XII. Chinese Financiers and Chetti Bankers in Southern Waters:

Asian Mobile Credit during the Anglo-Dutch Competition for the Trade of the Eastern Archipelago in the Nineteenth Century

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I. Towkays and Nagarathars: Factors in Their Ascendancy

Certain European notions of the nature of the Asian economies — especially the peddling character of Asian trade[1] and its contrast with the rational capitalist business organization which was supposed to be a purely European enclave superimposed by conquest on the peddling, precapitalist basis of Asian production and exchange — were formulated most clearly of all by Dutch sociologists and economists from their experience of Netherlands India of the nineteenth century and of the Eastern Archipelago in the age of Portuguese and Dutch voyages. They were not unaware of the existence of Chinese and Indian business groups in Southeast Asia with some of the features of early modern capitalism, but these were regarded as the bastard offspring of developed European capitalism. Such immigrant Asian groups were supposed to have sprung from the need of the Europeans for intermediaries to deal with the economically innocent natives and were thought to be completely dependent on servicing the European enclave with no autonomous business concerns of their own.[2] This essay focusses on the Chinese financiers and Chetti bankers operating long distance credit networks in the Southern Ocean (Nanyang)[3] before and after the opening of the Suez Canal (1869). The aim is to show that these immigrant business groups derived from a sophisticated financial and mercantile background in their home countries and that they conducted autonomous operations in the Eastern Archipelago[3] with their own capital and business techniques: a large volume of such operations were conducted within a purely inter-Asian framework quite apart from the colonial trade with Europe, and in their dealings with the Dutch and the English banks and corporations, these *towkays* and *nagarathars*[4] showed a strength and resilience which made 'dependence' and 'collaboration' a mutual process.

There were two basic factors which made for the success of these immigrant business groups in the nineteenth century: the Anglo-Dutch rivalry for the trade of the Archipelago, and the lack of a hereditary skill in the handling of money among the indigenous Burmese, Malay and Javanese races at a time when the islands and the deltas came under a fairly sudden process of monetization, together with the fact that both in China and in India there were hereditary communities dealing in money which had long established connections with Malacca and the Archipelago from earlier times.

The Anglo-Dutch rivalry in southern waters that persisted through the formative eras of Stamford Raffles (1811-1824) and Johannes van den Bosch (1830-1834), created a political order peculiarly favourable to Asian merchants capable of handling credit and trade transactions across frontiers. The silent war between Batavia and Singapore for control of the native trade of the Archipelago upon the return of the Dutch to Java at the end of the Napoleonic wars took the form of contention between two rival techniques: the Dutch technique of confining Asian merchants and mariners to authorized ports under their supervision and the English technique of undermining these prohibitions by offering facilities for free trade in Singapore and Penang.[5] The system of Dutch monopoly plantations of sugar and other cash crops and sole selling of these official plantation products through the monopolistic Nederlandsche Handel Maatschappij was introduced by Van den Bosch in 1830 to pull back into Dutch channels the trade that was flowing to the British free port created in Singapore by Raffles in 1819. The Van den Bosch plan was remarkably successful within Java, crushing foreign competition, channeling no less than two thirds of the islands exports through the NHM by 1840 and still permitting the private Dutch trade to double itself, for the Culture System of Van den Bosch stimulated the saleable produce and export trade of Java to increase — as a contemporary English commercial directory put it — 'with a rapidity unknown in any other colony, Cuba perhaps excepted'.[6]

The Dutch economic system in Java was further strenghtened in the second half of the nineteenth century by the triumph of the liberal movement (1870), which freed the production and sale of sugar and encouraged the growth of private Dutch enterprise financed by big exchange banks and culture banks. The white plantations and banks established a powerful grip over the entire saleable produce of Java, and though Chinese traders scoured the country to buy the produce of native growers, the amount thus brought into the traffic was small compared to the Dutch plantation products moving through Dutch channels at the end of the nineteenth century.[7] Chinese enterprise in the Archipelago would doubtless have been reduced to the sort of parasitic dependence on white capitalism said to be characteristic of immigrant Asian trading groups but for two things: the imperfect control of the Dutch over the Outer Possessions and the natural gravitation of the trade of these lesser islands to the British free port of Singapore which emerged as the centre of a tightly drawn web of Chinese trade and finance in Nanyang.

