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*Marthen L. Ndoen  
Cees Gorter  
Peter Nijkamp  
Piet Rietveld*

**Tinbergen Institute**

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**Tinbergen Institute Amsterdam**

Keizersgracht 482  
1017 EG Amsterdam  
The Netherlands  
Tel.: +31.(0)20.5513500  
Fax: +31.(0)20.5513555

**Tinbergen Institute Rotterdam**

Burg. Oudlaan 50  
3062 PA Rotterdam  
The Netherlands  
Tel.: +31.(0)10.4088900  
Fax: +31.(0)10.4089031

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## **Migrants Entrepreneurs in East Nusa Tenggara**

Marthen L. Ndoen<sup>1</sup>, Cees Gorter, Peter Nijkamp, Piet Rietveld

*Department of Spatial Economics, Vrije University Amsterdam-The Netherlands*

The outer islands in Indonesia are often seen as the main source of migrants to the island of Java, while only a few studies look the other way round. This paper attempts to address factors that play a key role in the migrants' propensity to stay in East Nusa Tenggara. There are six socio-economic factors used in this study. It appears that access to the market in the current region is the most important variable to keep the migrants in this region.

### **Introduction**

Self-employment has been an avenue for migrants to survive in their new environment. Like migrants elsewhere, migrants in East Nusa Tenggara have shown a strong propensity to engage in self-employment. Although information on the migrants' type of work is unavailable, it is presumed that, as with other regions in East Indonesia, the majority of the migrants in this region are included in self-employed activities (Manning and Rumbiak, 1991). Self-employment mostly consists of small business which the migrant operates himself possibly with the help of a limited number of workers.

In Indonesia the ethnical dimension in migration has always been important. But especially since 1998 it has become evident that ethnical and religious differences between migrants and the original population have become an important source of tension in the various regions. This means for the migrant entrepreneurs that ethnical and religious tensions are a potentially important factor in their decisions to stay in business in the same region or to leave for another destination. One of the objectives of this paper is to find out the role these ethnical tensions play compared with other location factors.

The engagement of the migrants in business activities is more prominent in urban than rural areas. Two explanations seem to be relevant for migrants' entrepreneurial activities. The first explanation is provided by *cultural theory* (Jenkins, 1984; Light, 1984), which contends that the success of the migrants in

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<sup>1</sup> Department of Economics Satya Wacana Christian University Salatiga- Indonesia

entrepreneurial activities is due to their cultural endowments embedded in their original cultural tradition. According to this theory, the migrants' alien status has placed them in a marginalised situation, where they are prone to racial, ethnic, and religious discrimination from the host society (Auster and Aldrich, 1984; Light, 1979). This disadvantageous situation brings the migrants together, increases solidarity and cooperation among them, and eventually gives them an edge in competition with other groups. These practices have been found among the migrants in Irian Jaya (West Papua), who have utilised ethnic solidarity and ethnic resources to establish and manage small businesses (Manning and Rumbiak, 1991). Business relations are based on kinship and regional ties, by which the migrants establish and coordinate their business.

The second explanation comes from *structural theory*, which accounts for the engagement of a number of migrants in business activities as a result of the migrants' failure in the labour market, due to unfavourable economic conditions in the place of destination. Faced with depressed conditions, the migrant turns to self-employment. A decline in the economy brings in its wake a periodic increase in unemployment in the host society, and the migrants are singled out to blame for stealing the jobs. Besides migrants' lack of education, inadequate skills also become a barrier to being accepted in the market. Faced with such a situation, the migrants are forced into self-employment as an alternative to wage labour and also as a strategy for survival. In the self-employment sector, the migrants are better able to avoid prejudice and resentment from the host society or avoid direct conflict with local people.

In the receiving society, the migrants act as a *middlemen minority* by becoming agents between the elite and the general consumers: they distribute the products of the elite to the general consumers (Turner and Bonacich, 1980; Light, 1980). The role they play in the economy as middlemen places them as collectors of surplus for the elite. Concerning the middlemen minority argument, Bonacich (1973) proposed a "sojourning" migration argument, in which he contended that the migrants regard themselves as sojourners apart from the local community, a group that initially had only planned for a temporary stay in a particular destination and maintain their desire to return to their home place some years later. From the perspective of this argument, migrants in East Nusa Tenggara can be described as middlemen between the producer elite, mostly residing in Java, and the local customers. This role is not restricted only to

migrants in East Nusa Tenggara but to migrants everywhere in the outer islands (Hugo,1997; Spaan, 1999).<sup>2</sup>

The aim of this paper is to describe the backgrounds of ethnical migrants in East Indonesia and to investigate the importance of various factors that affect their decision to move or stay. Among these factors are market opportunities, existence of informal networks and ethnical tensions. The paper reports about a case study carried out in Kupang, the capital of East Nusa Tenggara province. Migrant entrepreneurs were interviewed shortly before riots broke out in 1998.

