s. Legislation such as the Malay Reservation Act 1933 had to be introduced to curb the volume of land that was coming under the ownership of the Chettiars. However, many Chettiars lost their assets when they fled to India during the Japanese Occupation of Malaya. Ummadevi Suppiah and Sivachandralingam Sundara Raja, 'Kedudukan ekonomi Chettiar di Tanah Melayu, 1945–1957', *Sejarah: Jurnal Jabatan Sejarah Universiti Malaya* 20 (2012): 143–65.

17 This study does not include the informal sector. Indians continue to play a dominant role in certain areas of this sector, such as food vending and street hawking of goods requiring little capital investment.

wealth. In 2008, Indian ownership of corporate equity still stood at a mere 1.6 per cent.¹⁸ When the race riots of 1969 led to the introduction of the affirmative action-based New Economic Policy (NEP) in 1970, this gravely undermined the development of Indian-owned businesses. The NEP entailed active state intervention in the economy through well-funded public enterprises to acquire companies that were to be transferred to Bumiputeras, ostensibly to develop a Bumiputera Commercial and Industrial Community (BCIC).¹⁹ Although the NEP's stated goals were the eradication of poverty, regardless of race, and equitable redistribution of wealth, this policy had a minimal impact on redressing the pressing socioeconomic problems faced by Indians. Maran Marimuthu contends that the implementation of the NEP undermined the development of Indian-owned small firms as they could not obtain or renew their licences to carry out business activities.²⁰ In the mid-1970s, the Malaysian Indian Congress (MIC), a key member of the ruling multi-party coalition, the Barisan Nasional (BN, National Front), had to go so far as to propose the need for a positive discrimination policy to specifically address the plight of poor Indians. When the government refused to act on this call by the MIC, the party incorporated in 1982 its own investment arm, Maika Holdings, to acquire corporate assets on behalf of the Indians. Investments poured into Maika, primarily from poor Indians, while privately-owned firms owned by this ethnic group felt that they would be further crowded out by this potentially huge investment holding company. Although Maika managed to raise RM106 million by 1984, it was soon mired in serious allegations of corruption and failed to make any impact on the economy.²¹

Indian businesses struggled to survive in this context of active state intervention that bypassed this community to focus primarily on developing a BCIC. The state also bypassed Indian SMEs when the Vendor Development Programme²² (VDP) was introduced to internationalise SMEs in Malaysia. According to A. Sivalingam, most Indian-owned firms continued to operate as SMEs due to poor state support and because they hardly invested in research and development (R&D) for fear that if they expanded and sought public listing, huge fractions of their equity would be channelled to Bumiputeras, as stipulated by the NEP.²³ Due to this, the Indians consistently felt that they were facing ethnic discrimination and had little, if any, access to government concessions when seeking opportunities to go into business, getting bank loans — Malaysia's leading banks are state-owned — and renting business premises.

18 Economic Planning Unit, Prime Minister's Department, *Tenth Malaysia Plan, 2011–2015* (Putrajaya: Government Printers, 2010).

19 *The New Economic Policy in Malaysia: Affirmative action, horizontal inequalities and social justice*, ed. Edmund T. Gomez and Johan Saravanamuttu (Singapore: NUS Press; ISEAS, 2013).

20 Maran Marimuthu, 'Ethnic diversity on boards of directors and its implications on firm financial performance', *Journal of International Social Research* 1, 4 (2008): 431–45.

21 Edmund T. Gomez, *Political business: Corporate involvement of Malaysian political parties* (Townsville: Centre for Southeast Asian Studies, James Cook University of North Queensland, 1994), pp. 240–86.

22 The Ministry of Entrepreneur and Co-operative Development's VDP main aim is to develop the domestic and international competitiveness of Malaysian SMEs.

23 A. Sivalingam, 'Economic problems and challenges facing the Indian community in Malaysia', in *Indian communities in Southeast Asia*, ed. K.S. Sandhu and A. Mani (Singapore: Times Academic, 1994), pp. 388–404.

Since Indians have struggled to increase their presence in the corporate sector, in June 2012, following an evident shift in political support by this ethnic group to the opposition in the 2008 general election, the government established the Special Secretariat for Empowerment of Indian Enterprises (SEED). Through SEED, the government hoped to bring together a multitude of public agencies and financial institutions to aid the development of small and micro firms. A special RM180 million fund was created for this endeavour, with SEED providing microfinancing for enterprises in eight sectors: florists, textiles, Indian wedding planners and decorators, franchising, tailoring, barber shops, provision shops and transport.²⁴ It is still too early to gauge the impact of SEED on the development of small Indian-owned firms.

While the NEP has hampered the rise of enterprises owned by ethnic minorities, Indians have managed to retain a prominent role in three sectors, food catering, textiles and jewellery. These companies function primarily as SMEs, which now constitute about 99.2 per cent of Malaysia's corporate sector, employ about 56.4 per cent of the total workforce, and contribute about 47.3 per cent of the GDP.²⁵ Realising rather belatedly the importance of SMEs, the government established the Small and Medium Industries Development Corporation (SMIDEC) in 1996. This agency has served to facilitate the development of SMEs by providing them with financial assistance, advisory services, infrastructure facilities, market access and other support programmes, a core factor that has contributed to the growth of the enterprises. The Department of Statistics in Malaysia reports that from 2006 to 2010, with the government focus on small firms, the SME sector grew at an annual rate of 7.8 per cent, faster than that of the overall economy.

When Malaysia embarked on export-oriented industrialisation in the 1970s, this contributed to the growth of the textiles and apparel industry; with intensified global competition, domestic textile manufacturers moved up the value chain by diversifying into the production of higher value-added textiles, implementing automation and computerising manufacturing. Indian firms in the textiles industry have been continuously dominated by the Sindhis and Gujeratis, though the Chulias also have a presence in this sector.²⁶ Key players in the textiles industry who have been in business for two generations or more are companies such as Binwani's, Kamdar and Gulati's Silk House. Among SMEs in the food industry, Indian companies have fared well in the spices and catering sub-sectors. In these sub-sectors, key players who have been around for two generations or more include the Lotus Group, the Big Rajah Food Caterers, and Jumbo Restaurant and Catering. In the jewellery sector, among Indian-owned small firms, those that have been in business for two generations or more are companies that cater to Malaysians who prefer purchasing simple designs in both fine and costume jewellery. Key players in this industry in business for

24 A.T. Kumararajah, 'SEED and the Indian community: The government's role in economic empowerment initiatives', in *Contemporary Malaysian Indians: History, issues, challenges & prospects*, ed. Denison Jayasooria and K.S. Nathan (Bangi: Institute of Ethnic Studies [KITA], UKM, 2016), pp. 57–70.

25 Ramayah Thurasamy, Osman Mohamad, Azizah Omar and Malliga Marimuthu, 'Technology adoption among small and medium enterprises (SME's): A research agenda', *Proceedings of World Academy of Science, Engineering and Technology* 41 (May 2009): 943–6.

26 *Harian Metro*, 26 July 2012.

at least two generations are Habib Jewels, Madras Jewellers, Sri Ganesh Jewellers and V. Gopal Pather & Sons.

Ethnic entrepreneurship in transition?

