

Market Economy Integration and Indigenous Entrepreneurship among the Iban Community in Sarawak

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Abstract

The integration of indigenous entrepreneurship into both formal and informal market economies is a critical driver of inclusive economic growth in rural regions. This study investigates the entrepreneurial activities of the Iban community in the Sri Aman Division of Sarawak, Malaysia, particularly following the elevation of the Pantu and Lingga sub-districts to full district status in 2021. Employing a mixed-methods research design, data were collected through 300 quantitative survey responses and 10 qualitative in-depth interviews with indigenous entrepreneurs. Partial Least Squares Structural Equation Modelling (PLS-SEM) was utilised to examine the structural relationships between the Market Economy, Social Economy, Cultural Preservation, and Indigenous Entrepreneurship constructs. The empirical findings reveal that Iban entrepreneurial engagement is predominantly informal, micro-scale, and female-dominated, and is largely driven by economic necessity. The structural model confirms that Market Economy factors exert the strongest significant influence on entrepreneurial activity (path coefficient = 0.412, $p = 0.000$), followed by Cultural Preservation (path coefficient = 0.197, $p = 0.005$) and Social Economy (path coefficient = 0.139, $p = 0.037$). These results indicate a multidimensional phenomenon in which economic drivers are closely intertwined with the preservation of cultural heritage and community cohesion. The study concludes with targeted policy recommendations emphasising flexible financial mechanisms, digital capacity-building, and youth mentorship to foster sustainable indigenous enterprise development.

1.0 Introduction

Sri Aman is a pivotal division within the state of Sarawak, distinguished by its extensive agricultural landscape and its status as the division with the largest Iban population. The region has recently undergone significant administrative and demographic changes, most notably the elevation of the Pantu and Lingga sub-districts into full administrative districts in 2021. This administrative upgrading has been accompanied by infrastructural developments, including the establishment of an agro-food terminal and a one-stop digital economy hub. These facilities serve as key catalysts for entrepreneurial activity, encouraging the commercialisation of Iban customary cuisine, agricultural products, and traditional craftsmanship (Ng & Ayob, 2023). Unlike conventional business ventures, Iban indigenous entrepreneurship is characterised by distinctive cultural traits that embed local heritage within economic activities. In addition, various governmental bodies, including the Ministry of Entrepreneur Development and Cooperatives, have introduced initiatives to support entrepreneurial growth and sustainability in rural areas (Ariff & Abubakar, 2023). Despite a substantial body of literature on entrepreneurship in Malaysia, most studies focus on conventional enterprises operating within the formal economy. Prior research has examined factors influencing microenterprise performance (Sabli & Latiff, 2019), personality traits of Bumiputera entrepreneurs (Edwin, 2022), and the development of micro and small enterprises (Law and Jaafar, 2019). Broader studies have also concentrated on urban centres such as Kuching and Kota Samarahan (Loveli et al., 2014). Although emerging studies on indigenous entrepreneurship exist, they largely focus on entrepreneurial motivation and performance among female entrepreneurs (Yee et al., 2022; Yap et al., 2023) or innovation within formalised business settings (Cliffon and Jaafar, 2023). Consequently, there remains a significant gap in understanding the integration of indigenous entrepreneurs within both formal and informal economic systems, particularly in rural contexts such as Sri Aman. The existing literature has largely overlooked the informal sector, despite it being the primary space of operation for indigenous entrepreneurs. This limitation has resulted in an incomplete understanding of the broader socio-economic impact of indigenous entrepreneurship on rural development, social empowerment, and cultural preservation. Therefore, there is a need for a focused regional study employing mixed-methods approaches to capture the complexity of indigenous entrepreneurship within the Iban community.

To address these gaps, this study pursues three objectives:

1. To examine the participation of indigenous entrepreneurs in the formal and informal market economies.
2. To determine the effects of Iban entrepreneurship on the social economy.
3. To identify the relationship between indigenous entrepreneurship and cultural preservation.

Accordingly, the study tests the following hypotheses:

- H1: Indigenous entrepreneurs significantly participate in both formal and informal market economies.
H2: The involvement of the Iban community in entrepreneurial activities has a significant impact on their social economy.
H3: There is a significant relationship between indigenous entrepreneurship and cultural preservation.

This study contributes to the literature by extending the analysis beyond urban formal enterprises and highlighting the dynamics of indigenous entrepreneurship in rural Sarawak. It also provides empirical evidence for policymakers to design more inclusive, culturally sensitive, and effective rural development strategies.

2.0 Literature Review

Indigenous entrepreneurship refers to economic activities undertaken by members of indigenous communities, shaped by cultural heritage, ancestral knowledge, and a historical relationship with land (Radu et al., 2021; Ridzwan et al., 2017; Shepherd, 2017). This phenomenon spans both formal enterprises, which comply with legal and regulatory frameworks (Chepureko, 2018; Colbourne, 2021), and informal economic activities.