### **Data and Methodology**

The data for this research was obtained from a survey of 334 migrants in Kupang, East Nusa Tenggara, Indonesia. This research is focused on migrants from three major islands, Makasar and Bugis from the island of Sulawesi, Javanese from the island of Java and Minangkabau from West Sumatra. The questionnaire interviews were completed between early October and the middle of November 1998 just before the riots that took place at the end of November. During the interviews, we also managed to establish a special rapport with several respondents, who were then able to help us as informants. These informants provided us with diverse information about the migrants' situation in their current region. The selection of informants was based on their experience and openness to the researcher. These informants enabled us to tap the migrants' complaints about the local attitude.

At the outset of this study, the plan was to conduct the research utilising random sampling, but lack of participation from the respondents compelled us to utilise another sampling method: snowballing sampling. In this method, the enumerators approached only a few respondents to start with, and later asked their recommendations for the next set of respondents. When they had finished interviewing the second group of respondents, the enumerators then asked their advice and recommendations for further respondents. It is clear that snowballing sampling may lead to problems connected with the randomness of the sample. However, given the circumstances, it was the only way to obtain the co-operation of a sufficient number of respondents.

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<sup>2</sup> The industrialisation policy during the Soeharto regime in Indonesia gave Java a central position as the source of manufacturing goods in the archipelago. The goods were imported to the local economy by big wholesalers or by the migrants themselves.

## Background characteristics of migrants in East Nusa Tenggara

Migrants in this survey are a distinct group in terms of place of origin, age, educational level, and length of residence. Concerning the geographical distribution of these migrants' place of origin, those from South Sulawesi are in the majority (55 percent), followed by Java (33 percent) and West Sumatra (12 percent). Migrants from South Sulawesi have the largest community in this region, but in terms of distance, those from West Sumatra have travelled furthest to this region.

**Table 1**

### Means and Standard Deviations\* of Characteristic Variables by Place of Origin

Variable (in years)	Place of Origin			
	South Sulawesi	Java	West Sumatra	Total
Age	35.47 (11.25)	32.98 (9.56)	30.93 (6.51)	34.10 (10.35)
Education	6.92 (2.96)	8.69 (3.32)	11.55 (2.84)	8.06 (3.42)
Duration of Residence	13.38 (8.95)	9.01 (6.11)	8.00 (5.61)	11.29 (8.08)
Business Experience	14.20 (8.92)	9.07 (6.14)	9.75 (7.11)	11.98 (8.25)
Number of cases	184	110	40	334

\* Standard deviations are in parentheses.

Source: Primary data.

Looking first at the age profile of the respondents, in general, age differences among these three ethnic groups are not significant. Young migrants are in the majority in East Nusa Tenggara; on average the migrants are between 34 to 35 years of age (last column of Table 1). Migrants from South Sulawesi are above the average age of the total, whereas those from Java and West Sumatra are below the total average age. These results also indicate that there are not many migrants in the older

age groups living in East Nusa Tenggara, This is due to the fact that either they have moved to other places or have returned to their original home area. It is more likely that they have returned to their old home to spend their remaining years and to look after the property they have been able to buy there during their time of migration (Ndoen, 2000).

When education is taken into account, on average the migrants in East Nusa Tenggara have 8 years of education, up to and including junior high school level. But, if place of origin is considered, those migrants from West Sumatra have on average the highest number of years of education (12 years), and these from South Sulawesi have the lowest (7 years). The Javanese on average have better education than the migrants from South Sulawesi.

When duration of residence is taken into account, on average the migrants have stayed around 11 years in East Nusa Tenggara. Those from South Sulawesi have the longest average stay (13 years) and those from West Sumatra have stayed 8 years on average. However, some migrants from South Sulawesi have even been living in this region for more than 30 years and they own some local property, so they might decide to live in the current place forever.

When we take a look at years of migrants' business experience, on average the migrants in this region have 12 years of experience. Migrants from South Sulawesi have the highest average (14 years) and those from Java and Sumatra have roughly the same average number of years of experience (around 9 years). Note that the pattern of years of duration of stay is almost identical with years of business experience, indicating that the majority of the migrants who arrived here were not previously entrepreneurs in their home areas.

Since they were not entrepreneurs in their place of origin, it is most likely that the push factor is more dominant in the migrants' decision to move. Limited job opportunities and the migrants' class background seem to be the main engine driving the migrants to move away from their place of origin. As shown in Table 2, the majority of the respondents (45 percent) were without jobs, and around 18 percent were peasants. The intriguing part of Table 2 is that the majority of the respondents had no business experience at all before they moved: around 60 percent of respondents (unemployed and peasant) have had little exposure to business activities. A quarter had been self-employed or owned a small business in the place of origin, and around 12 percent were professional workers or civil servants before they moved

to East Nusa Tenggara. When place of origin is considered, each group has around 45 percent unemployed, but more migrants from West Sumatra have been exposed to business (38 percent), followed by Java (26 percent) and South Sulawesi (22 percent). Most of the peasants came from South Sulawesi (24 percent) and Java (15 percent) before turning into entrepreneurs in the current region.