Interest in the links between ethnicity and entrepreneurship can be traced to the classic works of Werner Sombart, Max Weber and Georg Simmel. These scholars' concept of the stranger as trader, along with social structures and ubiquitous religious canons, inspired a body of literature about ethnic entrepreneurship. An ethnic business typically is one where an entrepreneur serves members of the same ethnic group, satisfying their specific needs. Ethnic groups who live in geographically concentrated areas outside of their countries of origin are usually served by ethnic businesses. Ivan Light introduced the concept of 'protected market' to describe how ethnic enterprises dealing in ethnically-based products could thrive by serving co-ethnics.²⁷

Ivan Light and Edna Bonacich employed the concept of 'ethnic resources' to argue that ethnic businesses exploit their ethnicity in ways that are of benefit to them.²⁸ They contend that certain skills can be transmitted by co-ethnics, who are also a source of cheap labour, especially from abroad, that can be exploited and that ethnic groups can depend on ethnically-based support networks and trade organisations to protect and develop their business base.

The two major themes applied in the literature appraising the evolution of enterprises that function in an ethnic economy are ethnic enclaves and middlemen minorities. These concepts are applied when analysing relatively new and unassimilated migrants in developed and developing economies, including in Southeast Asia when waves of Indian and Chinese migration were recorded around the turn of the twentieth century.²⁹ In North America, Edna Bonacich and John Modell's theory of the middleman minority was that immigrants in the host country had the outlook of sojourners seeking a quick profit in often marginal business niches selling products and services in high demand by fellow ethnic minorities.³⁰ Scholars in this tradition further argue that ethnic enterprises have a business style characterised by family firms, trade guilds and extensive intra-ethnic business transactions, locally and with their 'homelands'.³¹

Meanwhile, the concept of 'ethnpreneurship', introduced by anthropologists John and Jean Comaroff in their thought-provoking *Ethnicity Inc.*, provides another dimension of the links between ethnicity and business. For the Comaroffs, ethnpreneurship involves a triangulation of culture, identity and market. However, the Comaroffs are extremely critical of the 'commodification' of ethnicity for marketing purposes. For these anthropologists, the commodification of ethnicity indicates the

27 Ivan H. Light, *Ethnic enterprise in America: Business and welfare among Chinese, Japanese and Blacks* (Berkeley: University of California Press, 1972).

28 Ivan H. Light and Edna Bonacich, *Immigrant entrepreneurs: Koreans in Los Angeles 1965–82* (Berkeley: University of California Press, 1988).

29 Arasaratnam, *Indians in Malaysia and Singapore; Sojourners and settlers: Histories of Southeast Asia and the Chinese*, ed. Anthony Reid (Sydney: Allen & Unwin, 1996).

30 Edna Bonacich and John Modell, *The economic basis of ethnic solidarity: Small business in the Japanese-American community* (Berkeley: University of California Press, 1980).

31 Bonacich and Modell, *The economic basis of ethnic solidarity*; Robin Ward and Richard Jenkins, *Ethnic communities in business: Strategies for economic survival* (Cambridge: Cambridge University Press, 1984).

pervasiveness of neoliberal practices, which have been adopted by people who misrepresent their own culture and identity in the pursuit of profits. The marketing of ethnic-based products merely serves to essentialise identities, transmitting the idea of communities and cultures that have not evolved over time. For the Comaroffs, the imperatives of capital determine how identity is adopted, quite evident in the case of migrants entering into a business venture.

Since the involvement of migrants in business meant more competition in the marketplace, this increased majority-group antagonism and reinforced minority-group solidarity and economic segregation. The sojourner mentality is not a prerequisite for minorities to face antagonism, discrimination and a lack of opportunities. However, since migrants possibly face severe discrimination or antagonism, self-employment becomes a desirable alternative to participating in the market. This is similar to the structuralist focus which suggests that factors in the host environment such as discrimination or entry barriers due to education and language deficits encourage migrants into self-employment.

Light and Bonacich contend that migrants in business are motivated by family values, religious beliefs and communal solidarity.³² While these are seen as coping strategies for migrants in an alien business environment, they serve also as core factors that have enabled them to nurture more competitive family-run companies. Family members in these migrant-owned businesses willingly accept low wages though they work long hours while companies owned by the indigenous community rely on local workers whose wages are determined by the market; inevitably, the latter encounter higher operating costs.

Light and Rosenstein further developed the concept of group characteristics by focusing on ethnic, class and other resources utilised by immigrants when developing their business start-ups.³³ Yoon In-Jin suggests that while ethnic resources are important at the initial stage of building an enterprise, at a more advanced stage, class resources become more significant.³⁴ The contention that owners need class-based resources to develop their enterprises has been reinforced by studies of migrants in business by Satnam Virdee and David Deakins et al.³⁵

More recent studies of ethnic groups in business emphasise other perspectives. Roger Kloosterman and Jan Rath stress the concept of 'mixed embeddedness', building on the work of Mark Granovetter.³⁶ Here, the rise of ethnic entrepreneurship is located at the intersection of changes in socio-cultural and modernisation processes.

32 Light and Bonacich, *Immigrant entrepreneurs*.

33 Ivan H. Light and Carolyn N. Rosenstein, *Race, ethnicity, and entrepreneurship in urban America* (New York: de Gruyter, 1995).

34 Yoon In-Jin, 'The changing significance of ethnic and class resources in immigrant businesses: The case of Korean immigrant businesses in Chicago', *International Migration Review* 25 (1991): 303–31.

35 Satnam Virdee, 'Race', employment and social change: A critique of current orthodoxies', *Ethnic and Racial Studies* 29, 4 (2006): 605–28; David Deakins, Mohammed Ishaq, David Smallbone, Geoff Whittam and Janette Wyper, 'Ethnic minority businesses in Scotland and the role of social capital', *International Small Business Journal* 25, 3 (2007): 307–26.

36 Robert Kloosterman and Jan Rath, 'Immigrant entrepreneurs in advanced economies: Mixed embeddedness further explored', *Journal of Ethnic and Migration Studies* 27, 2 (2001): 189–201; Mark Granovetter, 'Economic action and social structure: The problem of embeddedness', *American Journal of Sociology* 91, 3 (1985): 481–510.

In this line of theorising, context matters, necessitating an assessment of how ethnic businesses are embedded in a wider sectoral, spatial and regulatory environment.³⁷ It stresses that individual experiences of immigrant entrepreneurs are embedded within political, economic and social institutions, locally, nationally and internationally, as well as regimes of governance, regulation and policy that vary over time from country to country. The mixed embeddedness approach is a comprehensive one that entails taking into account the characteristics of the supply of ethnically-based enterprises, the shape of the opportunity structure, and the institutions mediating between aspiring entrepreneurs as well as concrete openings to start a business.

Although the mixed embeddedness model stresses the importance of ethnic resources and opportunity structure of the market, its theorising of ethnic entrepreneurship does not factor in the topic of generational change. This is crucial for the case of Malaysia, as most ethnic minority-owned enterprises are now under the control of a second or third generation.

