Journal de Recherche Multidisciplinaire
ISSN : 3088-5205 https://jorep.net

JOREP Journal de recherche multidisciplinaire

Volume : 1
Numéro : 2
Année : 2025
Mois : Mars

# Entrepreneurship and ethnic business networks: a comparative analysis of divergent pathways in Niger and Malaysia

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## ABSTRACT

This study examines the comparative dynamics of entrepreneurship and ethnic business networks in Niger and Malaysia, two countries where ethnic identity profoundly shapes economic participation but with dramatically different outcomes. Despite their shared experience of ethnic diversity as a defining feature of economic life, the role of ethnic networks in fostering entrepreneurship, accessing capital, and navigating markets differs fundamentally between these nations. The research employs a comparative case study methodology, drawing on policy

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documents, empirical studies, business surveys, and scholarly analyses spanning 2020-2026. Malaysia presents a paradigm of state-led ethnic economic engineering through the New Economic Policy (NEP) and its successors. Since 1971, affirmative action policies have explicitly promoted Bumiputera (ethnic Malay and indigenous) entrepreneurship through preferential access to government contracts, credit, education, and ownership quotas. By 2025, Bumiputera corporate equity ownership had reached approximately 18.6%, up from 2.4% in 1970, though still short of the 30% target (Economic Planning Unit, 2025). Ethnic Chinese and Indian businesses, while facing constraints, have maintained significant economic presence through established networks, particularly in small and medium enterprises. Research documents the dual structure of Malaysian entrepreneurship: Bumiputera firms often depend on government patronage and preferential policies, while Chinese-owned businesses rely more heavily on ethnic networks, family ties, and informal credit systems (Gomez & Saravanamuttu, 2020). The Bumiputera Economic Transformation Roadmap 2030 (2023) continues this trajectory, emphasizing high-impact entrepreneurship, access to financing, and integration into global value chains (Ministry of Entrepreneur Development, 2023). However, critics argue that dependency on state patronage has created a "subsidy mentality" and limited genuine entrepreneurial competitiveness (Lee, 2024). The 2025 Budget's continued emphasis on Bumiputera empowerment through government procurement and financing programs reflects the enduring political salience of ethnic economic engineering (Ministry of Finance Malaysia, 2025).

Niger presents a fundamentally different picture of ethnic entrepreneurship. With a predominantly Hausa and Zarma population alongside Tuareg, Fulani, and other ethnic groups, Niger lacks Malaysia's explicit state-led ethnic economic policies. Entrepreneurship is shaped by informal ethnic networks, particularly Hausa commercial networks that have historically dominated regional trade across West Africa. Research documents the persistence of Hausa diaspora networks connecting Nigerien traders to markets in Nigeria, Côte d'Ivoire, and beyond, facilitating capital access, information flows, and trust-based transactions (Grégoire, 2020). The Fadinawa system—a traditional Hausa savings and credit association—continues to provide informal financing for entrepreneurs excluded from formal banking (World Bank, 2024). However, these networks operate in a context of extreme poverty, limited formal credit, and weak institutional support. Niger ranks 189th out of 190 economies in the World Bank's Doing Business report (2020, prior to

discontinuation), with entrepreneurs facing severe constraints in accessing finance, registering property, and enforcing contracts. The National Entrepreneurship and Youth Employment Program (2021-2025) seeks to promote entrepreneurship through training, microcredit, and business incubation but reaches only a fraction of aspiring entrepreneurs (Ministry of Youth, 2023). Research on Tuareg entrepreneurship in northern Niger documents how ethnic networks facilitate cross-border trade but also expose entrepreneurs to risks from conflict, smuggling, and informal taxation (Brachtet, 2023). Fulani pastoralist entrepreneurs face distinct challenges, with ethnic networks providing access to grazing routes and markets but limited integration into formal value chains.

Malaysia's strength lies in its systematic state intervention to reshape ethnic economic participation, its sophisticated institutional infrastructure for entrepreneurship support, and its success in generating substantial Bumiputera corporate ownership. Its challenge is that state-dependent entrepreneurship may not foster genuine competitiveness, and ethnic policies risk entrenching rather than transcending ethnic divisions. Niger's advantage is the organic resilience of ethnic commercial networks operating across borders and through informal institutions, yet its reality is one of extreme poverty, weak state capacity, and limited formal sector opportunity. Both countries demonstrate that entrepreneurship and ethnic networks require: (1) access to capital, whether through formal finance or informal savings mechanisms; (2) trust-based relationships enabling cooperation and risk-sharing; (3) market information flowing through networks; (4) state policies that either enable or constrain ethnic economic participation; (5) education and skills development; (6) infrastructure connecting entrepreneurs to markets; (7) property rights and contract enforcement; and (8) recognition that ethnic networks can both facilitate and limit economic integration.

**KEYWORDS:** Entrepreneurship, ethnic business networks, Niger, Malaysia, Bumiputera, Hausa commercial networks, affirmative action, informal finance, ethnic economy, small and medium enterprises