Beyond Java, Dutch territorial control extended only to certain selected ports until the Dutch forward movement into the Outer Possessions gathered momentum towards the end of the century. One English lawyer, who thought that the British should take the Dutch model in Java for the reconstruction of post-Mutiny India, noted during his visit in 1858 that the Java Culture System did not prevail in 'the half-conquered dependencies which have most intercourse with Singapore'.[8] The trade of the Archipelago thus developed in two distinct sectors: (a) the trade in Java and Deli estate products controlled by the Dutch banks and corporations and (b) the trade in native produce centred on Singapore under Chinese financial and mercantile control.[9]

It was the territorial weakness of the British vis-à-vis the Dutch upon the English withdrawal from Java, and the consequent British policy of offering extraordinary facilities to Asian traders in the Archipelago to attract its trade to the small British Straits Settlements in Penang and Singapore, which enabled Singapore to attain its pre-eminent position in the trade of the Archipelago as the centre of a widespread Chinese financial and mercantile network. Raffles was told by his advisers that the Dutch would not be able to prevent the Bugis mariners, the principal carriers of the Archipelago trade, from reaching Singapore and dealing in tropical produce with the Chinese;[10] the prediction came true. Raffles also had his eye on a ring of five Chinese colonies in western Nanyang — the old Chinese campongs of Batavia, Semarang and Surabaya in Java; the gold mining Chinese republics (*kongsis*) of Sambas in West Borneo; the kingdom of Achin in North Sumatra; the Riau Archipelago settlements and the tin mining communities (*kongsis*) of the Banka-Billiton islands; and the flourishing Chinese trading settlement in and around Bangkok. He designed the conveniently located free port of Singapore as the natural commercial headquarters of these dispersed Chinese colonies.[11] His design was translated into reality despite the Dutch embargo, which Earl found the Chinese colonies violating systematically and successfully at around the time when Van den Bosch was extending the Culture System over Java.[12]

The bulk of the Asian trade of the Archipelago flowed through a Bugis-Chinese nexus centred on Singapore and operating outside the confines of the NHM monopoly.[13] No visitor could fail to be struck by the dealings between the Bugis mariners and Chinese consignees which constituted the principal part of the traffic at the Boat Quay of Singapore. But an Englishman with 21 years of experience in eastern waters was of the opinion that the Bugis despite being a shrewd race were 'no match for their Chinese competitors'.[14] Pressurized by the annual resort of the Bugis *prahus* to Singapore, the Dutch hit upon the device of declaring Macassar a free port and followed this up by creating a chain of half a dozen free ports among the islands to the east (1847-1853). The Dutch move, together with the establishment of English power in Sarawak (1841), resulted only in the Singapore Chinese employing improved European-type square-rigged vessels to extend their direct sway on the routes to Java, Borneo and Celebes. The Bugis *prahus* slowly lost the prominence they had enjoyed earlier in the century.[15]

On the mainland of Southeast Asia, the British and French forward movements, like the Dutch thrust in the Outer Possessions, were late and imperfect, with the result that neither in the Irrawaddy, Menam and Mekong valleys, nor in the Archipelago, was there a unified stretch of territory over which an exclusive colonial monopoly could be exercised on the pattern of the British in Bengal and the Dutch in Java. The independent monarchy of Siam long retained a tariff structure and political framework which prevented British ships from visiting Bangkok and channeled its burgeoning trade with Singapore and China through a rising class of 'Siam Traders' who were principally immigrant Teochews from Swatow owning the new rice mills in and around Bangkok and operating a closely connected trade nexus between Singapore, Bangkok and the ports on the South China coast.[16] In the Malay peninsula, British intervention in the 1870s was invited and assisted by the earlier penetration of Chinese mining and financial interests, and the early British administrators found Chinese financiers and bankers in effective control of the finances of the native states: in Klang, for instance, the Chinese banker, Lim Tek Hee (Tokay Teh Ih in Swettenham's Journals), who had made a loan of two hundred thousand dollars to the ruler, had the free run of the state treasury, using bills and cheques on it to make financial settlements and remittances to the Straits; the *towkay* welcomed Swettenham with open arms and was raised to the important position of Treasurer.[17]