Ethnic resources, class resources and generational change

A close review of the literature will indicate scant research on the evolution of Indian enterprises through the generations in developing economies. While scholars argue that ethnic enterprises are largely typified by traits such as a common language,³⁸ shared culture,³⁹ social norms⁴⁰ and social networks,⁴¹ such arguments are being increasingly challenged as generational changes occur. As these firms undergo a shift in ownership and control with the takeover of a new generation, the concept of ethnic enterprise merits urgent re-examination.

This study's primary concern is what happens when ethnically-based enterprises incorporated by migrants are passed on to the second and third generation, in this case, people born and bred in Malaysia with little or no ties to the South Asian countries of their forebears. Generational change refers to the natural evolution of ethnic enterprises and the distinctive transformations that take place in these firms as they pass from the hands of the first generation to the next. The newer generations' mode of doing business is shaped not just by experience garnered from the founding members of these enterprises, but also by changing social, economic, political and technological mores in wider society.

The literature argues that migrants, the first generation, ventured into business to attain economic well-being and security for themselves and their families.⁴² While

37 Monder Ram and Trevor Jones, *Ethnic minorities in business* (Milton Keynes: Small Business Research Trust, 2008).

38 Bonacich and Modell, *The economic basis of ethnic solidarity*.

39 Alejandro Portes and Ruben Rumbaut, *Immigrant America: A portrait* (Berkeley: University of California Press, 1990).

40 Juliette Koning and Michiel Verver, 'Historicizing the "ethnic" in ethnic entrepreneurship: The case of the ethnic Chinese in Bangkok', *Entrepreneurship & Regional Development: An International Journal* 25, 5–6 (2012): 325–48.

41 J.M. Sequeira, S.L. Mueller and J.E. McGee, 'The influence of social ties and self-efficacy in forming entrepreneurial intentions and motivating nascent behaviour', *Journal of Developmental Entrepreneurship* 12, 3 (2007): 275–93.

42 See for example: Bonacich and Modell, *The economic basis of ethnic solidarity*; Light and Bonacich, *Immigrant entrepreneurs*; Waldinger et al., *Ethnic entrepreneurs*; Logan et al., 'Ethnic economies in

taking advantage of the opportunities present in the host country, they also strove to maintain the culture, heritage and traditions of their homeland. These businesses were established in order to keep family members together and in employment. Key features of the migrant cohort that helped them develop their enterprises included prudence, hard work and dependence on family labour, all crucial due to their shortage of financial resources.

Since entrepreneurship was for some of these migrants a pathway out of poverty, they saw a sound education as crucial to increasing the opportunities and choices available to their children. Some of the migrant founding owners also hoped that having well-educated children would aid the development of their enterprises.⁴³ For the next generation, these enterprises were a means to achieve social mobility as they were a source of employment and training opportunities.⁴⁴ These companies allowed the subsequent generations to deal with labour market challenges and the lack of alternative opportunities.⁴⁵ However, while ethnic businesses function to support migrants, they could trap the second generation in unpromising businesses. These different assessments of how the second generation relate to business activities demonstrate the tensions between group cohesiveness and the different trajectories available to — and taken by — the second generation. Importantly too, national and ethnic identities in Southeast Asia have evolved over time, following economic and political change; hence, the sense of cohesion of the migrant generation dies away, from one generation to the next.

However, as the empirical evidence in this study will indicate, there have been situations where second and third generation Indians have resorted to, or draw on, or commodify their ethnicity to develop their enterprises. This ethnic-based commodification of their products and services is an idea conditioned by the need to capture a particular segment of the market.

The class resources of members of an ethnic group include material goods such as property or wealth as well as 'bourgeois values, attitudes and knowledge'.⁴⁶ For example, well-educated migrants in the United States often run their own businesses as tertiary education is a form of human capital that can help entrepreneurs tap into opportunities emerging in the market.⁴⁷ Entrepreneurs with higher education and business training are likely more adept at expanding their enterprises. Education allows migrants to overcome internal barriers and negotiate external market barriers. The market strategies they pursue also depend on factors such as previous experience of and exposure to business.⁴⁸

metropolitan regions; Light and Gold, *Ethnic economies*; and Min Zhou, 'Revisiting ethnic entrepreneurship'.

43 Spinder Dhaliwal, 'Entrepreneurship — a learning process: The experiences of Asian women entrepreneurs and women in business', *Journal of Education and Training* 42, 8–9 (2000): 445–52.

44 Thomas Bailey and Roger Waldinger, 'Primary, secondary and enclave labor markets: A training systems approach', *American Sociological Review* 56, 4 (1991): 432–45.

45 Ram and Jones, *Ethnic minorities in business*.

46 Light and Bonacich, *Immigrant entrepreneurs*.

47 George J. Borjas, 'The self-employment experience of immigrants' (Cambridge, MA: National Bureau of Economic Research Working Paper, 1986); Steven A. Camarota, *Reconsidering immigrant entrepreneurship: An examination of self-employment among natives and the foreign-born* (Washington, DC: Center for Immigration Studies, 2000).

48 Anuradha Basu, 'From "break out" to "breakthrough": Successful market strategies of immigrant entrepreneurs in the UK', *International Journal of Entrepreneurship* 15 (2011): 59–70.

Since education also opens up the possibility for professional opportunities, however, higher qualifications may significantly reduce the inclination for self-employment among those with such credentials.⁴⁹ Trevor Jones et al. report that minorities from the British-born generations, especially Indians and Chinese, with their burgeoning acquisition of high-level educational qualifications, were able to create alternative routes to social mobility, by becoming professionals.⁵⁰ Similar trends are evident in Malaysia among the Indians and Chinese.

Moreover, Juliette Koning and Michiel Verver, after investigating the importance of cultural values among ethnic entrepreneurs in Southeast Asia, argue that these values and norms are plummeting in importance among the second and third generation of the migrant cohort.⁵¹ Over time, the descendants of the migrant generation shift their identity from one that is predominantly cultural to one that is mainly national.⁵² This strong national identity reduces the tendency of the new generation to view themselves primarily in terms of their cultural norms, belief and practices. These new trends shape their manner of conducting business.

Case studies

The implications of generational change on Indian-owned SMEs in Malaysia are traced through case studies of eleven firms in three sectors where the Indians have a prominent presence. Five companies are from the food industry, three are involved in the textiles sector and the final three trade in jewellery. Companies in the textiles, food and jewellery sectors were chosen for assessment as these three industries also offer the products and services of the 'homeland', which were in high demand in the 'host country', particularly by the migrant cohort. The products and services offered by these industries remain important in the lives and culture of latter-generation Malaysian Indians.

All eleven companies, owned by Malaysians, deal with ethnically-Indian products and services and have been in operation for two generations or more. The primary data collection method was an in-depth analysis of the annual company reports of these eleven firms that were filed with the government agency, Companies Commission of Malaysia (CCM). All companies in Malaysia are required by law to file an annual report, which must include their profit & loss account, list of shareholders and directors, and statement by the chairperson on key corporate events. The second major source of data were in-depth interviews with the founders as well as the second or third-generation owners of these businesses. These interviews provided the most suitable means to explore and review processes of change, including decision-making about product development or diversification and the endeavour, in some cases, to capture a clientele beyond ethnic Indians.

49 Ken Clark and Stephen Drinkwater, 'Recent trends in minority ethnic entrepreneurship in Britain', *International Small Business Journal* 28, 2 (2010): 136–46.