Lack of business exposure was connected with the family background. The majority of these migrants have come from families with a peasant background. When

**Table 2**  
**Migrants' Characteristics by Occupational Status, Parents' Occupation and Reason to Migrate to East Nusa Tenggara**

Variable	Place of Origin			Total (%)
	South Sulawesi (%)	Java (%)	West Sumatra (%)	
<b>Occupational Status in Place of Origin</b>				
Unemployed	45.7	44.5	45.0	42.5
Small Business Owner	21.7	25.5	37.5	24.9
Private/Civil Servant	8.7	15.5	15.0	11.7
Peasant	23.9	14.5	2.5	18.3
<b>Parental Occupation</b>				
Peasant	64.7	77.3	22.5	63.8
Small Business Owner	34.8	18.2	75.0	34.1
Private/Civil Servant	0.5	4.5	2.5	2.1
<b>Reason to Migrate</b>				
Job Opportunity	23.4	30.0	25.0	25.7
Business Opportunity	76.6	64.5	72.5	72.2
Others	-	5.5	2.1	2.5

Source: Primary data.

the occupation of the migrants' parents is taken into account, we have 64 percent who worked as peasants and only 34 percent who had run a small business in their place of origin (Table 2), indicating that the majority of respondents did not grow up in a strong entrepreneurial environment. It is difficult to find comparable studies in



Indonesia, but the work of Kim and Hurh (1985) can give us some idea: they found an absence of business experience among the majority of Korean migrants in Chicago.

When place of origin is taken into account, 77 percent of the parents of migrants from Java and 65 percent of those from South Sulawesi were peasants. This is very different from the parents of migrants from West Sumatra, where around 75 percent had already engaged in business. The findings are not surprising, for people from West Sumatra have long been known for their entrepreneurial skill, and are the most mobile group in Indonesia.

Given the fact that 45 percent were unemployed before they moved, the push factors appeared far more important than the pull factors in motivating the migrants to leave their home region. In private interviews, most migrants blamed discrimination for their failure in the job market.<sup>3</sup> But one should not ignore the fact that their general low achievement in education gave them little opportunity in the labour market. Table 1 shows that more than 90 percent had only achieved primary and high school education, which in the current situation is not enough to compete in important segment of the labour market. Even for university graduates the labour market is very tight.<sup>4</sup> In that sense, structural factors have compelled the migrants with lack of business experience to search beyond their home region for other places to live.

25 percent of the migrants who already owned small businesses moved to the current region because they thought they would have better opportunities due to lack of entrepreneurial activities among the local people. Some migrants have moved to avoid competing back home with their relatives in the same line of business (Ndoen, 2000). Some migrants informed us that most of their relatives were engaged in a similar product line, and they felt uneasy about encroaching on their customers. Thus, for those people moral factors are more dominant than economic factors.

Table 3 presents a cross-tabulation of reasons to migrate in relation to migrants' occupation in their place of origin. The majority of migrants come to this region for business opportunity. Among the unemployed, 45 percent come for employment, 53 percent for business opportunity and 2 percent for other reasons. Of those who have owned a small business, 92 percent come for business opportunity

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<sup>3</sup> Some of the migrants interviewed complained about bribery in the job market. The migrants could not afford to pay the amount of money asked by the authorities to secure a job in the public sector. For that reason they have to find some way of becoming self-employed.

<sup>4</sup> In November 1999, there were around 1000 people competing for 27 positions in the Municipality of Kupang (*Kupang Pos*, 11 November 1999).

and only 4 percent for employment; for private workers or civil servants, 69 percent come for business opportunities and around 28 percent come for jobs. Why did the majority of these migrants not initially plan to find work in the labour market in the current place? One explanation is that these migrants must have had prior information about the socio-economic conditions in East Nusa Tenggara. Since this region is considered the poorest region in Indonesia, the migrants must have realised that it

**Table 3**  
**Cross Tabulation of Reason for Migration in Relation to Migrant's Occupation in Place of Origin**

Reason for Migration	Migrants' Occupation in the Place of Origin				Total (%)
	Unemployed (%)	Small Business Owner (%)	Private or Government Worker (%)	Peasant (%)	
Job Opportunity	45.0	3.6	28.2	6.6	25.7
Business Opportunity	53.0	92.8	69.2	93.4	72.2
Others	2.0	3.6	2.6		2.1
Total	45.2	24.9	11.7	18.3	100.0

Source: Primary data.

would be hopeless to find jobs in the labour market. The modern sector is undeveloped, most (80 percent) of the local population still rely on the agricultural sector as a source of income (BPS Propinsi Nusa Tenggara Timur, 1997: 9). The most promising way to survive in East Nusa Tenggara is in the business sector since this sector does not need specialised knowledge.

We do not discuss *migration experience* because it was found that the results are parallel to that of business experience. This is because the majority of the migrants were first-time movers and the majority of them were engaging in business activities for the first time as well.

### **The Model**

For the analysis of the role of social and economic and social factors in determining the decision of the migrants to stay in their current place, a regression

model is used. In constructing the model, a wide range of variables is included so that as many different sources of social and economic impact as possible could be taken into account.