On a reverse pattern, the Nattukottai Chettiars followed on the heels of British troops up the Irrawaddy valley, but the conquest (1852-1885) was recent and the need for cash loans to finance the rapid development of the export trade in Burma rice made the British dependent on the Chetti bankers as the only reliable group capable of conducting risky loan operations successfully among so many improvident cultivators.[18] The British offered far greater legal security to the Chetti bankers in Burma and the Straits than in the latter's Tamil home land, where British rule, firmly based on direct administration of the peasantry in the form of the powerful *ryotwari* system, was in a position of unchallenged power and so felt no call to offer any special advantages to Indian creditors and traders to develop the colony. The great legal complexity with regard to encumbrances and inheritance, coupled with the even more severe difficulty in recovery of loans from insolvent persons, induced many Chetti bankers to withdraw operations from Tamil country and to send their capital in search of the higher returns available in Ceylon, Burma and the Straits.[19] As a Chetti banker explained, in Burma upon filing a suit he could be sure of getting the decree within six months, whereas in South India he knew cases which had taken ten years and sometimes even centuries to be finally settled.[20]

The Chinese *towkays* and the Chetti *nagarathars* thus built their business on the basis of advantages deriving from the absence of an undisputed colonial supremacy, either Dutch or British, in the area of their overseas operations. Here and there, it is true, the forward movement of the colonial powers brought new difficulties for Asian traders in the last quarter of the nineteenth century. Dutch planters in Deli, for instance, succeeded in monopolizing the good tobacco in the 1870s and 1880s, driving out Chinese and Malay competitors who became confined to inferior tobacco for native sales.[21] This sort of colonial monopoly could not be established elsewhere in the Archipelago and upon the whole, except for Java and Deli, the political framework was favourable to Asian enterprise in southern waters. The ruling spirit, especially as regards British policy, was still that expressed by Raffles at the beginning of the century: 'Our establishments should be directed to no partial or immediate views of commercial profit, but to the presentation of a free and unrestrained commerce, and to the encouragement and protection of individual enterprise and the interests of the general merchant.'[22]

But why were the indigenous races of the Southern Ocean unable to reap the advantages of the divided colonial political order, and how did the initiative in mobilizing mercantile credit beyond the restricted sphere of the European banks pass to immigrant merchant communities from China and India? The general use of money in the Archipelago and in Burma, as J.S. Furnivall noted at the time of the Great Depression, developed no earlier than the nineteenth century, whereas money had been the medium of commerce in China and India for centuries; and when the export of rice from Burma and a great variety of tropical produce from the Archipelago created a new trade in money, the business passed into the hands of the Nattukottai Chettiars in Burma, the Straits and North Sumatra, and the Chinese throughout the islands and river valleys of Nanyang.[23] There was no indigenous money market in the area[24] and neither the Burmese nor the indigenous races of the Archipelago — the Malays, the Javanese, the Dyaks of Borneo or even the Bugis of Celebes — had any experience of handling money,[25] and they seldom rose above the level of mere pedlars and hawkers to set up mercantile establishments.[26] The doughtiest sailors of the Archipelago, the Bugis, who brought the rich tropical produce that found its way into the Chinese stores of Singapore, seldom or never took money away with them and carried instead goods obtained from the Chinese dealers as the return cargoes on their *prahus*.[27]