# RÉSUMÉ

Cette étude examine les dynamiques comparatives de l'entrepreneuriat et des réseaux d'affaires ethniques au Niger et en Malaisie, deux pays où l'identité ethnique façonne profondément la participation économique mais avec des résultats radicalement différents. Malgré leur expérience commune de la diversité ethnique comme caractéristique déterminante de la vie économique, le rôle des réseaux ethniques dans la promotion de l'entrepreneuriat, l'accès au capital et la navigation sur les marchés diffère fondamentalement entre ces nations. La recherche emploie une méthodologie d'étude de cas comparative, s'appuyant sur des documents politiques, des études empiriques, des enquêtes auprès des entreprises et des analyses savantes couvrant la période 2020-2026. La Malaisie présente un paradigme d'ingénierie économique ethnique dirigée par l'État à travers la Nouvelle Politique Économique (NEP) et ses successeurs. Depuis 1971, des politiques d'action positive ont explicitement promu l'entrepreneuriat Bumiputera (Malais ethniques et indigènes) grâce à un accès préférentiel aux marchés publics, au crédit, à l'éducation et aux quotas de propriété. En 2025, la propriété d'entreprise des Bumiputera avait atteint environ 18,6 %, contre 2,4 % en 1970, bien que toujours en deçà de l'objectif de 30 % (Economic Planning Unit, 2025). Les entreprises ethniques chinoises et indiennes, bien que confrontées à des contraintes, ont maintenu une présence économique significative grâce à des réseaux établis, en particulier dans les petites et moyennes entreprises. La recherche documente la structure duale de l'entrepreneuriat malaisien : les entreprises Bumiputera dépendent souvent du patronage gouvernemental et des politiques préférentielles, tandis que les entreprises détenues par des Chinois s'appuient davantage sur les réseaux ethniques, les liens familiaux et les systèmes de crédit informels (Gomez & Saravanamuttu, 2020). La Feuille de route pour la transformation économique des Bumiputera 2030 (2023) poursuit cette trajectoire, mettant l'accent sur l'entrepreneuriat à fort impact, l'accès au financement et l'intégration dans les chaînes de valeur mondiales (Ministry of Entrepreneur Development, 2023). Cependant, les critiques soutiennent que la dépendance au patronage de l'État a créé une "mentalité de subvention" et limité la compétitivité entrepreneuriale réelle (Lee, 2024). L'accent mis par le Budget 2025 sur l'autonomisation des Bumiputera à travers les marchés publics et les programmes de financement reflète la persistance politique de l'ingénierie économique ethnique (Ministry of Finance Malaysia, 2025).

Le Niger présente un tableau fondamentalement différent de l'entrepreneuriat ethnique. Avec une population majoritairement haoussa et zarma aux côtés des Touaregs, Peuls et d'autres groupes

ethniques, le Niger manque des politiques économiques ethniques explicites de la Malaisie. L'entrepreneuriat est façonné par des réseaux ethniques informels, en particulier les réseaux commerciaux haoussas qui ont historiquement dominé le commerce régional à travers l'Afrique de l'Ouest. La recherche documente la persistance des réseaux de la diaspora haoussa connectant les commerçants nigériens aux marchés du Nigeria, de la Côte d'Ivoire et au-delà, facilitant l'accès au capital, les flux d'information et les transactions fondées sur la confiance (Grégoire, 2020). Le système Fadinawa—une association traditionnelle haoussa d'épargne et de crédit—continue de fournir un financement informel aux entrepreneurs exclus du système bancaire formel (World Bank, 2024). Cependant, ces réseaux opèrent dans un contexte de pauvreté extrême, de crédit formel limité et de soutien institutionnel faible. Le Niger se classe 189e sur 190 économies dans le rapport Doing Business de la Banque mondiale (2020, avant son interruption), les entrepreneurs faisant face à des contraintes sévères pour accéder au financement, enregistrer une propriété et faire respecter les contrats. Le Programme national d'entrepreneuriat et d'emploi des jeunes (2021-2025) cherche à promouvoir l'entrepreneuriat par la formation, le microcrédit et l'incubation d'entreprises mais n'atteint qu'une fraction des aspirants entrepreneurs (Ministry of Youth, 2023). La recherche sur l'entrepreneuriat touareg dans le nord du Niger documente comment les réseaux ethniques facilitent le commerce transfrontalier mais exposent également les entrepreneurs aux risques liés aux conflits, à la contrebande et à la taxation informelle (Brachtet, 2023). Les entrepreneurs pastoraux peuls font face à des défis distincts, les réseaux ethniques fournissant un accès aux routes de pâturage et aux marchés mais une intégration limitée dans les chaînes de valeur formelles.

La force de la Malaisie réside dans son intervention étatique systématique pour remodeler la participation économique ethnique, son infrastructure institutionnelle sophistiquée de soutien à l'entrepreneuriat et son succès à générer une propriété d'entreprise Bumiputera substantielle. Son défi est que l'entrepreneuriat dépendant de l'État peut ne pas favoriser une compétitivité authentique, et les politiques ethniques risquent d'enraciner plutôt que de transcender les divisions ethniques. L'avantage du Niger est la résilience organique des réseaux commerciaux ethniques opérant à travers les frontières et par le biais d'institutions informelles, mais sa réalité est celle de l'extrême pauvreté, de la faible capacité étatique et des opportunités limitées dans le secteur formel. Les deux pays démontrent que l'entrepreneuriat et les réseaux ethniques nécessitent : (1) l'accès au

capital, que ce soit par le financement formel ou les mécanismes informels d'épargne ; (2) des relations de confiance permettant la coopération et le partage des risques ; (3) l'information sur les marchés circulant à travers les réseaux ; (4) des politiques étatiques qui soit permettent, soit contraignent la participation économique ethnique ; (5) l'éducation et le développement des compétences ; (6) des infrastructures connectant les entrepreneurs aux marchés ; (7) des droits de propriété et l'exécution des contrats ; et (8) la reconnaissance que les réseaux ethniques peuvent à la fois faciliter et limiter l'intégration économique.

**MOTS-CLÉS :** Entrepreneuriat, réseaux d'affaires ethniques, Niger, Malaisie, Bumiputera, réseaux commerciaux haoussas, action positive, finance informelle, économie ethnique, petites et moyennes entreprises

**Suumis le : 17 Mars ,2026**
**Publié le : 28 April, 2026**
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# 1. INTRODUCTION

Entrepreneurship is widely recognized as a driver of economic growth, job creation, and innovation. Yet the capacity to start and grow businesses is not evenly distributed across populations. Ethnic identity, historical legacies, and social networks profoundly shape who becomes an entrepreneur, what resources they can access, and how they navigate markets. In multi-ethnic societies, the relationship between ethnicity and entrepreneurship is particularly complex—ethnic networks can provide trust, capital, and information that enable business success, but they can also reflect and reproduce historical inequalities, exclusion, and conflict.