The regression model to be estimated can be formulated as:

$$Y_i = a + \sum_{k=1}^{12} b_k X_{ik} + e_i$$

With Y = Propensity to Stay; X1= Weak competition; X2 = Local Tolerance; X3 = Market Accessibility; X4 = Niche Concentration; X5 = Capital Accessibility; X6 = Supporting Network; X7 = Duration of Residence; X8 = Age; X9 = Education; X10 Migration Experience; X11 = Business Experience; X12 = Place of Origin;  $\epsilon$  = Error Term.

The dependent variable Y (propensity to stay) is based on the entrepreneurs response whether he expects to stay in the same region within two years period (measured on a scale of 1 to 10). Furthermore, X1, X2, X3, X4, X5, and X6 are the scores reflecting respondent's perceptions of how favourable the current location is for business. The variables are measured on a range from 1 (least favourable) to 10 (most favourable). Duration of residence, age, education, migration experience and business experience were measured at their face value in years. Only place of origin is a dummy variable, where 1 indicates that the migrant is from South Sulawesi, and 0, otherwise.

## **Results of the Regression Analysis**

Table 4 presents three variants of the regression analysis. Model 1 is the sub-model where the propensity to stay is regressed only on six core variables. Model 2 is a full model with both the six core variables and the six control variables (including the dummy variable). Finally, in Model 3 we try to trace the non-linearity relation by introducing business experience squared to the full model.<sup>5</sup>

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<sup>5</sup> We also tried other non-linearities in the duration type of variables, but it turned out that this did not help to improve the statistical "fit" of the model (See Ndoen, 2000).

Table 4 illustrates that all core variables are significantly related to the dependent variable propensity to stay for models 1, 2, and 3.<sup>6</sup> In Table 4, all perception related variables (X1-X6) are significant in these estimations. Given the fact that these perception variables have been standardised in the same way (on a scale from 1 to 10) so that it is meaningful to compare the size of the estimated coefficient, one can distinguish a group of location factors with a relatively strong impact on the propensity to stay (market accessibility, local tolerance and supporting networks) and a group of factors that have a smaller impact (niche concentration, weak competition, and capital accessibility).

**Table 4**  
**Regression Result for Migrants' Propensity to Stay**  
**at Their Current Place as a Function of Socio-economic Factors**

Variable	Model 1	Model 2	Model 3
	$\beta$	$\beta$	$\beta$
Constant	-0.82	-1.81	-1.41
Weak Competition (X1)	0.13 ***	0.11**	0.11**
Local Tolerance (X2)	0.34 ***	0.39 ***	0.40***
Market Accessibility (X3)	0.39 ***	0.41 ***	0.42***
Niche Concentration (X4)	0.16 ***	0.16 ***	0.15***
Capital Accessibility (X5)	0.12 ***	0.09 **	0.07*
Supporting Network (X6)	0.33 ***	0.31***	0.31***
Duration of Residence (X7)		0.01	0.01
Age (X8)		-0.01	-0.01
Education (X9)		0.04	0.04
Migration Experience (X10)		-0.00	-0.00
Business Experience (X11)		0.03	-0.05
Place of origin (South Sulawesi=1) (X12)		0.61***	0.60***
Business Experience Squared			0.003***
R-Squared	0.62	0.64	0.65
Number of cases	334	334	334

\*\*\* Significant at the 0.01 level

\*\* Significant at the 0.05 level

\* Significant at the 0.10 level

In Model 3, we include the variable business experience squared, which is significant at the 0.01 level (see Table 4). The variable place of origin is positively related to propensity to stay indicating that migrants from South Sulawesi have a

<sup>6</sup> To make the formulation simpler, we omit the term “the perception of” when discussing the various location factors.

propensity to stay in their current region of almost two points higher than migrants from Java or West Sumatra. Business experience squared is positively related to the dependent variable propensity to stay, indicating that as the period of migrants' experience in business activities increases, their inclination to stay in their current place increases more rapidly.

After scrutinising the effect of the full set of core variables, it appears that social factors like local tolerance and to a lesser extent supporting network are about equally important as economic factors such as market accessibility.

## Discussion and Interpretation

In this section we have reclassified migrants' responses on the independent variable and the dependent variable into 3 categories, low, medium and high. The category 'low' is based on an average value of between 1 and 3.33; 'medium' is based on an average value of between 3.34 and 6.66; and the category 'high' obtains from an average value between 6.67 and 10. The result for the variables will now be discussed in order of importance.

**Table 5**  
**Proportion of Migrants Responses to Core Variables**

**N=334**

Variable	Low	Medium	High
Weak competition	26.0	55.4	18.6
Local Tolerance	0.6	24.6	74.9
Market Accessibility	12.3	26.6	61.1
Niche Concentration	31.1	41.9	26.9
Capital Accessibility	77.2	14.1	8.7
Supporting Network	45.5	33.8	20.7
Propensity to Stay	9.6	20.1	70.4

Source: Primary data.