In China and in India, the system of double-entry book-keeping long predated its adoption by Italian merchants and bankers at the end of the Middle Ages and in fact went back to an obscure antiquity.[28] In both countries, moreover, negotiable bankers' paper, in the form of bills of exchange, came into circulation at a time when the manorial economy ruled over Europe. The Chinese historian, Ma Tuan-Lin, recorded that the *hwei pieu*, a treasury bill encashable in major commercial centres throughout China, was in use by A.D. 806-821; and the Kashmir historian, Kalhana, mentioned the *hundika*, an assignat which subsequently came to be known as the *hundi* or letter of credit, as being issued at least as early as A.D. 914-935.[29] The *hundis* issued by Bania shroffs facilitated English mercantile operations in India in the seventeenth century, and military operations in the eighteenth; while the 'native orders' issued by Ningpo bankers enabled the European and American traders to push their goods into the interior of China in the nineteenth century.[30] There were well-developed money exchanges operated by Shansi and Ningpo bankers in Shanghai, Canton and Foochow, and by Gujarati, Nattukottai Chettiar and Marwari bankers in Bombay, Madras and Calcutta, when the migration of Chinese and Indian capital to the Nanyang countries began on a large scale in the mid-nineteenth century.

The hereditary financial skills, the community structure and the commercial organization of the immigrant Chinese and Indian merchant communities not only helped them in their initial migration to Nanyang, but eventually enabled them to weave tightly-knit networks of finance along the routes of their migrations. This gave them a competitive edge over the indigenous maritime races, who had carried the bulk of the trade of the Archipelago in their *prahus* till the middle of the nineteenth century but who began to fade into obscurity from around that time. This was not a matter of any inherent racial trait — the Malay 'want of ambition to be rich' or the Javanese conviction that 'it is better to rest than to work'[31] — but of the lack of a suitable type of community organization for the purpose of creating and sustaining firms handling long distance financial and mercantile transactions.[32] In India and China, too, only certain distinct and tightly-knit banking and trading communities, and not the general mass of the population, operated in the long distance internal money exchanges. Such were the Nattukottai Chettiars, Gujaratis, Multanis and Marwaris in India, and it was precisely these groups who became 'the indigenous bankers' in Burma.[33] Such again were the Shansi and Ningpo banking communities in China, and though these groups did not extend their operations to Nanyang, certain specific maritime communities from the South China coast — Hokkiens from Amoy, Teochews from Swatow and Cantonese from Canton and Hongkong — figured as the prominent financiers, bankers and remittance agents of Nanyang.[34]

Not all immigrant communities, however closely-knit, were able to adjust successfully to the new era of international finance and trade that began at around the time of the opening of the Suez Canal. The communications revolution brought about by steamship lines, cable companies and exchange banks altered fundamentally the conditions of trade and made it possible to conclude financial transactions at electrical speed. The skills of accountancy and handling money were essential for successful operation of firms in these altered conditions. Among those communities which did not possess these skills and consequently fell behind in the race for new riches were the Hadrami Arabs, who were earlier reckoned to be a principal maritime community in the Archipelago. Their sailing fleets operated with remarkable enterprise on the Java-Straits run, realizing enormous profits during the peak decade of 1845-1855. But although they formed permanent colonies in Palembang, Pontianak, Surabaya and Singapore, they were unable to sustain their drive in the altered conditions of the later nineteenth century. Ignorant of the system of double-entry book-keeping used in the new international trade, they noted transactions in books 'of the most primitive order', with no idea of a balance sheet or of making up books at year's end. Incapable of making remittances through bills or of utilizing the services of banks and houses of business, they sent money home through friends in hard cash.[35] Small wonder that only one or two Arab firms were of sufficient importance to find mention in Arnold's business directories for British Malaya and Netherlands India.

And yet scores of Chinese firms were recorded in considerable detail in these directories at the turn of the twentieth century. The reason for this was succinctly stated by an American businessman retired from China, who observed with regard to the Chinese trade with Siam, Singapore and Batavia in the later nineteenth century: 'Formerly this was all in the hands of the foreigners [sic], but as the Chinese grew to understand foreign methods, they took it for themselves, and why should they not? They were as clever as other merchants; they could get advances from the banks; they could use the telegraph, and above all paid no commission or brokerage in China, which a foreigner must do.'[36] The Chetti intermediaries through whom the Straits Chinese merchants initially obtained access to bank finance had naturally even closer connection with the new European money market represented by the exchange banks and were themselves engaged in moving funds between India and the Straits by telegraphic transfers.