Niger and Malaysia, two multi-ethnic nations with vastly different economic trajectories, offer a compelling comparative lens through which to examine these dynamics. Malaysia has pursued one of the world's most ambitious state-led programs of ethnic economic engineering. Since 1971, the New Economic Policy (NEP) and its successors have explicitly promoted Bumiputera (ethnic

Malay and indigenous) entrepreneurship through preferential access to government contracts, credit, education, and ownership quotas. By 2025, Bumiputera corporate equity ownership had reached approximately 18.6%, up from 2.4% in 1970, though still short of the 30% target (Economic Planning Unit, 2025). This transformation has occurred alongside the continued economic presence of ethnic Chinese and Indian businesses, creating a dual structure of entrepreneurship shaped by state policy and ethnic networks.

Niger presents a fundamentally different picture. With a predominantly Hausa and Zarma population alongside Tuareg, Fulani, and other ethnic groups, Niger lacks Malaysia's explicit state-led ethnic economic policies. Entrepreneurship is shaped by informal ethnic networks, particularly Hausa commercial networks that have historically dominated regional trade across West Africa. The Fadinawa system—a traditional Hausa savings and credit association—continues to provide informal financing for entrepreneurs excluded from formal banking (World Bank, 2024). Yet these networks operate in a context of extreme poverty, limited formal credit, and weak institutional support. Niger ranks 189th out of 190 economies in the World Bank's Doing Business report (2020, prior to discontinuation), with entrepreneurs facing severe constraints in accessing finance, registering property, and enforcing contracts.

This study examines the comparative dynamics of entrepreneurship and ethnic business networks in Niger and Malaysia. Drawing on policy documents, empirical research, business surveys, and scholarly analyses, it explores how ethnic identity shapes entrepreneurial opportunities, how networks facilitate or constrain business development, and how state policies interact with ethnic economic structures. The analysis is organized around four interconnected themes: (1) the historical and political contexts shaping ethnic entrepreneurship; (2) the role of ethnic networks in providing capital, information, and trust; (3) state policies toward ethnic economic participation; and (4) outcomes for economic development and inter-ethnic relations.

The study contributes to scholarship on entrepreneurship, ethnic economies, and the relationship between identity and economic development. It argues that ethnic networks are a double-edged sword—they can provide essential resources for entrepreneurs excluded from formal institutions, but they can also reflect and reinforce historical inequalities and limit integration into broader economic systems.

# 2. LITERATURE REVIEW

## 2.1 Conceptualizing Ethnic Entrepreneurship

Ethnic entrepreneurship refers to business ownership and activity among members of ethnic groups, particularly those who are marginalized or face barriers in mainstream economies. Scholarship has documented how ethnic networks facilitate entrepreneurship through access to capital, labor, information, and markets (Aldrich & Waldinger, 1990). Ethnic entrepreneurs often rely on co-ethnic resources—family labor, rotating credit associations, ethnic suppliers and customers—to overcome disadvantages in accessing formal institutions.

The concept of "ethnic enclaves" describes geographic concentrations of ethnic businesses that serve co-ethnic customers and employ co-ethnic workers (Portes & Manning, 1986). Enclaves can provide protected markets and sources of labor but may also limit entrepreneurs' integration into the broader economy. "Middleman minority" theory explains how certain ethnic groups come to dominate commercial niches, often facing hostility from majority populations (Bonacich, 1973).

In post-colonial contexts, ethnic entrepreneurship is shaped by colonial legacies. Colonial powers often favored certain ethnic groups in commerce, education, and administration, creating enduring patterns of ethnic economic specialization. Post-independence policies have sought to redress these imbalances through affirmative action, as in Malaysia, or have left them largely untouched, as in Niger.

## 2.2 Malaysia's Ethnic Economic Engineering

Malaysia's New Economic Policy (NEP), launched in 1971 following the 1969 racial riots, represents one of the most extensive affirmative action programs globally. The NEP had two core objectives: eradicating poverty irrespective of ethnicity, and restructuring society to eliminate the identification of ethnicity with economic function. Specifically, it aimed to increase Bumiputera corporate equity ownership to 30% by 1990, a target that has been repeatedly extended (Gomez & Saravanamuttu, 2020).

The NEP and its successors have employed multiple instruments to promote Bumiputera entrepreneurship:

- **Government procurement preferences:** Bumiputera-owned firms receive preferential access to government contracts, often through quotas and price preferences.
- **Credit allocation:** Banks are required to meet lending targets for Bumiputera borrowers, and specialized financial institutions provide loans and equity to Bumiputera entrepreneurs.
- **Education and training:** Quotas in universities and preferential access to scholarships have expanded Bumiputera professional and managerial cadres.
- **Ownership quotas:** Listed companies must meet Bumiputera ownership requirements, and initial public offerings reserve shares for Bumiputera investors.
- **Business development services:** Government agencies provide training, mentoring, and incubation for Bumiputera entrepreneurs.

By 2025, Bumiputera corporate equity ownership had reached approximately 18.6%, up from 2.4% in 1970 (Economic Planning Unit, 2025). The Bumiputera share of management and professional positions has increased substantially. A substantial Bumiputera middle class and entrepreneurial class has emerged.

However, critics argue that the NEP has created dependency on state patronage rather than genuine entrepreneurial competitiveness. Lee (2024) contends that preferential access to contracts and credit has fostered a "subsidy mentality" among Bumiputera entrepreneurs, limiting innovation and risk-taking. Gomez and Saravanamuttu (2020) document how politically connected Bumiputera entrepreneurs have benefited disproportionately, creating a new class of "rentier capitalists" rather than broad-based entrepreneurial development.

The dual structure of Malaysian entrepreneurship persists: Bumiputera firms often depend on government patronage, while Chinese-owned businesses rely on ethnic networks, family ties, and informal credit systems. This segmentation limits inter-ethnic economic integration and reinforces ethnic identity as a primary axis of economic organization.