Informal indigenous entrepreneurship is typically rural, micro-scale, resource-dependent, and operates without formal business registration (Kelikume, 2021; Rashid & Misnan, 2019). These activities include handicrafts, subsistence agriculture, cultural tourism, and traditional medicine. While informality may constrain growth, it plays an important role in preserving indigenous knowledge and cultural identity (Canestrino, 2020; Tessema et al., 2019).

The integration of indigenous communities into the market economy is essential for inclusive regional development (Hassan et al., 2020). Entrepreneurship provides income generation and employment opportunities, thereby improving living standards and infrastructure development in marginalised areas (Adekola & Clelland, 2020; Gu et al., 2021). Importantly, indigenous enterprises simultaneously support economic development and cultural preservation, enabling communities to maintain identity in the context of globalisation (Rosli et al., 2022; Yap et al., 2023).

3.0 Research Methodology

This research adopted a comprehensive mixed-methods design, strategically integrating quantitative and qualitative methodologies to thoroughly explore formal and informal indigenous entrepreneurship within the districts of Sri Aman, Pantu, and Lingga. By combining these approaches, the study effectively captures both generalisable statistical patterns and in-depth, contextualised personal insights. For the qualitative component, purposive sampling was utilised to carefully select 10 Iban entrepreneurs, comprising eight females and two males, whose businesses distinctly exemplified cultural preservation. This purposefully selected cohort included Pua Kumbu weavers, rice farmers, traditional food vendors, and local artisans. To gain a profound understanding of their entrepreneurial realities, the research team conducted in-depth, open-ended interviews designed to explore their integration into the market economy, socio-economic empowerment, and the structural challenges they face. The final sample size was guided by the principle of data saturation, ensuring comprehensive coverage of all relevant qualitative insights. Following data collection, the transcribed interview responses were subjected to rigorous thematic analysis to identify key themes, recurring patterns, and unique individual perspectives regarding the indigenous entrepreneurial experience.

In parallel, the quantitative approach involved the administration of a standardised, structured survey questionnaire to a broader sample of 300 Iban entrepreneurs. These respondents operated across the target districts in various economic capacities, primarily functioning as hawkers, petty traders, cottage industry operators, and agriculture-based business owners situated in local markets and retail outlets. The collected quantitative data were systematically analysed using SPSS Statistics to generate essential descriptive insights into demographic and business characteristics. Furthermore, to rigorously test the formulated research hypotheses, Partial Least Squares Structural Equation Modelling (PLS-SEM) was employed. This advanced analytical technique allowed the researchers to simultaneously evaluate both the measurement and structural models, providing a robust statistical assessment of the complex relationships between the market economy, social economy, cultural preservation, and indigenous entrepreneurship.

4.0 Results**4.1 Demographic and Business Characteristics**

Empirical data reveal a pronounced gender imbalance, with women dominating the entrepreneurial landscape. Survey findings indicate that 61.7% of respondents are female, a pattern strongly supported by the qualitative sample, in which 80% of interviewees are women. The majority of participants are mature adults aged between 55 and 64 years (42.7%), while 63.3% have completed secondary education (Sijil Pelajaran Malaysia, SPM). In terms of business structure, entrepreneurial activities

are largely necessity-driven and micro-scale in nature. A substantial proportion (76.7%) operate as market-based hawkers or stallholders, while agriculture (63%) and handicrafts (18.3%) constitute the primary sources of economic activity. From a financial perspective, these enterprises remain highly vulnerable, with 77.3% of respondents reporting monthly earnings below RM1,000, indicating a predominantly subsistence-based entrepreneurial ecosystem. This reflects the broader structural constraints faced by rural indigenous entrepreneurs in transitioning from informal survival activities to sustainable business operations.

4.2 Market Economy Participation and Structural Model Outcomes

The findings indicate that 90.7% of respondents operate informally without formal business registration. Although informality provides flexibility and reduces bureaucratic constraints, inferential analysis shows a statistically significant relationship between registration status and income levels ($\chi^2(1, N = 300) = 34.02, p < 0.001$), suggesting that formally registered enterprises achieve higher financial returns.

The Partial Least Squares Structural Equation Modelling (PLS-SEM) results provide strong empirical support for Hypothesis 1 (H1). The Market Economy (ME) construct emerged as the most influential determinant of Indigenous Entrepreneurship (IE), with a strong and statistically significant path coefficient ($\beta = 0.412, t = 6.042, p < 0.001$). Within this construct, Financial Access (F3) and Economic Environment Support (F2) recorded exceptionally high outer loadings (0.808 and 0.846 respectively), underscoring the critical importance of credit accessibility, institutional support, and enabling policy environments in shaping entrepreneurial outcomes. These findings suggest that structural economic conditions remain the primary driver of indigenous entrepreneurial participation, outweighing both social and cultural determinants in quantitative influence.

4.3 Impact on the Social Economy

Indigenous entrepreneurship also functions as an important mechanism for social empowerment and community resilience. The Chi-square analysis demonstrates that female entrepreneurs are significantly more likely than males to perceive entrepreneurship as empowering ($\chi^2(1, N = 300) = 14.67, p < 0.01$), highlighting the gendered dimension of entrepreneurial impact within the Iban community.