II. New Networks in Nanyang: Immigrant Business Organization

That is not to say that the Chinese or even the Chettis were mere agents of the new international capital flowing through the Suez Canal to the Straits. Steamships and electric cables enabled them to create tightly meshed networks to China and to India that cut right across the colonial traffic between Batavia and Holland or between the Straits and London. The Chinese and Chetti firms that now came to spawn several branches over different countries operated mainly on their own capital and organized their business on principles quite different from those of the Europeans. Their connection with the foreign banks and corporations were undeniably close, and they derived important benefits from it in spreading their business: but the networks they created by manipulating the connection were their own. No doubt a number of Chinese served as compradors, and some Chettis as shroffs, to the banks and the corporations, but typically their business concerns were independent partnership firms with several interconnected branches or correspondents operating along the more extended circuits now created by the steamship liners, cable companies and exchange banks.[37] Even a quarter of a century before the opening of the Suez Canal, such large Asian business organizations would have been inconceivable because of the lack of the necessary technical pre-conditions. It was only in the last four decades of the nineteenth century that there sprang up network firms in southern waters directly controlled from headquarters in China and India. This achievement, however, was based on a prior history of Chinese and Indian migrations: the connections then forged were later on to provide the foundations of the large Chinese and Chetti partnership firms with head offices at home.

'Kling' traders, presumably a miscellaneous variety of Chetti groups from the Coromandel coast, were known in the Straits of Malacca from the days before the coming of the Portuguese, but the migration of the Nattukottai Chettiars, a specific group of Chetti bankers and traders hailing from the Ramnad, Sivagangai and Pudukottai territories of Tamil country, was probably not much older than the turn of the nineteenth century. At the time of the Madras Banking Enquiry Committee of 1929-30, representatives of the Nattukottai Chettiar firms told the Madras native officials that they had been trading in Singapore and Ceylon from about a hundred years back. In the early stage their business in the Straits was to sell *lungi* cloths dyed on the east coast of Madras to the Malays. They entered the Irrawaddy vally after the British annexation of Lower Burma in 1852, financing Burma rice which became a principal export crop in the world market with the help of the large cash loans (Ngwedo loans) made available by them to the Burmese peasants. At about the same time they entered into the financing of opium imports into the Straits, endorsing the promissory notes of Chinese merchants purchasing opium over to the Oriental Bank, the Chartered Bank of India, Australia and China and the Chartered Mercantile Bank.

In the 1870s they were active in the exchanges between India, Rangoon and the Straits, utilizing the services of the exchange banks as well as their own *adathis* (remittance agents) to move money to and fro to take advantage of the fluctuating dollar-rupee ratio, and were at the same time busy extending their loan operations in Burman and Malayan territories where British law offered a perceptibly greater facility for recovery of loans than in their own native Madras. From their bases in Penang and Singapore, they extended their operations to the neighbouring Dutch territories of Deli and Medan and to the independent kingdom of Siam, possibly in association with the British exchange banks which opened up branches in Medan and Bangkok in the 1880s and 1890s. By the turn of the twentieth century, Chetti bankers had spread to the French territory of Cochin China and were speculating in the money exchanges of Saigon.[38] Their loan and exchange operations, which expanded even more rapidly from the last years of the nineteenth century to the eve of the Great Depression, were grouped into five well-marked zones: (1) Madras; (2) Burma; (3) the Straits zone with centres at Penang and Singapore and extensions from Penang to Deli-Medan and from Singapore to Bangkok; (4) Saigon and (5) Ceylon.[39]