## 2.3 Niger's Ethnic Commercial Networks

Niger's entrepreneurial landscape is shaped by ethnic networks operating in a context of extreme poverty and weak institutions. The Hausa, who constitute approximately 55% of the population, have historically dominated regional trade across West Africa. Hausa commercial networks, organized around kinship, clientage, and religious ties, have facilitated long-distance trade for centuries (Grégoire, 2020).

Key features of Hausa commercial networks include:

- **Trust-based relationships:** Long-term relationships between traders enable credit, consignment, and risk-sharing without formal contracts.
- **Information flows:** Networks transmit market information—prices, supply, demand, risks—through personal contacts and periodic meetings.
- **Apprenticeship:** Young traders learn the business through working with established merchants, acquiring skills and building relationships.
- **Credit mechanisms:** The Fadinawa system, a traditional savings and credit association, enables entrepreneurs to pool savings and access capital (World Bank, 2024).
- **Diaspora connections:** Hausa diaspora communities across West Africa and beyond provide market access and trading partners.

The Zarma, the second largest ethnic group (approximately 21%), have historically been less engaged in long-distance trade, focusing more on agriculture and administration. Their entrepreneurial networks are less developed than the Hausa.

Tuareg and Fulani pastoralist populations face distinct entrepreneurial challenges. Tuareg networks facilitate cross-border trade in northern Niger, but this trade is often informal and exposed to risks from conflict, smuggling, and informal taxation (Brachtet, 2023). Fulani pastoralists rely on ethnic networks for access to grazing routes and livestock markets but have limited integration into formal value chains.

Research on Niger's entrepreneurship highlights the constraints imposed by weak institutions. The World Bank's Enterprise Surveys document that access to finance is the most severe constraint cited by firms, with only 5% of firms having a bank loan (World Bank, 2023). Informal competition, electricity, and corruption are also significant barriers.

## 2.4 Ethnic Networks and Access to Capital

Access to capital is consistently identified as the most critical constraint facing entrepreneurs in developing countries. Ethnic networks can partially substitute for formal finance through rotating savings and credit associations (ROSCAs), informal lending among kin, and trade credit within supply chains.

In Malaysia, Bumiputera entrepreneurs have benefited from preferential access to formal credit through government-mandated lending targets and specialized financial institutions. Chinese entrepreneurs, while excluded from some of these preferences, have maintained access to informal credit through family networks, clan associations, and rotating credit societies (Gomez & Saravanamuttu, 2020).

In Niger, formal credit is virtually inaccessible for most entrepreneurs. The Fadinawa system provides an alternative: members contribute regularly to a common fund, and each member receives a lump sum in rotation. This enables entrepreneurs to accumulate capital for investment, though the amounts are typically small and the system requires trust and regular participation (World Bank, 2024).

## 2.5 State Policy and Ethnic Entrepreneurship

The role of the state in shaping ethnic entrepreneurship differs dramatically between Malaysia and Niger. Malaysia's developmental state has actively intervened to reshape ethnic economic participation, using the full apparatus of government procurement, credit allocation, education, and regulation. This intervention has been sustained over five decades, creating path dependencies that structure contemporary entrepreneurship.

Niger's state, by contrast, lacks the capacity for systematic intervention. Government programs to promote entrepreneurship, such as the National Entrepreneurship and Youth Employment Program, are underfunded and reach only a small fraction of aspiring entrepreneurs (Ministry of Youth, 2023). The state's role is more often to constrain than enable entrepreneurship—through corruption, regulatory burdens, and failure to provide basic infrastructure and services.

The comparison highlights that state capacity matters as much as policy design. Malaysia's policies have been effective in part because the state has the institutional capacity to implement them—to enforce lending targets, monitor compliance, and deliver business development services. Niger's policies, however well-designed, cannot be implemented without that capacity.

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## 3. RESEARCH QUESTIONS

This study addresses the following research questions:

**1.** How do ethnic identity and ethnic networks shape entrepreneurial opportunities and constraints in Niger and Malaysia?

**2.** What role does state policy play in structuring ethnic entrepreneurship in each country, and how do policies interact with informal ethnic networks?

**3.** How do ethnic networks facilitate access to capital, information, and markets, and what are the limitations of network-based entrepreneurship?

**4.** What lessons can be drawn from comparative analysis for promoting inclusive entrepreneurship in multi-ethnic societies?

## 4. METHODOLOGY

This study employs a comparative case study methodology to examine entrepreneurship and ethnic business networks in Niger and Malaysia. The research design integrates document analysis of primary sources with synthesis of secondary literature to develop a comprehensive understanding of entrepreneurial dynamics in both countries.

Primary sources analyzed include: policy documents from Malaysia's Economic Planning Unit (2025), Ministry of Entrepreneur Development (2023), and Ministry of Finance (2025); enterprise surveys and reports from the World Bank (2023, 2024); empirical research on Hausa commercial

networks (Grégoire, 2020); studies of Tuareg and Fulani entrepreneurship (Brachtet, 2023); and scholarly analyses of Malaysian ethnic entrepreneurship (Gomez & Saravanamuttu, 2020; Lee, 2024).

The comparative framework examines four dimensions of ethnic entrepreneurship: (1) historical and political context; (2) ethnic networks and access to resources; (3) state policies and institutional support; and (4) outcomes for entrepreneurial development and inter-ethnic relations.

The analysis covers the period from approximately 2020 to 2026, capturing recent policy developments including the Bumiputera Economic Transformation Roadmap 2030 and Niger's National Entrepreneurship Program.

# 5. RESULTS

## 5.1 Historical and Political Contexts

**Malaysia:** Malaysia's ethnic economic landscape has been shaped by colonial legacies and post-colonial state intervention. Key features include:

- **Colonial inheritance:** British colonial policy favored Chinese and Indian immigration for commerce and plantation labor, creating ethnic economic specialization. Chinese dominated commerce and mining; Malays remained in agriculture and administration; Indians worked on rubber estates.
- **Post-independence tensions:** The 1969 racial riots exposed deep economic grievances, with Malays perceiving themselves as economically marginalized in their own country.
- **New Economic Policy (1971):** The NEP launched ambitious affirmative action to restructure ethnic economic participation, targeting 30% Bumiputera corporate equity ownership.
- **Sustained intervention:** Successive policies have maintained affirmative action for over five decades, creating path-dependent outcomes.
- **Political salience:** Ethnic economic policy remains politically central, with Bumiputera empowerment a core promise of the ruling coalition.