### *Market accessibility*

From Table 4, market accessibility is the most important variable in keeping the migrants in East Nusa Tenggara. All three models have consistently demonstrated that this variable's estimated coefficient has the highest magnitude, implying that the entrepreneurs give a heavy weight to access to the market in their current place when

they consider the alternatives in other places. The regression coefficient of this variable is the highest (0.42) in Model 3, indicating that as the migrants' perception of access to the market changes 1 point on a scale of 1 to 10, it has an effect on migrants' propensity to stay of 0.42 of a point on the same scale. The effect of market accessibility on propensity to stay is the highest compared with the other variables. It is shown in Table 5 that around 61 percent of the respondents perceive that they have high access to the current market.

One reason why the migrants wanted to stay was that there were enough buyers in the current market. We have 72 percent of respondents who thought there were few obstacles to finding a buyer in their current place. Another reason for staying is that the migrants do not find that monopoly presents a significant obstacle in the current market. 69 percent of the respondents thought that the degree of monopoly is low. In contrast, the migrants did think that they had a problem dealing with bureaucracy in their current region. Around 68 percent thought that the bureaucracy imposed too many obstacles, this impeding them from entering the market freely. This is due to red tape and demands for illegal payment for licences to obtain a location in the market place. In general, however, most respondents thought they still had a high chance of access to the current market, an opinion expressed by the majority of groups: from South Sulawesi, 57 percent, from Java, 62 percent; and, from West Sumatra, 77.5 percent.

In private interviews, some migrants admitted that opportunity in their current place is to some extent related to the local people's lack of interest to enter the migrants' line of business. When the line of business is taken into account, migrants from South Sulawesi and Java show a diversity in their business activities; they engage in retailing, garments, household goods and furniture. Nevertheless, despite the diversity in the line of business, migrants from South Sulawesi and Java are more concentrated in certain businesses and trades. Those from South Sulawesi, for example, have control over fishing and timber trading. Migrants from Java have control over food stalls and small restaurants scattered in the region. The migrants from West Sumatra are more specialised in trading garments but they also have control of Minang Restaurants or ethnic food stalls.

The customers of these businesses are primarily the local middle class, whose major income is their salary from the government. Therefore, migrant business mainly depends on the economic condition of this class. Migrants experience a short sales

boost at the beginning of the month after the civil servants receive their salaries, but start to suffer a loss of trade towards the middle of the month. Over the years, this boom-bust pattern of demand has become habitual for the entrepreneurs in this region (Ndoen, 2000). Some migrants from South Sulawesi cater for their fellow migrants by providing ethnic commodities, like wedding and religious costumes (mainly for Moslems), but their number is small.

#### *Local tolerance*

For local tolerance in Table 4, the regression coefficient is 0.40, which indicates that as migrants perceive local tolerance to increase by 1 point on a scale of 1 to 10, the migrants propensity to stay in their current region increases by 0.40 of a point on a similar scale. When we look at Table 5, around 75 percent of the migrants thought the tolerance in current region was high and actually almost no one thought that there was low tolerance towards the migrants. The migrants believed that local people were pleased to accept them and they also felt safe in their current place. Some 89 percent of the migrants considered that the degree of acceptance was high. We also have 89 percent thinking they were very safe in their current place and only 11 percent thought that the safety in their current place was low. None of the migrants had experienced any physical abuse or any other violence, 100 percent of the migrants thought this was due to their cultural and religious practices. When ethnicity is taken into account, all ethnic groups believed that tolerance is high, even migrants from West Sumatra and West Java did not have any impression of low tolerance in the current region. But 28 percent of the people from South Sulawesi and an identical proportion from West Sumatra thought that they had experienced a medium degree of hostility in the current region. However, we have to be careful in interpreting this result, as it is possible that the migrants did not want to offend the enumerators, who were mainly be part of local community. Nevertheless we think it is safe to conclude that the entrepreneurs had not foreseen the eruption of violence some weeks after the interviews were carried out.

Although, the majority of the migrants asserted that they had no problem with the local people, some of them complained about mischief they had experienced from some young locals. They have been taxed illegally by some young people, known as “naughty boys” in their terminology. The migrants could not resist due to their status as aliens. This illegal payment increases the cost of their products, which entails an

increase of the price, but since they also have to take account other competitors, increasing the price is not always good for their business. To ease the conflict with young locals, some migrants hire local employees with the expectation that, besides controlling the naughty boys, they can also help to ease public relations between the migrants and local community as well.<sup>7</sup>

To give an idea of the relationship between the migrants and the local people, Table 6 shows the proportion of migrants who employ other people in their business. It appears that 23 percent of the migrants from South Sulawesi, 53 percent of the migrants from Java and 25 percent of migrants from West Sumatra employ one

**Table 6.**  
**Proportion of Migrants with and without Employees by Place of Origin**  
(in percentages)

N=185

	South Sulawesi	Java	West Sumatra	All Migrants
Without employee	76.6	46.6	75.0	66.5
With employee	23.4	53.4	25.0	33.5
Total	100.0	100.0	100.0	100.0

Source: Primary data.

or more workers (the number of workers ranges from one to eleven). The main sector where the Javanese are active (food stalls) apparently gives rise to a large number of employees than the other sector. In Table 7 we show the distribution of workers according to their relationship with their boss. It appears that migrants from South Sulawesi and Java mainly rely on relatives and fellow migrants as a source of labour. Only for migrants from West Sumatra did we find that the majority of their employees are local people. However, in general, the migrants still mainly employ people from their own place of origin, which underlines the ‘enclave character’ of migrant’s activities.