50 Trevor Jones, Giles Barrett and David McEvoy, 'Market potential as a decisive influence on the performance of ethnic minority business', in *Immigrant businesses: The economic, political and social environment*, ed. Jan Rath (Basingstoke: Macmillan, 2000), pp. 37–53.

51 Koning and Verver, 'Historicizing the "ethnic" in ethnic entrepreneurship'.

52 Similar findings were noted in the study of minorities in Malaysia and Singapore by Gabriel, 'It ain't where you are from'; Hong Liu, 'Beyond co-ethnicity'. See also the results of the study of the Chinese diaspora by Gomez and Benton, *Belonging to the nation*.

Table 1 presents the key features of the evolution of all eleven companies, such as date of incorporation, volume of share capital, number of employees, branches and associated companies, and forms of product development and diversification, including how they have evolved following a generational change. **Table 2** provides detail on the outcomes of generational change in these companies on the deployment of ethnic- and class-based resources, and the extent to which these businesses remain as ethnic enterprises.

Findings and discussion

Tables 1 and **2** provide insights into transitions that have occurred with rapid modernisation, specifically the willingness of a growing segment of Malaysians to buy products seen as Indian in nature. Most of these enterprises have evolved to suit changing market trends. The case studies indicate the importance of class resources, following a generational change, to cater to these market trends.

In the food sector, while the founder of Santha Store Flour Mill relied heavily on co-ethnics to develop his enterprise, his son-in-law, who obtained a doctoral degree and had managerial experience, was adept at using technology to expand the company's range of products and creating ties with people in government and in business to develop this enterprise. M.P. Lingam & Sons grew by identifying a niche, the sale of gingelly oil, and when demand for this product diminished over time, the second generation, privy to higher education, was able to venture into other business areas. Gemini Flour Mills's expansion was due to the experience its owner had acquired while in the sector, a trend seen also in the Big Rajah Food Caterers whose founder exposed his son to the business from a very early age, a crucial factor for its development. Jumbo Restaurant & Catering's founder was a pioneer in the industry while his daughter, an international business studies graduate, had knowledge of management techniques to enhance the company's operations and the confidence to incorporate Malays as co-owners as a method to increase the size of its clientele.

The extremely trans-ethnic nature of Binwani's products and customer base is attributable to the exposure gained by the third generation while studying in the United States, which equipped them with the skills to create business ties with renowned fashion designers. Their awareness of emerging opportunities following rapid modernisation is the reason why their target market is primarily the upper middle class, where they encounter little competition from co-ethnics. The founders of Ajuntha Textiles and Sri Kumaran's Textile acquired experience in the textiles sectors before venturing into business on their own, emerging as competitors to the companies where they secured their training, indicating strong competition among co-ethnics.

The owner of Abdul Razak Jewellers acquired knowledge, skills and experience to increase efficiency, productivity and sales, while his investment in technology allowed him to produce jewellery in bulk over a shorter period, resulting in greater yields. In Sri Ganesh Jewellery & Gem Corner, prior business experience was crucial for the first and second generation, a trend similar in V. Gopal Pather. These three SMEs remain ethnically Indian, continue to locate themselves in ethnic enclaves, offer traditional products and mainly target the Indians.

Two core findings can be drawn from **Tables 1** and **2**. First, there are significant variations regarding whether these companies, established as ethnic-based enterprises,

Table 1: Key growth and development features of Indian-owned companies

Company (date of incorporation)	Share capital (issued and fully paid)	Number of generat-ional Changes	Number of branches/related firms	Product development	Market development
Santha Store Flour Mill (10/10/1990)	From RM5 (in 1994) to RM1 million (in 2012)	1	None	<p>First generation Offered products: curry, turmeric, chilli and kurma powders. Manufactured powders that were coarse in nature.</p> <p>Subsequent generation Offers additional powder products (kaskas, cumin, fennel, green pea and white pepper), flours (murukku, atta, rice, ragi) and mixtures (semolina, payasam and oma podi). Refined manufactured goods to suit local tastes.</p>	<p>First generation Targeted Indian migrants, specifically sub-ethnic Tamil and Malayalee groups due to language barrier.</p> <p>Subsequent generation Targets Indians, non-Indians and wholesalers to increase sales, revenue and profit.</p>
Gemini Flour Mills (20/2/1997)	From RM5 (in 1997) to RM665,000 (in 2011)	1	None	<p>First generation Offered products: turmeric, curry and chilli powders.</p> <p>Subsequent generation Also offers briyani masala powder, curry and instant mixes, various dhalls, omum water, pickles, papadom and Hindu prayer items.</p>	<p>First generation Targeted wholesalers, such as food distributors, and government agencies.</p> <p>Subsequent generation Targets Indians and non-Indians.</p>
M.P. Lingam & Sons (1/12/1965)	From RM80,000 (in 1994) to RM2 million (in 2012)	2	None	<p>First generation Offered products: gingelly oil, chilli powder, spices.</p> <p>Subsequent generations Offers more types of powders (meat & fish curry, turmeric and coriander), flours (rice, murukku and athirasam).</p>	<p>First generation Targeted Indian migrants.</p> <p>Subsequent generations Targets Indians and non-Indians.</p>

Continued

Table 1: Continued

Company (date of incorporation)	Share capital (issued and fully paid)	Number of generat-ional Changes	Number of branches/related firms	Product development	Market development
The Big Rajah Food Caterers (22/6/1999)	From RM2 (in 2000) to RM300,000 (in 2012)	1	1 associate company: Restaurant & Catering – The Big Rajah	<p>First generation Catered a variety of Indian food for weddings and other functions.</p> <p>Subsequent generation Caters Indian food but also offers a variety of Chinese and Malay delicacies for various events.</p>	<p>First generation Targeted Indians.</p> <p>Subsequent generation Targets Indians and non-Indians.</p>
Jumbo Restaurant & Catering (26/4/2005)	RM100,000 (no change)	1	3 associate companies: Jumbo Café & Restaurant, Jumbo Food Manufacturers and Jumbo Events Master	<p>First generation Catered Indian food for Indian weddings and other functions.</p> <p>Subsequent generation Caters Indian food as well as Chinese and Malay delicacies for various types of events. Manufactures frozen foods such as fried ice-cream.</p>	<p>First generation Targeted Indians.</p> <p>Subsequent generation Targets Indians and non-Indians.</p>
Binwani's (28/1/1982)	From RM10 (in 1995) to RM600,010 (in 2009)	2	3 branches: Bangsar Shopping Centre, Ampark Park and The Curve	<p>First generation Offered fabrics, mainly from India.</p> <p>Subsequent generations Offers materials and ready-made clothes from India, South Korea, Japan, France, Italy and Spain.</p>	<p>First generation Targeted expatriates and local middle class.</p> <p>Subsequent generations Targets expatriates, local middle- and upper-middle class and domestic and international firms.</p>
Ajuntha Textiles (7/6/1984)	From RM500,000 (in 1995) to RM2 million (in 2012)	1	3 branches: Masjid India in Kuala Lumpur, in Klang and in Melaka. ^a 2 associate companies: Ajuntha Holdings; Ajuntha Garment & Fabric Manufacturers	<p>First generation Offered fabrics and saris from India.</p> <p>Subsequent generation Offers a wider variety of fabrics and saris from India. Also offers Punjabi suits, stainless steel and brass utensils and imitation jewellery.</p>	<p>First generation Targeted Indians.</p> <p>Subsequent generation Targets Indians and non-Indians.</p>