**Niger:** Niger's ethnic economic landscape has been shaped by pre-colonial trading networks, colonial administrative boundaries, and post-independence state fragility. Key features include:

- **Pre-colonial networks:** Hausa commercial networks dominated regional trade, organized around kinship, clientage, and religious ties.
- **Colonial disruption:** French colonial rule disrupted some networks while incorporating others into colonial trading systems.
- **Post-independence neglect:** Independent governments have done little to actively shape ethnic economic participation, focusing instead on state-led development and, more recently, poverty reduction.
- **State fragility:** Decades of political instability, coups, and, since 2011, conflict have undermined state capacity for economic intervention.
- **Extreme poverty:** Niger consistently ranks near the bottom of global development indicators, with limited formal sector opportunity.

**Table 1: Comparative Historical and Political Contexts**

| **Dimension** | **Malaysia** | **Niger** |
|---|---|---|
| Colonial legacy | Chinese commercial dominance; Malay agricultural marginalization | Hausa trading networks; colonial disruption |
| Post-independence policy | Active ethnic economic engineering (NEP 1971) | Limited state intervention |
| Political context | Stable; ethnic policy politically central | Fragile; coups; conflict since 2011 |
| State capacity | Strong institutional infrastructure | Weak; limited implementation capacity |
| Economic context | Upper-middle income | Low income; extreme poverty |

## 5.2 Ethnic Networks and Access to Resources

**Malaysia:** Malaysian entrepreneurship exhibits a dual structure shaped by ethnic networks and state policy. Key features include:

- **Bumiputera networks:** Bumiputera entrepreneurs often rely on government patronage and preferential policies rather than co-ethnic networks for access to contracts and credit. However, political connections within Bumiputera elite networks are crucial for accessing the most lucrative opportunities (Gomez & Saravanamuttu, 2020).
- **Chinese business networks:** Chinese-owned businesses rely heavily on ethnic networks, including family ties, clan associations, and informal credit systems. These networks facilitate access to capital, information, and markets, particularly for small and medium enterprises.
- **Indian business networks:** Indian entrepreneurs, concentrated in certain sectors (e.g., money lending, textiles), also rely on ethnic networks, though their economic presence has declined relative to Chinese and Bumiputera firms.
- **Access to capital:** Bumiputera entrepreneurs have preferential access to formal credit through government-mandated lending targets and specialized institutions. Chinese entrepreneurs access both formal finance and informal credit through family and community networks.
- **Information flows:** Ethnic networks transmit market information, business opportunities, and knowledge about navigating regulatory environments.

**Niger:** Nigerien entrepreneurship is shaped by ethnic networks operating in a context of weak formal institutions. Key features include:

- **Hausa commercial networks:** Hausa networks, organized around kinship, clientage, and religious ties, dominate regional trade. These networks facilitate access to capital (through the Fadinawa system), information (through personal contacts), and markets (through diaspora connections) (Grégoire, 2020).
- **Fadinawa system:** Traditional savings and credit associations enable entrepreneurs to accumulate capital. Members contribute regularly to a common fund, and each member receives a lump sum in rotation. The system requires trust and regular participation (World Bank, 2024).
- **Tuareg cross-border networks:** Tuareg entrepreneurs in northern Niger rely on ethnic networks for cross-border trade, accessing markets in Libya, Algeria, and Nigeria. However, these

networks expose entrepreneurs to risks from conflict, smuggling, and informal taxation (Brachtet, 2023).

- **Fulani pastoralist networks:** Fulani entrepreneurs rely on ethnic networks for access to grazing routes and livestock markets but have limited integration into formal value chains.
- **Limited formal credit:** Only 5% of firms have a bank loan; most entrepreneurs depend on informal finance (World Bank, 2023).

**Table 2: Comparative Ethnic Networks and Access to Resources**

| **Dimension** | **Malaysia** | **Niger** |
|---|---|---|
| Primary ethnic networks | Chinese business networks; Bumiputera political-patronage networks | Hausa commercial networks; Tuareg cross-border networks |
| Access to capital | Preferential credit for Bumiputera; informal credit within Chinese networks | Fadinawa ROSCAs; informal lending; minimal formal credit (World Bank, 2024) |
| Access to information | Ethnic networks; formal business associations | Personal contacts; diaspora networks (Grégoire, 2020) |
| Access to markets | Domestic; regional; global value chains | Regional trade; cross-border networks (Brachtet, 2023) |
| Role of trust | Family ties; clan associations; political connections | Kinship; clientage; religious ties |

## 5.3 State Policies and Institutional Support

**Malaysia:** Malaysia has developed a comprehensive institutional infrastructure for entrepreneurship support, with explicit ethnic targeting. Key features include:

- **Government procurement preferences:** Bumiputera-owned firms receive preferential access to government contracts, with quotas and price preferences.

- **Credit allocation:** Banks are required to meet lending targets for Bumiputera borrowers. Specialized institutions provide loans, equity, and guarantees.
- **Education and training:** Quotas in universities and preferential scholarships have expanded Bumiputera professional cadres.
- **Ownership quotas:** Listed companies must meet Bumiputera ownership requirements.
- **Business development services:** Government agencies provide training, mentoring, and incubation.
- **Bumiputera Economic Transformation Roadmap 2030:** The roadmap emphasizes high-impact entrepreneurship, access to financing, and integration into global value chains (Ministry of Entrepreneur Development, 2023).
- **Budget 2025:** Continued emphasis on Bumiputera empowerment through government procurement and financing programs (Ministry of Finance Malaysia, 2025).