The PLS-SEM results confirm Hypothesis 2 (H2), indicating that the Social Economy (SE) has a positive, albeit relatively weak, influence on Indigenous Entrepreneurship ($\beta = 0.139, t = 2.088, p = 0.037$). Among the social indicators, Social Responsibility (D4 = 0.676) emerged as the most significant factor, reflecting the importance of community-oriented values in entrepreneurial behaviour. However, Youth Engagement (D5 = 0.240, $p = 0.143$) in rural indigenous entrepreneurship was found to be statistically insignificant, signalling a concerning generational gap in entrepreneurial participation. This finding suggests that while entrepreneurship strengthens current community cohesion, its long-term sustainability may be threatened by limited youth involvement and succession continuity.

4.4 Cultural Preservation

Although economic necessity is the primary motivation for business initiation, more than 70% of respondents reported incorporating cultural elements into their entrepreneurial activities over time. These include traditional Iban motifs and the use of indigenous knowledge in product development.

The PLS-SEM analysis supports Hypothesis 3 (H3), revealing a statistically significant positive relationship between Cultural Preservation (CP) and Indigenous Entrepreneurship (IE) ($\beta = 0.197, t = 2.793, p = 0.005$). This indicates that cultural preservation is not merely symbolic but plays a measurable role in shaping entrepreneurial practices. Among the indicators, Active Promotion of Iban Culture (E2 = 0.753) and Reinforcement of Iban Identity (E5 = 0.751) recorded the highest outer loadings. This demonstrates that cultural embeddedness is strategically utilised as a form of market differentiation, enabling indigenous entrepreneurs to add value to their products while sustaining cultural identity. Overall, the structural model explains 41% of the variance in Indigenous Entrepreneurship ($R^2 = 0.410, p < 0.001$), indicating a moderate explanatory power and confirming the multidimensional nature of indigenous entrepreneurial development in the study area.

5.0 Discussion

The findings confirm that Iban indigenous entrepreneurship operates within a complex interplay of economic necessity, cultural identity, and communal survival. The strong support for Hypothesis 1 (H1) highlights a critical paradox: although 90.7% of enterprises operate within the informal sector to avoid bureaucratic constraints and compliance costs, such informality simultaneously limits income growth and long-term financial stability.

Qualitative evidence supports this observation, as Respondent 2 stated: *"The costs involved, along with the time and procedures required for registration, do not seem justified when my earnings are only sufficient to meet basic household needs."* This reflects the rational cost-benefit considerations underpinning the decision to remain informal within a resource-constrained environment. Furthermore, the PLS-SEM results demonstrate a clear hierarchy of influencing factors. The Market Economy emerges as the dominant determinant of Indigenous Entrepreneurship (path coefficient = 0.412), indicating that indigenous entrepreneurs are primarily driven by economic survival imperatives. This is further reinforced by structural constraints such as high market competition (63.7%) and limited access to capital (24.3%), which collectively shape entrepreneurial behaviour in the study area.

Cultural Preservation, although exhibiting a more moderate effect (path coefficient = 0.197), functions as an important secondary or "evolving" motivation. As articulated by Respondent 3: *"I started selling because I needed money. Later I realised this helps keep our culture alive."* This illustrates a developmental trajectory in which entrepreneurship transitions from a subsistence strategy into a mechanism for cultural continuity and heritage preservation.

Finally, the validation of Hypothesis 2 (H2) confirms the socio-economic contribution of indigenous entrepreneurship in reducing rural inequality. Entrepreneurship enhances financial independence, particularly among women, thereby promoting upward social mobility and strengthening community cohesion within the Iban society. However, the statistical insignificance of youth engagement highlights a critical structural weakness, signalling a potential generational gap that may undermine the long-term sustainability of indigenous entrepreneurial practices and cultural transmission.

6.0 Conclusion

This study establishes that indigenous entrepreneurship among the Iban community in Sri Aman, Pantu, and Lingga is a multidimensional phenomenon shaped by economic viability, deep-rooted cultural heritage, and strong social interconnectedness. Although structurally fragile characterised by small-scale, informal, and necessity-driven operations, these enterprises demonstrate notable resilience and play a vital role in rural poverty alleviation, livelihood sustenance, and the preservation of traditional knowledge systems.

To move beyond the current subsistence-oriented equilibrium and fully realise the developmental potential of indigenous entrepreneurship, targeted interventions from key stakeholders are required. Policymakers should prioritise the development of accessible and flexible microcredit schemes that can effectively bypass conventional banking constraints and improve financial inclusion for rural entrepreneurs. In addition, administrative procedures for business registration should be simplified to reduce bureaucratic barriers that discourage formalisation and business expansion.

Furthermore, state-led initiatives such as structured mentorship programmes are essential to enhance digital literacy and strengthen cultural branding capabilities among indigenous entrepreneurs. Such programmes would not only improve market competitiveness but also encourage youth participation in entrepreneurship, thereby ensuring generational continuity and safeguarding the long-term sustainability of Sarawak's indigenous cultural and economic heritage.

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