Sri Kumaran's Textiles (18/7/1998)	From RM440,000 (in 2003) to RM1 million (in 2011)	1	2 associate companies: Sri Kumaran's and Sri Kumaran's Pattu Mahligai	<p>First generation Offered fabrics and saris from India.</p> <p>Subsequent generation Offers a wider variety of fabrics and saris from India. Also offers Punjabi suits, stainless steel and brass utensils and imitation jewellery.</p>	<p>First generation Targeted Indians.</p> <p>Subsequent generation Targets Indians and non-Indians.</p>
Kedai Emas Abdul Razak (7/6/1984)	From RM100,000 (in 2004) to RM500,000 (in 2011)	2	None	<p>First generation Offered various types of gold jewellery. These products were handmade.</p> <p>Subsequent generations Still offers various types of gold jewellery. Most products now sold are machine-made.</p>	<p>First generation Targeted migrant Indians.</p> <p>Subsequent generations Targets mainly Indians.</p>
Sri Ganesh Jewellery & Gem Corner (6/10/1995)	From RM300,003 (in 1993) to RM1 million (in 2012)	1	None	<p>First generation Offered various types of gold jewellery. Products were handmade.</p> <p>Subsequent generation Still offers various types of gold jewellery that are handmade. Produces specially designed religious jewellery and gold statues.</p>	<p>First generation Targeted migrant Indians. Extremely localised, in an Indian enclave.</p> <p>Subsequent generation Targets mainly Indians. Extremely localised, in an Indian enclave.</p>
V. Gopal Pather (23/6/1941)	From RM2 (in 1995) to RM500,000 (in 2012)	2	1 associate company: V. Gopal Pather Holdings	<p>First generation Offered various types of gold jewellery. Products were handmade.</p> <p>Subsequent generations Offers various types of gold jewellery. Some are handmade, while others are machine-made.</p>	<p>First generation Targeted migrant Indians.</p> <p>Subsequent generations Targets mainly Indians. Extremely localised, in an Indian enclave.</p>

Notes: In 2014, the exchange rate for US\$1 was Ringgit Malaysia (RM) 3.20. ^aLocations that can be classified as ethnic enclaves.

Sources: Annual company records (Companies Commission of Malaysia); interviews were conducted with the owners of all 11 companies.

Table 2: Key features of Indian-owned companies following generational change

Company	Ethnic and class resources	Stakeholders and marketing techniques
<p>Santha Store Flour Mill (Sub-ethnicity: Malayalee)</p> <p>Member(s) of first generation: Vallison Raman</p> <p>Member(s) of subsequent generations: Dr. Balakrishnan Koran, Chandra Mohan Vallison, Karunakaran T.K. Raman</p>	<p>First generation Education: Obtained secondary level education. Experience: A full-time school teacher; worked part-time selling curry powder and garnered ideas how to expand products produced and the client base. Capital: Began with a capital base of RM50.</p> <p>Subsequent generations Education: The key figure is son-in-law Dr. Balakrishnan who holds a social science-based PhD. Experience: Balakrishnan acquired experience managing an estate prior to assuming management of this firm. Capital: Obtained loans from a local bank to develop the business.</p>	<p>First generation Stakeholders: Suppliers, distributors, customers and competitors were Indians. Shareholders and employees were family members. Vallison could communicate only in Tamil and Malayalam which hindered development of his company.</p> <p>Subsequent generations Stakeholders: Suppliers are still Indians, but distributors, employees, customers and competitors include non-Indians. Foreign workers are hired. Shareholders are family members only who speak Tamil, Malayalam, English and Malay. Market: Changes in taste and preferences among non-Indians led to business growth with orders from non-Indians. Halal certification obtained. There is decreasing tacit knowledge as the production of curry powder is now mechanised.</p>
<p>Gemini Flour Mills (Sub-ethnicity: Tamil)</p> <p>Member(s) of first generation: Illango Suppiah, Gunavathi Rangasami</p> <p>Member(s) of subsequent generations: Sivamuhan Illango</p>	<p>First generation Education: Illango obtained secondary level education in Malaysia. Experience: Worked for a company producing and selling curry powder where he learnt the trade as well as possible markets waiting to be tapped. Capital: Illango's father encouraged him to leave his salaried job to build on what he had learnt; obtained a loan from a Chettiar moneylender to start his son's business. Amount unknown.</p> <p>Subsequent generation Education: Sivamuhan obtained secondary level education. Experience: He gained his business knowledge from his father. Capital: Took loans from a local bank to develop the business.</p>	<p>First generation Stakeholders: Suppliers, distributors, customers and competitors were Indians. Illango targeted non-ethnic food distributors who sold spices and curry powders. Shareholders and employees were family members. Illango is conversant in Tamil, English and Malay. Products offered: Prior to implementation of the affirmative action-based New Economic Policy (NEP), Illango supplied products to government agencies. After NEP's introduction, he lost contracts to supply products to these agencies. He began producing various instant mixes, then a novel idea.</p> <p>Subsequent generation Stakeholders: Suppliers, distributors, employees, customers and competitors are still Indians. Shareholders are still family members. Sivamuhan can communicate in Tamil, English and Malay. Market: Products offered suits Malaysians. Halal certification obtained.</p>

M.P. Lingam & Sons

(Sub-ethnicity: Tamil)

Member(s) of first generation:

Dharmalingam

Member(s) of subsequent generations:

Kaliaperumal and Nagaletchumi (Second generation);

Rajeshwar and Haresh Kumar (Third generation)

The Big Rajah Food Caterers

(Sub-ethnicity: Tamil)

Member(s) of first generation:

John Joseph Xavier

Member(s) of subsequent generations:

Dr. John William Xavier

First generation

Education: Unknown.

Experience: Unknown. Dharmalingam migrated from South India.

Capital: Started the business with his own capital to create a job for himself. Amount unknown.

Subsequent generations

Education: Second generation, Kaliaperumal, completed his degree. The third generation similarly obtained degrees, including in Accountancy.

Experience: Second generation obtained business skills from their father. Third generation Haresh Kumar spent four years at PriceWaterhouseCoopers as an accountant.

Capital: Second generation secured loans from a local bank for the business.

First generation

Education: John Joseph obtained secondary level education in Malaysia.

Experience: Worked full-time with the National Film Board of Malaysia and part-time at Arumugam Catering.

Capital: Started the business with his own capital.

Subsequent generation

Education: John William completed his A-levels. He has an honorary doctorate from Columbus International University.

Experience: He began assisting his father when he was 13 years old.

Capital: Took loans from a local bank to develop the business.

First generation

Stakeholders: Suppliers, distributors, customers and competitors were Indians. Shareholders and employees were family members. He was only conversant in Tamil.

Market: Migrants used gingelly oil daily for various reasons. Only his firm supplied this product.

Subsequent generations

Stakeholders: Suppliers, distributors, employees, customers and competitors now include non-Indians. Foreign workers are hired. Shareholders are still family members who are conversant in Tamil, English and Malay.