The flexible partnership arrangements among the Nattukottai Chettiar community, in which two members of the same family could be partners in several different firms, created an interlocking set of banking firms operating in all five zones. Each partnership firm operated through a system of agencies at its overseas branches, the agents being young members of the community sent out to manage branches on three year contracts which included an advance, a monthly salary and a share in profits, control over the agents being exercised through examination of weekly or monthly despatches of day book extracts. The light structure of the community, divided into several *nagarams* with a temple (*Rovil*) at the head of each which exercised caste discipline, ensured the harmonious and coordinated functioning of the partnership times with their far-flung agencies. At every overseas centre the agencies operating locally met at the Nagaraviduthi where they collectively determined the bazaar rate among themselves at the beginning of each month. In fixing this rate, which was called the *Nadappu* rate and which represented the uniform rate at which loans could be called upon between firms within the community, the prevailing bank rate was taken into consideration, but essentially the rate was determined by striking an average between the rates quoted in a secret ballot of every firm, i.e., by reference to the demand and supply for capital within the Nattukottai Chettiar community. The rates for loans to outsiders — Chinese, Malays and Burmans — were quite different from the *Nadappu* rate, being determined by individual arrangements, naturally at higher level.[40]

The Chinese network in Nanyang was not only more ancient and more widespread, but also less dependent on the British connection so evident in the Chetti capital migration. Three stages can be distinguished in its development. Before the rise of Singapore, Chinese activity in Nanyang was dispersed and it consisted in the annual voyages of junk fleets from Amoy and other ports on the South China coast, and in the isolated peddling operations of dispersed Chinese colonies in the Archipelago which were cut off from China on account of severe Manchu emigration laws.[41] Singapore, in the second stage, provided a centre to which the annual junk fleets from China and the Chinese pedlars from the islands could assemble and do business within a more permanent and rational framework provided by a new class of *towkays* who set up permanent stores on the island[42] and slowly converted the Chinese pedlars' runs over the waters into regulated two-way movements of goods and money between branches of the same firm.[43] Finally, the simultaneous opening of several treaty ports on the China coast and the lifting of the imperial ban on emigration to Nanyang in 1860 released a flood of new migrations of labourers and merchants from China which, together with the greater ease of communications in the steamship-cable age, sustained the growth of Nanyang Chinese firms with home bases in British Hongkong, or in the foreign concession areas of Shanghai, Foochow and Tientsin or in their own native Amoy, Swatow and Canton.[44] The arc of Chinese colonies in Nanyang — the settlements on the west coast of Borneo, the Java Chinese campongs of Surabaya, Semarang and Batavia, the planting and mining communities of Banka, Billiton, Riau and northern Sumatra, the Chinese *entrepôts* of Penang and Singapore, and the flourishing settlements of Bangkok and Saigon — was elongated northwards to link up with the South China coast. With twin financial centres at Singapore and Hongkong, this close Chinese mercantile circuit enabled Chinese firms in Java and the Outer Possessions to conduct business operations largely outside Dutch-controlled

The banker Raja Bagwan Dass, 1900

waters, in close conjunction with offices located in China, Saigon, Siam and the Straits.

The leading Chinese business magnates at the turn of the century had places of honour and profit in Dutch, British, as well as Chinese imperial circles. Because of their extensive involvement in Siam and Saigon rice which they distributed all over the Archipelago, the Straits and the China ports, they were not dependent on any of these circles for a good part of their operations. Take, for instance, the Deli and Penang millionaire, Thio Tiauw Siat, who founded the Singapore Chinese Chamber of Commerce in 1906, or the Chinese Mayor of Semarang, Oei Tiong Ham, who spent his latter years mainly in Singapore where the greater part of his concerns were concentrated on the eve of the First World War. These two highly honoured Dutch subjects both opened offices in the Straits Settlements where business grew so much that they could hardly afford to spend any time in their Netherlands India offices.[45] They were no isolated examples: Wright's Chinese business directories of Batavia, Semarang and Surabaya record many less celebrated firms at the turn of the century quietly turning over their capital in extremely profitable operations in the Straits, Siam, Saigon and the China ports.