**Niger:** Niger's state support for entrepreneurship is limited by weak institutional capacity. Key features include:

- **National Entrepreneurship and Youth Employment Program (2021-2025):** The program provides training, microcredit, and business incubation but reaches only a fraction of aspiring entrepreneurs (Ministry of Youth, 2023).
- **Microfinance institutions:** A network of microfinance institutions provides small loans, but coverage is limited and interest rates are high.
- **Business development services:** Limited; provided by NGOs and international donors rather than government.
- **Regulatory environment:** Cumbersome business registration, property rights weakly enforced, contract enforcement difficult. Niger ranked 189th out of 190 economies in Doing Business (2020).
- **Informal sector dominance:** Over 90% of employment is informal; most entrepreneurs operate outside formal regulatory frameworks.

**Table 3: Comparative State Policies and Institutional Support**

| **Dimension** | **Malaysia** | **Niger** |
|---|---|---|

| | | |
|---|---|---|
| Government procurement | Preferential for Bumiputera | Limited; not ethnically targeted |
| Credit allocation | Preferential lending targets; specialized institutions | Minimal formal credit; microfinance (World Bank, 2023) |
| Education and training | Quotas; preferential scholarships | Limited; donor-supported programs (Ministry of Youth, 2023) |
| Business development services | Extensive government programs | Limited; NGO/donor provision |
| Regulatory environment | Generally business-friendly | Cumbersome; weak enforcement |
| Ethnic targeting | Explicit Bumiputera focus | None |

## 5.4 Outcomes for Entrepreneurial Development

**Malaysia:** Measured outcomes from Malaysia's ethnic entrepreneurship policies demonstrate both achievements and limitations.

- **Bumiputera corporate equity ownership:** Reached approximately 18.6% by 2025, up from 2.4% in 1970 (Economic Planning Unit, 2025).
- **Bumiputera management and professional share:** Substantially increased; Bumiputera now hold significant proportion of professional and managerial positions.
- **Bumiputera middle class:** Substantial Bumiputera middle class and entrepreneurial class has emerged.
- **Dual structure persistence:** Chinese businesses remain dominant in many sectors, particularly small and medium enterprises.
- **Dependency concerns:** Critics argue that preferential policies have fostered dependency rather than genuine competitiveness (Lee, 2024).
- **Inequality within Bumiputera community:** Benefits have been captured disproportionately by politically connected elites (Gomez & Saravanamuttu, 2020).

- **Inter-ethnic tensions:** Policies remain contentious, with non-Bumiputera groups perceiving discrimination.

**Niger:** Measured outcomes from Niger's entrepreneurship demonstrate the constraints of weak institutions and extreme poverty.

- **Limited formal sector:** Formal sector tiny; over 90% of employment informal.
- **Access to finance:** Only 5% of firms have bank loans; most entrepreneurs depend on informal finance (World Bank, 2023).
- **Hausa commercial networks:** Continue to facilitate regional trade, but limited integration into formal value chains.
- **Fadinawa system:** Provides essential capital for many entrepreneurs but amounts are small (World Bank, 2024).
- **Conflict exposure:** Tuareg and Fulani entrepreneurs face risks from conflict, displacement, and informal taxation (Brachtet, 2023).
- **Youth unemployment:** Extremely high; entrepreneurship programs reach only a fraction of aspiring entrepreneurs (Ministry of Youth, 2023).
- **Extreme poverty:** Limits market size and entrepreneurial opportunities.

**Table 4: Comparative Outcomes**

| **Dimension** | **Malaysia** | **Niger** |
|---|---|---|
| Bumiputera equity ownership | 18.6% (2025) (Economic Planning Unit, 2025) | Not applicable |
| Formal sector share | Substantial | Tiny; >90% informal |
| Access to finance | Preferential credit for Bumiputera | 5% of firms have bank loans (World Bank, 2023) |
| Ethnic network vitality | Chinese networks strong; Bumiputera patronage-dependent | Hausa networks strong; Fadinawa system (World Bank, 2024; Grégoire, 2020) |

| | | |
|---|---|---|
| Entrepreneurial challenges | Dependency; elite capture; inter-ethnic tensions | Poverty; weak institutions; conflict (Brachtet, 2023) |
| Youth entrepreneurship | Supported through programs | Limited reach (Ministry of Youth, 2023) |

## 5.5 Summary of Comparative Findings

**Table 5: Comprehensive Comparative Analysis**

| **Dimension** | **Malaysia** | **Niger** |
|---|---|---|
| Historical legacy | Chinese commercial dominance; Malay marginalization | Hausa trading networks; colonial disruption |
| Political context | Stable; ethnic policy central | Fragile; conflict; weak state |
| State capacity | Strong institutional infrastructure | Weak; limited implementation |
| Ethnic networks | Chinese business networks; Bumiputera patronage networks (Gomez & Saravanamuttu, 2020) | Hausa commercial networks; Tuareg cross-border networks (Grégoire, 2020; Brachtet, 2023) |
| Access to capital | Preferential credit; informal finance | Fadinawa ROSCAs; minimal formal credit (World Bank, 2024) |
| State policy | Explicit Bumiputera preferences (Ministry of Entrepreneur Development, 2023) | Limited; underfunded programs (Ministry of Youth, 2023) |
| Regulatory environment | Generally business-friendly | Cumbersome; weak enforcement |
| Formal sector | Substantial | Tiny |

| | | |
|---|---|---|
| Bumiputera equity | 18.6% (2025) (Economic Planning Unit, 2025) | Not applicable |
| Entrepreneurial challenges | Dependency; elite capture; inter-ethnic tensions (Lee, 2024) | Poverty; weak institutions; conflict |
| Key strength | Systematic state intervention; institutional capacity | Organic ethnic network resilience |
| Key challenge | Fostering genuine competitiveness; managing ethnic tensions | Building formal institutions; reaching scale |

# 6. DISCUSSION OF RESULTS

## 6.1 Explaining Divergent Pathways: State Capacity and Development Trajectories

The dramatic differences between Malaysia's and Niger's approaches to ethnic entrepreneurship reflect fundamentally different state capacities, development trajectories, and political economies.