Market: Products offered are gingelly oil, spices and curry powder. Halal certification obtained.

First generation

Stakeholders: Suppliers, employees, customers and competitors were Indians. Shareholders were family members. He was comfortable conversing in Tamil, English and Malay.

Market: Targeted middle-class and higher income Indian families in the city who discontinued the practice of cooking for major functions and turned to food caterers for convenience.

Subsequent generation

Stakeholders: Suppliers, employees, customers and competitors now include non-Indians. Foreign workers are hired. Shareholders are still family members. He is fluent in Tamil, English and Malay.

Market: With growing interest in Indian food by other ethnic groups, demand increased, enabling the firm to diversify into events management. Now also offers Chinese and Malay food. Halal certificate obtained.

Continued

Table 2: Continued

Company	Ethnic and class resources	Stakeholders and marketing techniques
<p>Jumbo Restaurant & Catering (Sub-ethnicity: Tamil) Member(s) of first generation: Dr. Gurunathan, Chitra Devi, B. Jegathambigai Member(s) of subsequent generations: Chitra Devi, B. Jegathambigai, Shaik Alawodeen, Tengku Azham, Diviyah Gurunathan</p>	<p>First generation Education: Gurunathan was awarded an honorary doctorate in entrepreneurship. Experience: He co-founded one of the first catering businesses in Malaysia, prior to starting this business. Capital: Started the business with his own capital and a loan from a local bank.</p> <p>Subsequent generation Education: Diviyah completed her tertiary education in International Business. Experience: Two Malay directors with prior experience in the food industry were appointed. Capital: Secured loans from a local bank to expand the business.</p>	<p>First generation Stakeholders: Suppliers, employees, customers and competitors were Indians and non-Indians. Foreign workers were hired. Shareholders were family members and friends of similar ethnicity. Gurunathan was conversant in Tamil, English and Malay. Market: Increase in awareness of various types of Indian food among non-Indians provided opportunity for growth. Began catering Chinese and Malay food. Halal certificate obtained.</p> <p>Subsequent generation Stakeholders: Similar as first generation. However, shareholders now consist of family members and friends who are non-Indians. Market: Appointment of two Malay directors eased process of obtaining halal certification, which increased consumers among Muslims. With new directors' business knowledge, the firm diversified into food manufacturing and events management. Its venture into food manufacturing helped the firm tap into an international market.</p>
<p>Binwani's (Sub-ethnicity: Sindhi) Member(s) of first generation: Rupchand Binwani Member(s) of subsequent generations: Tikandas Binwani and Chandru Binwani (Second generation) Vijay Binwani and Ravin Kumar Binwani (Third generation)</p>	<p>First generation Education: Unknown. Experience: He worked in the textiles industry in India; then opened his own textiles enterprise in Indonesia. Capital: Own capital. Amount unknown.</p> <p>Subsequent generations Education: The second generation completed secondary level education. Third generation obtained tertiary degrees in finance and marketing. Experience: Second and third generations obtained their knowledge and skills from their families. Capital: Second and third generations took loans from local banks to expand business.</p>	<p>First generation Stakeholders: Suppliers and customers were Indians. Shareholders and employees were family members. Rupchand was comfortable communicating in Sindhi. Products offered: Close intra-ethnic ties with family and friends enabled business to sustain itself in the early days. He had few competitors, but was unable to reach a wider market due to language barrier.</p> <p>Subsequent generations Stakeholders: Suppliers, employees, customers and competitors comprised non-Indians. Shareholders are still family members who are comfortable communicating in English, Sindhi and Malay. Market: Sells fabrics from industrialised countries in Asia and Europe. Also offers ready-made clothing for the local and international markets. Ability to reach a wide market due to excellent networking, locally and internationally.</p>

Ajuntha Textiles

(Sub-ethnicity: Tamil)

Member(s) of first generation:

Muthuvairu Dakshina Moorthy

Member(s) of subsequent generations:

Saravanakkumar Muthuvairu, Muthuvairu Ramanan

Sri Kumaran's Textiles

(Sub-ethnicity: Tamil)

Member(s) of first generation:

Mohan Natarajan, Radhakrishnan Natarajan, Ravichandran Natarajan

Member(s) of subsequent generations:

Revathy Ravichandran, Suresh Kannan Radhakrishnan

First generation

Education: Completed secondary level education.

Experience: He worked for a major textile firm (Kamdar), prior to starting this business.

Capital: Used own capital and secured loans from co-ethnic friends to start this business. Amount unknown.

Subsequent generation

Education: Completed secondary level education.

Experience: Obtained their skills and knowledge from first generation.

Capital: Took loans from local banks to expand the business.

First generation

Education: All completed secondary level education in Malaysia.

Experience: All worked at a local textile store before opening this firm.

Capital: Used their own capital and obtained excellent credit terms from close friends in the industry. Amount unknown.

Subsequent generation

Education: All completed tertiary education abroad.

Experience: All trained by their fathers and uncles.

Capital: Took loans from a local bank to expand the business.

First generation

Stakeholders: Suppliers and customers were Indians.

Shareholders and employees were family members. Muthuvairu was only comfortable communicating in Tamil.

Market: Since fabrics and saris were of mediocre quality from India, he was unable to reach a wider market. Targeted customers were from middle to lower income groups.

Subsequent generation

Stakeholders: Suppliers and employees are Indians.

Customers are from all ethnic groups. Shareholders are family members. Malay shareholders were hired for a short period. They are conversant in Tamil and Malay.

Market: Increase in income level of target market, growing interest in Bollywood and rise in number of inter-ethnic marriages created awareness among non-Indians of variety of Indian textiles. Steep competition now with growing number of textile firms, especially among non-Indians. Offers a larger variety of fabrics, saris and suits of excellent quality from India. Also offers imitation jewellery and stainless steel and brass utensils.

First generation

Stakeholders: Suppliers and customers were Indians.

Shareholders and employees were family members who were conversant in Tamil and Malay.

Market: Fabrics and saris of mediocre quality from India. Targeted customers were from middle- to lower-income groups.

Subsequent generation

Stakeholders: Suppliers and employees were Indians.

Customers were from all ethnic groups. Shareholders are family members who are conversant in Tamil, English and Malay.