Potential conflict may also arise between entrepreneurial migrants and the local entrepreneurs due to competition for space in the market. The migrants occupy stores (mostly from South Sulawesi) in the market and control the imported goods and wares. In contrast, the local traders concentrate in local products and are only allowed

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<sup>7</sup> One fishing merchant admitted that every day 30 percent of his catch was given away free to the surrounding community; he allowed this to happen because he wanted to maintain good relations with local people around the fishing harbour (private interview).



to sell in the front of the stores as street vendors. Moreover, local entrepreneurs find that the rent for stores is too expensive for them to afford (Ndoen, 2000).

*Supporting network*

For supporting network, the results in Table 4 show that the regression coefficient is 0.31, indicating that as migration perception on the supporting network changes by 1 point, the propensity to stay changes by 0.31 of a point. But if we look at Table 5, there are 46 percent of migrants who thought they had low support from their fellow migrants, though the majority thought they had medium and high support. A similar proportion can be seen for each group, but, if we concentrate on the ethnic background of medium support, 53 percent of migrants from West Sumatra, 36 percent of migrants from Java and 29 percent of those from South Sulawesi thought they had medium support. When we consider high support networking, 26 percent of

**Table 7**  
**The Relationship of Employee to Migrants Employers by Place of Origin**  
(in percentages)

N=288

	South Sulawesi	Java	West Sumatra	All Migrants
Close Relative	54.8	31.8	23.7	38.2
Fellow Migrants	17.2	37.6	18.4	28.5
Friends	0.0	3.2	2.6	2.1
Local People	28.0	27.4	55.3	31.2
Total	100.0	100.0	100.0	100.0

Source: Primary data.

migrants from South Sulawesi thought they had high support, 16 percent of migrants from Java thought so, but only 7.5 percent of those from West Sumatra came in this category. Even though the migrants were willing to support their fellow migrants, the majority did not agree that the new arrivals should live with previous migrants and also did not agree that the previous migrants had any moral obligation to look after the newcomers. Most of the respondents (71 percent) thought they did not need to help their fellow migrants financially at a time of crisis. One of the reasons is that the relation is based on business interest. The migrants will help as long the fellow migrants can pay back the money, even if this is without interest.

Most migrants interviewed had in one way or another received some kind of support from previous migrants when they first arrived in their current region. Priorities based on ethnicity and kinship are the basis for such support. The relationship between previous migrants and the newcomers can be described as paternalistic, where the former is the patron for the latter. Each group creates its own cultural standard in helping their fellow migrants. The new migrants from West Sumatra might stay for a while with previous migrants, but they are then required to stand on their own two feet. It is not common for entrepreneurs from West Sumatra to lend money, but they do provide goods to new migrants to be sold in other markets. Once the goods have been given through ethnic ties, the new migrants are expected to work hard. In return, they will be given opportunities with local wholesalers, where a previous migrant acts as guarantor. This system encourages new migrants to be small business owners in the future.

In contrast, new migrants from South Sulawesi were invited by their predecessors, who in many instances were close relatives. Some earlier migrants see the opportunity to simply invite their relatives to come over and do business, while others invite their relatives to actually work for them. The invitation is intended to help the fellow migrants to escape poverty in their home region. It is a kind of moral obligation for earlier migrants to share the wealth they made in their new destination with their families. Since the new migrants are close relatives they can stay longer with previous migrants until they have a business of their own. Working with the family is a nursery process for skill formation. When the new migrants have shown their business acumen, then the previous migrants will lend them money to start their own business. Sometimes the new migrants are prone to excessive exploitation. There was one case where the new migrant received only shelter and a small payment for three years before he could start his own business (Ndoen 2000).

Migrants from Java show different types of support. They tend to come in groups of at least 5 people, who then live together by sharing the rent of the house. Before they decide to come to the current region, they try to get information from previous migrants. They invite some friends as new migrants but these new migrants have to bring commercial goods from Java to the current region. Since most of them do not have business experience, some Javanese come to work first with the previous migrants. The earlier migrants do not want to rely on local labour, so the presence of new migrants is a source of cheap and loyal labour for them. In contrast to the

migrants from South Sulawesi and West Sumatra, some of these migrants from Java remain as casual labour.