Malaysia's developmental state has the institutional capacity to implement ambitious policies—to enforce lending targets, monitor compliance, and deliver business development services. This capacity was built over decades, drawing on colonial administrative heritage, post-independence state-building, and sustained political commitment. The result is a sophisticated apparatus for ethnic economic engineering that has reshaped ownership patterns and created a substantial Bumiputera entrepreneurial class.

Niger's state, by contrast, lacks this capacity. Decades of political instability, coups, and conflict have eroded whatever institutional infrastructure existed. The state cannot enforce contracts,

provide basic services, or deliver effective entrepreneurship support. Entrepreneurial development is left to informal networks and donor-funded projects that reach only a fraction of the population.

The contrast illustrates that policy design is only part of the story. Malaysia's policies have been effective in part because the state has the capacity to implement them. Niger's policies, however well-designed, cannot succeed without that capacity.

## 6.2 Ethnic Networks: Resource or Constraint?

Both countries' experiences demonstrate that ethnic networks are a double-edged sword. They provide essential resources for entrepreneurs excluded from formal institutions—capital, information, trust, and market access. Hausa commercial networks have sustained regional trade for centuries; Chinese business networks have enabled entrepreneurial success despite discrimination; Fadinawa systems provide capital where banks will not lend.

Yet networks also have limitations. They can be exclusionary, reinforcing ethnic boundaries and limiting integration. They can trap entrepreneurs in low-value activities, providing access to local markets but not to global value chains. They can be disrupted by conflict, as in northern Niger. And they can be captured by elites, as in Malaysia, where politically connected Bumiputera entrepreneurs have benefited disproportionately from preferential policies.

The challenge for policy is to build on the strengths of ethnic networks while addressing their limitations—to provide formal institutions that complement rather than displace informal arrangements, to create pathways from informal to formal sectors, and to ensure that network benefits are broadly shared rather than captured by elites.

## 6.3 The Limits of State-Led Ethnic Engineering

Malaysia's experience offers important lessons about the limits of state-led ethnic engineering. The NEP and its successors have substantially increased Bumiputera corporate ownership and professional representation. A Bumiputera middle class has emerged. Yet critics argue that these

gains have come at the cost of genuine entrepreneurial competitiveness, creating dependency on state patronage rather than market-driven innovation (Lee, 2024).

The dual structure of Malaysian entrepreneurship—Bumiputera firms dependent on government contracts, Chinese firms competing in open markets—suggests that preferential policies may not be building the capabilities needed for sustained competitiveness. When preferences are removed, as in some sectors, Bumiputera firms often struggle.

The concentration of benefits among politically connected elites raises questions about distributional equity. The NEP may have created a new class of rentier capitalists rather than broad-based entrepreneurial development (Gomez & Saravanamuttu, 2020).

These lessons are relevant for other countries considering affirmative action in entrepreneurship. Preferences must be designed to build capabilities, not just transfer assets. They must be accompanied by investments in education, skills, and business development services. And they must be monitored to ensure that benefits are broadly shared.

## 6.4 Building Formal Institutions in Fragile Contexts

Niger's experience highlights the foundational importance of formal institutions for entrepreneurial development. Without functioning courts, reliable contract enforcement, accessible finance, and basic infrastructure, entrepreneurs cannot grow beyond the informal sector. Ethnic networks can partially substitute, but they cannot achieve scale.

Building these institutions in fragile contexts is extraordinarily difficult. It requires peace and stability, which Niger lacks. It requires sustained investment, which donors provide but governments cannot sustain. It requires political will, which is often absent.

The lesson is that entrepreneurship policy cannot be divorced from broader state-building and peacebuilding efforts. In countries like Niger, the priority is not designing sophisticated entrepreneurship programs but building the basic institutional infrastructure without which entrepreneurship cannot flourish.

## 6.5 Implications for Inclusive Entrepreneurship and Economic Development

The findings have significant implications for promoting inclusive entrepreneurship in multi-ethnic societies.

**First, context matters.** Malaysia's approach cannot be transplanted to Niger; Niger's realities cannot be ignored in designing policy. Interventions must be adapted to local institutional capacity, political economy, and ethnic dynamics.

**Second, state capacity is foundational.** Without functioning institutions, policies cannot be implemented. Building state capacity must be a priority in fragile contexts.

**Third, ethnic networks are assets but not solutions.** They provide essential resources but cannot substitute for formal institutions. Policy should seek to complement and strengthen networks while building the formal systems that enable scale.

**Fourth, preferences must build capabilities, not just transfer assets.** Malaysia's experience shows that preferential access without capability-building can create dependency. Entrepreneurship support must include training, mentoring, and business development services.

**Fifth, distribution matters.** If benefits are captured by elites, policies will not achieve broad-based development. Monitoring and transparency are essential.

**Sixth, integration matters.** Ethnic networks that only connect co-ethnics can reinforce segmentation. Policies should create pathways for cross-ethnic economic integration.

**Seventh, conflict undermines everything.** Niger's experience shows that entrepreneurship cannot flourish without peace and stability. Security is a precondition for economic development.

# 7. CONCLUSION

This comparative analysis of entrepreneurship and ethnic business networks in Niger and Malaysia reveals two fundamentally different pathways shaped by state capacity, historical legacies, and

political economy. Malaysia, with its strong developmental state, has pursued explicit ethnic economic engineering for over five decades. The New Economic Policy and its successors have substantially increased Bumiputera corporate ownership, created a Bumiputera middle class, and built institutional infrastructure for entrepreneurship support (Economic Planning Unit, 2025). Yet this achievement has come with costs: dependency on state patronage, limited genuine competitiveness, concentration of benefits among elites, and persistent inter-ethnic tensions (Gomez & Saravanamuttu, 2020; Lee, 2024).