Continued

Table 2: Continued

Company	Ethnic and class resources	Stakeholders and marketing techniques
<p>Kedai Emas Abdul Razak (Sub-ethnicity: Tamil Muslim)</p> <p>Member(s) of first generation: Abdul Razak</p> <p>Member(s) of subsequent generations: Abdul Rasull (Second generation) Aisha Abdul Rasull, Zulaika Abdul Rasull, Mohamed Razalie Abdul Rasull (Third generation)</p>	<p>First generation Education: Completed secondary level education in India. Experience: Gained skills and experience from his family in India. Capital: Started the business with own capital. Amount unknown.</p> <p>Subsequent generations Education: Rasull completed a Diploma in Draughtsmanship in India. Third generation (Mohamed Razalie) completed a Masters in Business Administration in the United States. Experience: Second and third generations were trained by the family. Capital: Took loans from local bank to expand the business.</p>	<p>Market: A larger variety of fabrics, saris and suits of excellent quality from India. Also sells fabrics that can be used to create Malay-based costumes such as <i>baju kurung</i>. Growing interest in Bollywood and increase in inter-ethnic marriages contributed to growing demand for Indian textiles. Also sells imitation jewellery and stainless steel and brass utensils.</p> <p>First generation Stakeholders: Suppliers, customers and competitors were Indians. Shareholders and employees were family members, comfortable communicating only in Tamil. Market: Jewellery which are ethnically-Indian in design. Products were hand-made to suit customers' requests. Hampered by Indian culture that prohibited purchase of gold during inauspicious times. Since designs and motifs were ethnically Indian, it was difficult to attract non-Indian customers.</p> <p>Subsequent generations Stakeholders: Suppliers now include Chinese. Customers now include Malays. Company competes with Malay, Chinese and Indian jewellers. Employees are family members and close co-ethnic friends. Shareholders are still family members who are conversant in English, Malay and Tamil. Market: Jewellery with modern designs and traditional motifs. Jewellery is no longer hand-made, but machine-produced. Use of machines to produce jewellery increased supply. Since the number of Indians adhering to cultural norms when acquiring gold has declined, the firm obtains a year-round flow of demand. An increase in number of Malays acquiring its products.</p>

Sri Ganesh Jewellery & Gem Corner

(Sub-ethnicity: Tamil)

Member(s) of first generation:

Subramaniam

Member(s) of subsequent generations:

Maniam Subramaniam, Nalini Dewi

First generation

Education: Completed secondary level education in India.

Experience: Had many years of experience in the gold and jewellery industries in India.

Capital: Started the business with own capital. Amount unknown.

Subsequent generation

Education: Completed their secondary level education in Malaysia.

Experience: Maniam obtained his skills and expertise from his father. His wife, Nalini, learnt the business from him.

Capital: Own capital for expansion.

First generation

Stakeholders: Suppliers, customers and competitors were Indians. Shareholders and employees were family members who were conversant only in Tamil.

Market: Jewellery was ethnically Indian in design and motif. Products were hand-made according to customers' requests.

Subsequent generation

Stakeholders: Suppliers are mainly Indians. Customers are mainly Indians, though they have customers of different ethnicities, locally and internationally. Few competitors in local market, primarily Indians. Employees are family members and co-ethnic friends. Shareholders are still family members, conversant in Tamil, English and Malay. Market: Products sold similar to the first generation, though it also produces religious items such as gold statues.

Subramaniam's passion in designing jewellery helped him create a niche market; has expertise to design religious ornaments for Hindu temples. He has customers in Singapore, Canada, Britain, New Zealand and Australia, but is reluctant to branch out, preferring to remain small.

Continued

Table 2: Continued

Company	Ethnic and class resources	Stakeholders and marketing techniques
<p>V. Gopal Pather (Sub-ethnicity: Telegu)</p> <p>Member(s) of first generation: V. Gopal Pather</p> <p>Member(s) of subsequent generations: Ramasamy, Balakrishnan, Uvaraju, Sekhar, Chandra Sheran, Gopal Krishnan (Second generation) Shreedharen, Navaneethakrishnan (Third generation)</p>	<p>First generation Education: Completed primary level education in India. Experience: Gained skills and experience from his father and grandfather in India. Capital: Started the business with own capital. Amount unknown.</p> <p>Subsequent generation Education: Most of the second generation completed their primary level education in Malaysia. Third generation completed tertiary education. Experience: Second and third generation were trained by their fathers and uncles. Capital: Reinvested their profits to expand the business.</p>	<p>First generation Stakeholders: Suppliers, customers and competitors were Indians. Shareholders and employees were family members, comfortable communicating in Tamil and Telegu. Market: Jewellery ethnically-Indian in design and motif; also hand-made products according to customers' requests. Indians adhere to cultural norms that prohibit purchase of gold during inauspicious times. Most customers were lower middle class, so poor sales even during important events.</p> <p>Subsequent generation Stakeholders: Suppliers are Chinese and Indians. Customers and competitors are from all ethnic groups. Employees are family members and close co-ethnic friends. Shareholders are still family members, comfortable in English, Malay, Telegu and Tamil. Market: Jewellery with modern designs and traditional motifs. Jewellery is hand-made or machine-made, depending on customers' requests. Continual design changes to keep up with changing fashions. Customers expect after-sales services such as cleaning and polishing.</p>

have shed their ethnic identity following a generational shift. The extent to which these firms discard an ethnically focused business identity is associated with their class resources as discussed above,⁵³ specifically the second and third generations' acquisition of higher education, and how changing market trends influence demand for their products and services. These factors, in turn, had a bearing on how, or if, they drew upon or continued to commodify their ethnic identity. The new generations are conversant in Malaysia's national language, Malay, as well as English, a crucial resource that has helped them respond effectively to changes in society and expand their customer base, domestically, and in three cases internationally (Santha Store Flour Mill, Jumbo Restaurant and Catering, Binwani's). Following generational shifts, the dependence of these firms on strong co-ethnic ties to source funds and labour has diminished appreciably.

Second, whether these companies have been able to move beyond the production and sale of only ethnically-based products can be gauged in the type of goods they now market. In the food sector, a major conversion occurred in all firms, from an ethnic enterprise to one where the products offered are now extremely inter-ethnic in nature, though Indian cuisine remains their main fare. Companies in this sector make little attempt to draw exclusively on their ethnicity as this serves to severely limit their customer base. In the textiles sector, the primary merchandise of two firms, Ajuntha Textiles and Sri Kumaran's Textiles, is still Indian-type fabric and clothes, but their clientele was extended to include Malays, due to the growing popularity of Bollywood movies. In this sector, the commodification of ethnicity to draw non-Indian customers has appreciably increased sales revenue. Binwani's, however, a fairly large-sized firm company compared to the other two, and one dealing in upmarket fabrics, makes no attempt to stress an ethnic identity. This variance among textiles firms is due to class differences, though sub-ethnic identity is also a core matter. Binwani's is owned by Sindhis, a sub-ethnic Indian community that has a long history of trading not seen among Tamils. In the jewellery sector, all three extremely small firms are deeply situated in what can be seen as ethnic enclaves and have made no attempt to move beyond their Indian clientele. In fact, these jewellery firms have made a concerted attempt to reinforce the commodification of their 'Indianness' to court customers. The owners of these SMEs speak little English and Malay, a reason for their reluctance to move beyond their current clientele.⁵⁴

The first generation effectively tapped into market opportunities, but learnt the trade first. As they had little or no class resources, they typically obtained credit facilities and labour from family members and co-ethnics. The latter generations secured tertiary education, a major class resource that aided the expansion of their businesses. Higher education gave this generation the confidence necessary to network on an inter-ethnic basis as well as embark on transnational business ventures. Better education provided for better management and access to market information, which allowed these businesses to alter their products to suit the needs and demands of a

53 This conforms to the arguments by Yoon In-Jin, 'The changing significance of ethnic and class resources'; Virdee, "'Race", employment and social change'; and Deakins et al., 'Ethnic minority businesses in Scotland', though their studies focus on the migrant cohort.