### *Niche concentration*

As shown in Table 4, the variable niche concentration has a regression coefficient of 0.15, indicating that as the migrants' perception on niche concentration changes by 1 point, their propensity to stay increases by 0.15 of a point. Looking at Table 5, we have 42 percent of the migrants perceiving niche concentration in the current region as medium, 27 percent thought it was high and 31 percent thought it was low. When the migrants were asked what they thought about the position of their group members in current business activities, 52 percent thought they had a high concentration with respect to other groups; 49 percent thought there was a low concentration of other groups in current business. Around 61 percent of the migrants also thought that the number of new migrants in the businesses of previous migrants was low. That indicates that the migrants do not believe that the new migrants were likely to enter a business dealing in the same commodities as the previous migrants. One of the reasons is that they want to avoid competition within the group. When we consider ethnic background, the proportion of low, medium and high values for niche concentration are not much different between the three groups. For instance, 30 percent of migrants from Java, 27 percent from South Sulawesi and 20 percent from West Sumatra thought niche concentration in the current market was high.

Although some migrants have asserted that there is high niche concentration, this refers to horizontal integration rather than to vertical integration. Some products are totally controlled by particular ethnic groups: fish by migrants from South Sulawesi, ethnic restaurants by migrants from West Sumatra, and small food stalls by migrants from Java. All of these businesses rely on the skill the migrants brought with them when they moved. The migrants from South Sulawesi are very skilled in building fishing rafts, which are used to catch tons of fish in one evening. These rafts are scattered around the bay of Kupang. Concerning ethnic restaurants, the migrants from West Sumatra control all the Minang restaurants, while the majority of small food stalls are controlled by migrants from Java.

Vertical integration may occur in timber trading among the migrants from South Sulawesi and in the garment trade among people from West Sumatra. In timber, there is a well-known businessman who provides timber for other smaller merchants

to sell to local consumers. This stronger niche concentration results from the concentration of wooden boat ownership in the hands of people from South Sulawesi. By controlling the transportation of timber, the migrants from this region have the edge to wipe out any competitor from outside their ethnic background. Migrants from West Sumatra seem to achieve vertical integration in the garment trade. This is due to the fact that, in the last ten years, a few entrepreneurs from West Sumatra have served as wholesalers of garments in the region. Although the wholesalers are free to sell to anybody, they charge lower prices to their fellow migrants from West Sumatra, who in turn would eventually sell at lower prices as well. This pattern of relationship indirectly gives them a better start to outcompete the other groups. Some migrants from Java can survive because they brought their goods directly from Java.

### *Weak competition*

Weak competition is our next variable of interest. In Table 4, migrants' perception on weak competition has a regression coefficient of 0.11, which indicates that as the perception concerning the level of weak competition increases by 1 point, the migrants' propensity to stay in their current place increases by 0.11 of a point. This means that the weaker the competition the greater the propensity to stay. Or, putting it another way, as competition becomes more intense, the migrants' propensity to stay in their current place decreases. Most migrants (55 percent) thought that weak competition in the current place was medium (Table 5). A large part of the migrants thought that the number of sellers was still low in this region, so there was a high probability of making profit. Besides, the majority of migrants believed that the rate of increase of new sellers is still low, so the competition is not so great. When ethnic background is taken into account, weak competition is more likely to be perceived by migrants from West Sumatra than by those from any other ethnic background. We have 95 percent of the migrants of West Sumatra, 87 percent of the Javanese and 75 percent of migrants from South Sulawesi, who believed that they have low and medium weak competition in the current region.

Since migrants from West Sumatra carry out their business individually, they are therefore likely to be more sensitive to competition both within the group and outside the group (a high percentage of the respondents —72.5 percent— perceives medium levels of weak competition). Given the fact that they enter limited business types and the concentration of all business is in a limited market, there is potential for

intra-ethnic competition. The presence of intra-ethnic competition can be seen if we take the spatial arrangement of shops and stalls into account. Migrants from West Sumatra tend to congregate in a particular section in the market and serve almost identical commodities to the market. Every entrepreneur competes for potential customers by lowering the price or offering the customer the opportunity to buy now and pay later (usually at the beginning of the month). Intra-ethnic competition is less prevalent among migrants from South Sulawesi and among the Javanese. This is due to the fact that migrants from South Sulawesi and Java deal in more diverse commodities.

### *Capital accessibility*

Capital accessibility is the least important variable in the estimated models. The regression coefficient is 0.07 (Table 4), which indicates that as access to capital increases by 1 point, it will affect the dependent variable propensity to stay by 0.07 of a point. The small effect is due to the fact that most of these migrants have almost nothing to do with formal banks. When asked if they see any obstacle in borrowing from the bank, most of them thought the obstacles to borrow were low and the majority of them thought they did not need to have an under-the-table arrangement with bank officials. They also thought that to borrow the money from the bank, they did not need to forge a special connection with a bank officer. In that sense, we can conclude that the banking sector is reliable in the eyes of the migrants, even though only a small number have, or even want to have access to the bank.