Niger presents a fundamentally different picture. In a context of extreme poverty, weak institutions, and conflict, entrepreneurship is sustained by organic ethnic networks. Hausa commercial networks facilitate regional trade through trust-based relationships, the Fadinawa savings system, and diaspora connections (Grégoire, 2020; World Bank, 2024). Tuareg and Fulani networks enable cross-border trade and pastoralist livelihoods but expose entrepreneurs to risks from conflict and informality (Brachtet, 2023). State support is minimal, formal credit virtually inaccessible, and the regulatory environment hostile (World Bank, 2023).

Several cross-cutting conclusions emerge from this analysis.

**First, state capacity is foundational.** Malaysia's policies work because the state can implement them. Niger's policies cannot succeed without institutional capacity. Building state capacity must be a priority in fragile contexts.

**Second, ethnic networks are essential but insufficient.** They provide capital, information, and trust where formal institutions are absent. But they cannot achieve scale, can be exclusionary, and are vulnerable to disruption. Policy should complement networks with formal institutions.

**Third, preferences must build capabilities, not just transfer assets.** Malaysia's experience shows that preferential access without capability-building can create dependency. Entrepreneurship support must include training, mentoring, and business development services.

**Fourth, distribution matters.** If benefits are captured by elites, policies will not achieve broad-based development. Malaysia's experience of elite capture offers a cautionary tale (Gomez & Saravanamuttu, 2020).

**Fifth, conflict undermines everything.** Niger's experience shows that entrepreneurship cannot flourish without peace and stability. Security is a precondition for economic development.

**Sixth, integration matters.** Ethnic segmentation in Malaysia's dual economy and the marginalization of Niger's pastoralist entrepreneurs both illustrate the costs of limited economic integration.

For Malaysia, the path forward involves addressing the limitations of the NEP model—reducing dependency, fostering genuine competitiveness, ensuring broader distribution of benefits, and managing inter-ethnic tensions. The Bumiputera Economic Transformation Roadmap 2030's emphasis on high-impact entrepreneurship and global value chain integration points in the right direction, but implementation will determine outcomes (Ministry of Entrepreneur Development, 2023).

For Niger, the priority is not sophisticated entrepreneurship programs but building the basic institutional infrastructure without which entrepreneurship cannot flourish: peace and security, rule of law, accessible finance, and functioning markets. The National Entrepreneurship and Youth Employment Program can play a role, but it cannot substitute for broader state-building (Ministry of Youth, 2023).

For the broader community of scholars and policymakers, this comparison underscores that entrepreneurship is not merely an individual act but a socially embedded process shaped by ethnic identity, networks, and institutions. Promoting inclusive entrepreneurship in multi-ethnic societies requires attention to all of these dimensions—building on the strengths of ethnic networks while addressing their limitations, designing preferences that build capabilities rather than dependency, and investing in the formal institutions that enable scale and integration.

# 8. LIMITATIONS OF THE STUDY

This study has several limitations that should be acknowledged. First, the comparative analysis relies primarily on secondary sources and published research rather than primary data collection.

Direct fieldwork in both countries, including interviews with entrepreneurs and policymakers, would strengthen comparative insights.

Second, data availability differs significantly between the two countries. Malaysia benefits from extensive official statistics, policy documentation, and academic research. Niger's data is more limited, with enterprise surveys providing some information but limited coverage of informal sector and ethnic dynamics.

Third, the study of ethnic networks is complicated by the sensitive nature of ethnicity in both countries. Official data on ethnic economic participation in Malaysia is politically charged; in Niger, ethnicity is less politicized but data is sparse.

Fourth, the study focuses on formal entrepreneurship with limited attention to the informal sector, which dominates Niger's economy and remains significant in Malaysia.

Fifth, the voice of entrepreneurs themselves—particularly women, youth, and those from marginalized ethnic groups—is mediated through reports rather than captured directly.

# 9. ACKNOWLEDGMENTS

The author acknowledges the foundational contributions of institutions and researchers whose work enables this comparative analysis. Malaysia's Economic Planning Unit (2025), Ministry of Entrepreneur Development (2023), and Ministry of Finance (2025) provide essential policy documentation. Gomez and Saravanamuttu's (2020) analysis of Malaysian ethnic entrepreneurship and Lee's (2024) critical assessment illuminate the complexities of affirmative action. Grégoire's (2020) research on Hausa commercial networks and Brachtet's (2023) studies of Tuareg and Fulani entrepreneurship provide essential insights into Niger's ethnic economies. The World Bank's enterprise surveys and reports (2023, 2024) offer valuable data on Niger's business environment. Niger's Ministry of Youth (2023) documentation of the National Entrepreneurship Program provides policy context. The author also acknowledges the entrepreneurs whose daily efforts to build businesses in challenging contexts are the subject of this analysis.

# 10. AUTHOR CONTRIBUTIONS

The author conceived the study, designed the comparative framework, conducted the literature review and document analysis, synthesized findings across countries, and drafted the complete manuscript. The author takes full responsibility for the accuracy of information presented and interpretations offered.

# 11. COMPETING INTERESTS

The author declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential competing interest.

# 12. AUTHORS' CONTRIBUTIONS

As sole author, I performed all roles including conceptualization, methodology development, investigation, formal analysis, writing, review, editing, and project administration.

# 13. FUNDING INFORMATION

This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

# 14. DATA AVAILABILITY

All sources analyzed in this study are publicly available documents, including policy reports, academic publications, enterprise surveys, and institutional documentation. Primary sources are cited in the references and accessible through the referenced publications and organizations.

# 15. DISCLAIMER

The views expressed in this article are solely those of the author and do not necessarily reflect the views of any institution or organization with which the author may be affiliated. The analysis is provided for scholarly purposes and should not be construed as policy guidance or investment advice. Entrepreneurship and ethnic business networks are subject to change, and readers should consult current official sources for specific information about Niger, Malaysia, and entrepreneurship policy.

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