54 This is not the case with the larger, prominent jewellers in major malls targeting a multi-ethnic middle and upper-middle class. The owners of these businesses did not wish to be interviewed for this study.

larger cohort of customers. These SMEs avail themselves to loans from banks, a practice not evident among most of the founders, particularly poor migrants. Business opportunities emerged following rapid modernisation which new generations effectively tapped into.

Other significant dissimilarities between the founding and subsequent generations are evident, determining the importance of functioning as an ethnic enterprise and commodifying their ethnicity. There was no certainty of survival of the companies established by migrants with little education, confronted also as they were with economic uncertainties arising from running a business in an alien land (M.P. Lingam & Sons, V. Gopal Pather, Sri Ganesh Jewellery & Gem Corner, Kedai Emas Abdul Razak). A similar situation prevailed among the founders of firms who were only conversant in an Indian language (Santha Store Flour Mill, Ajuntha Textiles, Sri Kumaran's Textiles). In order to survive, they had to create strong intra-ethnic group ties. The building of ties based on co-sub-ethnic identity was particularly useful as the founders primarily served fellow sub-group members, a factor that also indicated deep class, language and spatial cleavages among Indians. Such differences hampered these firms' early development, but the subsequent generations have been able to create business networks that transcend these cleavages.

The migrants among the first generation viewed India as their 'homeland' while Malaysia was merely a 'host country', a place to obtain income and savings. Since they thought they were on a short sojourn from India, this had an impact on business decision-making processes, in terms of extending the range of products sold, a factor that hindered their pursuit of a larger client base. Intra-ethnic networks were forged to secure credit, a reliable and competent labour force, and a trustworthy supply of raw products.

The first generation's ability to develop their firms stemmed from some entrepreneurial know-how, such as business experience in India or an apprenticeship with an enterprise owned by a co-ethnic (or co-sub-ethnic) (Santha Store Flour Mill, Gemini Flour Mills, Binwani's, Ajuntha Textiles, Sri Kumaran's Textiles, Kedai Emas Abdul Razak, Sri Ganesh Jewellery & Gem Corner, V. Gopal Pather). They were able to identify a market niche. These market opportunities included interest in ethnic-type goods such as gingelly oil, in high demand among fellow migrants (M.P. Lingam & Sons).

The second generation had to respond to demographic changes involving the declining population growth rates of Malaysian Indians. As this decline occurred, the second generation chose to alter the type of products sold to cater to an inter-ethnic clientele in order to expand their enterprises. These changes entailed altering production, operation and marketing methods. Product diversification was particularly imperative for companies wishing to capture a non-Indian clientele, a change that provided them the opportunity to expand their markets. When affirmative action based on supporting Malays in business was introduced, some Indian-owned SMEs had to diversify their products as they lost sales to government agencies. In the case of Gemini Flour Mills, interestingly, this loss of a major client compelled the owners to introduce novel products that allowed them to create a niche for themselves.

One feature, however, has remained unchanged; family ties are essential for sustaining and building a business. With only one exception, Jumbo Restaurant &

Catering, ownership and directorships have remained in the hands of family members. This trait is common among family enterprises.⁵⁵ However, the second and third generations do not rely on family or intra-ethnic ties to secure funding, availing themselves of loans from banks for this purpose. Similarly, the subsequent generations were open to hiring foreign labour, not only co-ethnics, to serve as part of their workforce. In most of these companies, foreigners constitute a major segment of their employees. The cost of employing foreign labour is low and they do not participate in sectoral-based unions.

Conclusion

The case studies indicate that although concepts such as ethnic enterprise and ethnic enclaves are still applicable to Indian-owned businesses in Malaysia, they have to be used cautiously, paying attention to the sectors under review. The term ethnic enterprise is increasingly invalid in the food catering sector, partially applicable in the textiles industry and still relevant in the jewellery production and trade. However, this statement has to be qualified because a comparative review of companies in these sectors indicates that shareholders with limited class resources prefer to operate as ethnic enterprises, in areas that can be construed as ethnic enclaves. Shareholders without class resources, typically the first generation entrepreneurs, do not have the management skills to diversify their products and services in a manner that can allow them to increase their market base.

For these SMEs, the need to preserve a secure clientele is a key reason why they continue to draw upon their identity, some to a small degree while for others this is imperative to sustain their business; these small firms are ethnopreneurs differently. These firms do not hide their identity or culture when pursuing sales, but build on it. Small firms in the jewellery sector essentialise and reify ethnic and religious identity to create entry barriers into their business domain, limiting competition to one based on an intra-ethnic basis. This limits their customers to middle- and lower middle-class co-ethnics, though these firms do not appear too perturbed by their limited capacity to grow, suggesting that they are comfortable operating in enclaves. Their marketing techniques do serve to essentialise Indian identity, transmitting an idea of communities and cultures that have not evolved over time, a method to muster sales. However, SMEs in the textiles and jewellery sectors sell different understandings of their 'Indianness' through their products. Large enterprises, on the other hand, with much class resources such as wealth and a better education look to shed their ethnic identity, evident in the case of Binwani's as well as high-end jewellers. Commodifying identity is increasingly seen as an obstacle to business growth among firms in food catering. All food caterers have had to shed their stress on the Indianness of their products to secure a larger market base.

Another reason why some firms seek to commodify their ethnicity while others strive to discard it is intra-sectoral competition. In food production, companies target co-ethnics and non-co-ethnics to stay ahead of the competition by expanding their customer base. In food catering, all companies have dispensed with their distinct

55 Paul Westhead, 'Company performance and objectives reported by first and multi-generation family companies: A research note, *Journal of Small Business and Enterprise Development* 10, 1 (2003): 93–105.

ethnic identity, allowing them to diversify into related areas such as events management. The textile firms have striven to find a balance between Indian-based and non-Indian based products. Companies innovative enough to use Indian fabric to create Malay-type attire have been most adept at expanding their clientele. Meanwhile, small-scale Indian jewellers have shifted to producing religious-based jewellery, relying on their Hindu identity as a further means to survive.

Members of the second and third generations thus selectively employ ethnicity as a business tool when determining how their firms should operate. The extent to which firms de-commodify their ethnic identity is linked to what they see as business opportunities; such decisions are closely associated with their class resources. Their ability to adapt to changing economic conditions and state policies, by diversifying their products or by changing their marketing techniques, is why these firms have managed to grow or have consigned themselves to a clearly defined ethnic space. Shareholders with more class resources are more adept at incorporating innovation, coping with change and pursuing new opportunities. They have sufficient flexibility to create inter-ethnic business networks conditioned by the need to tap into these new opportunities.

The current conception of an ethnic enterprise negates the complex situation in which these firms operate as well as the changes arising from a generational shift when shareholders acquire class resources. The imperatives of business development and capital accumulation have determined how identity is adopted and developed or discarded. A key facet of an ethnic enterprise is its strong dependence on ethnic-based resources. Co-ethnic support among the migrant generation was vital and easily gained due to ease of communication and cultural compatibility. This view is becoming increasingly obsolete in modern Malaysia. Most SMEs studied here indicate a growing dependence on inter-ethnic, not intra-ethnic, resources for development and diversification of their businesses; this transition has not been difficult for the second and third generations, though whether they will continue to employ their ethnicity to market their products depends on the sector they operate in and the class resources at their disposal.