In Table 5, 77 percent of the migrants thought they had poor access to the banking sector. And there was a similar proportion for each ethnic group: 86 percent of migrants from Java, 75 percent of migrants from West Sumatra, and 73 percent of migrants from South Sulawesi. Some migrants from South Sulawesi and Java do not have access to formal banks because they do not have any collateral. There are some migrants who avoid the banks because they think using a bank will create problems in the future if they cannot pay back the loan. This happens to migrants with limited education who rely more on their kin group as a source of capital, even though the interest charged is higher than that of the banks. Some migrants from Java are not interested in access to local banks, as they have borrowed from the banks at home because they are able to meet collateral required by the banks in their home region. They always can pay back the money from the proceeds of their business in the

current place. In addition there are some migrants who are able to borrow money from relatives at modest interest rates (See also Spaan, 1999). There are also some devout Muslims who prefer not to borrow from the banks because they perceive the charging of bank interest is against *Sharia* (Muslim Law).

Regarding capital needs in their current place, the migrants interviewed asserted that they tended to start with small amounts of initial capital. Sponsorship from previous migrants was limited to taking loans in the form of goods from a local distributor. This has been the practice of migrants from South Sulawesi, and from West Sumatra. The practice among migrants from West Sumatra is that the previous migrants provide the goods for the new migrants, and therefore, the need for a large amount of cash for the initial business is not necessary (see the earlier discussion on supporting network). As mentioned above, some migrants from Java are not interested in having access to local banks because they have borrowed from the banks at home. This makes good sense, given fact that they are able to meet the bank's requirement on collateral in their home region. Some migrants from Java claim that they have no trouble in paying back their loan (Ndoen, 2000).

## **Conclusions**

As entrepreneurs, the migrants in East Nusa Tenggara are comparable to other migrants in many respects. They are generally young, have average educational achievement and a peasant background and only small percentages have previous business experience. This can be seen from the background of the migrants' parents and business ownership in their place of origin. Migration occurred both on an individual and a collective basis through invitation or self-decision. On an individual basis, the migrants came either on their own (West Sumatra), or through sponsorship from relatives (South Sulawesi), and, on a collective basis, the migrants arrived as a group, as is the practice of migrants from Java.

The migrants come to this region and engage in entrepreneurial activities, mostly as small business owners. The migrants' involvement in business is driven by both push and pull factors: it is unemployment (push) and business opportunities (pull) due to lack of local entrepreneurs that have fuelled the migrants' interest in their current region. Migrants from South Sulawesi concentrate their business on fishery and timber, many Javanese have food stalls, and those from West Sumatra deal

mainly in garments. Reliance on previous migrants is still a viable prospect in the process of migration. Ties of kinship and regional origin are utilised initially by migrants to find help in setting up their own businesses, but, as the period of stay extends, the reliance on fellow migrants decreases. Then they sometimes seek assistance from outside their kin group.

The analysis of the propensity to stay in the current place provides a consistent pattern of relationships. All the economic and socio-cultural variables have a significant effect on migrants' propensity to stay in the current region. As far as migrants' perceptions on weak competition, local hostility, access to the market, niche concentration, access to capital and supporting network in the current place are concerned, their current place is still regarded as favourable for continuing business in two years to come. On average, the three most important factors for the migrants are market accessibility, local tolerance and supporting network. So both economic and social factors have strong effects on the migrants' propensity to stay at their current place. To begin with, the migrants have low dependency on formal capital sources in the current region. The migrants rely on relatives for initial capital and then obtain this from formal capital institutions in the area.

The results from the regression model should be interpreted with some caution. The data was collected through snowball sampling, which to some degree may lead to duplication of responses among these migrants. Therefore, the results from this analysis can be utilised only for limited purposes, and it is difficult to generalise the regression results for all entrepreneurial migrants. Although the life histories of some migrants have been included in the analysis, it is not enough to capture the sheer dynamism of entrepreneurial migration. This research relies on cross-sectional data, which might be insufficient to study the full dynamic aspects of entrepreneurial migration: a longitudinal data set is necessary for that.

Having discussed the migrants' business characteristics, we now go on to see the results that support the theories to explain migrants' business in East Nusa Tenggara. One interesting result is that the relation between years of residence and propensity to stay is insignificant, indicating that this variable has an insignificant effect on migrants' inclination to stay in the current place. In other words, we have no evidence that the longer the years of stay in the current region, the stronger is the inclination to stay beyond two more years or permanently. We can conclude that

migrants in this region tend to have the same chances of staying, regardless of how much time they have been there already.

This being so, the *middlemen minority* argument seems to be an adequate explanation of migrants' business in East Nusa Tenggara (Turner and Bonacich, 1980; Light, 1980). The migrants in this region can be depicted as middlemen between the major entrepreneurs in Java and local consumers. Although some migrants might permanently stay in their current place, others might stay only temporarily in the current region – they are sojourners. Except for a few West Sumatrans, most migrants' businesses in this region rely on local Chinese as their suppliers. A large proportion of manufactured products sold in this region are imported from Java and distributed by the Chinese suppliers. Thus, it is correct to say that the migrants play the role of a middlemen minority by distributing the products to remote areas in this region.

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