Typically the same firm would operate under double identities, in the form of a Dutch-registered company and a Chinese *chop* (seal) partnership. To take an example from Semarang, where the Chinese company had particularly strong business traditions that developed independently of Dutch control, Handel Maatschappij The Ing Tjiang, *chop* Merk-Kong Sing, was incorporated in 1899 out of a *chop* firm founded by The Ing Tjiang in 1860. One of the largest produce firms in mid-Java, it operated in sugar and rice with branches in Surabaya, Singapore and Amoy, its operations being directed outwards from Dutch waters to Burma, the Straits Settlements, Siam and China.[46] A Surabaya concern incorporated in 1885, Handel Maatschappy Djoe Tik, had flourishing branches in Hongkong, Singapore, Bangkok and Saigon at the turn of the century, the two controlling partners being in charge of affairs respectively in Singapore and Surabaya. This Java firm, too, exported sugar and imported rice.[47] In Batavia itself, the seat of Dutch domination, the Chinese control of the rice trade in which the Dutch had no stake afforded large business to well-known firms like Kong Seng Bee, whose initials, KSB, was known in many leading rice markets of the world. This partnership firm not only gathered rice from all parts of Java, but imported it from Rangoon, Siam and Saigon as well, and exported hides and Java produce on a large scale.[48]

Rice had become an increasingly important factor in inter-Asian trade in the quarter century before the outbreak of the First World War, providing an assured field of operations for Nanyang Chinese capital. As the trade in tropical produce with Europe and China increased, whole native communities in the islands and the Malay peninsula turned to mining, planting and jungle produce gathering and became dependent for food on purchase of rice from Chinese traders. The growth of large towns like Singapore created a steady demand for rice which gave the Chinese traders an assured market, a base from which they could extend rice exporting operations to more seasonal and less certain markets, which were opened up by the growth of population in Java, India and China and by seasonal deficits created in these large rice markets by floods or famines. The main sources of surplus food in Nanyang were Burma, Siam and Saigon rice. Big British mills exported Burma rice to India and Europe, but the Hokkien, Cantonese and Teochew traders controlled Siam and Saigon rice through an elaborate buying and milling organization operating up the Menam and Mekong valleys and centred on Bangkok and Saigon.[49] Rice was pulled out from these valleys and sent off to Java, Singapore, China, the lesser islands of the Archipelago and the Malay peninsula through a four-tiered Chinese hierarchy: the Chinese millers and exporters of rice purchased paddy from syndicates of Chinese paddy merchants who employed and financed Chinese agents located at principal collecting centres, where the paddy was brought by small Chinese shopkeepers and pedlars (*ang-sao* or *ramasscur*) who secured the hypothecated crop directly from the native growers by means of loans which had 'descended in a cascade' from the syndicates.[50]

As the scope of operations of the Chinese financiers and merchants became larger, they sustained these large operations by creating syndicates which their tight community organization made it feasible to put together. The principle of mining and trading in association (*kongsi*) among the Nanyang Chinese derived from traders and bankers' guilds (*kung-so*) maintained by immigrant communities from other areas in major China towns, e.g. the Cantonese Guild (Kuang-Chao Kung-so) or the Ningpo Guild (Ssu-ming Kung-so) through which the Cantonese merchants and the Ningpo bankers operated respectively in Shanghai.[51] The Chinese traders in Sinkawan and gold miners in Montrado on the west coast of Borneo were organized in self-administering republican communities (*kung se*) when G.F. Earl made his voyage to Sambas in 1834. These early republican *kongsis* acknowledged neither the Dutch nor the Emperor of China as suzerain,[52] but the tin mining *kongsis* of Chinese miners that worked the tin mines of Banka and Billiton were controlled by the Dutch through appointed headmen (Kapitan-China).[53]

In Singapore, there were no less than 70 registered societies and *kongsis* in 1879, one of which, the Ghee Hok Society, regulated rates of interest among the members.[54] But the greatest Chinese corporate ventures were the opium syndicates in the Straits that sprang up around 1889: one such syndicate, the Penang opium and liquor farm (1907-1909), consisted of sixteen prominent Chinese businessmen who paid the government 135,000 dollars a month and retailed the imported opium through 145 licensed sub-farms.[55] The basic principle of trading in partnership (*kongsi*) in all these instances was the sharing of profits according to the amount put up by the partners. The Chinese partnership firms kept the dealings among themselves separate from dealings with non-Chinese firms by means of the *chop*, a seal belonging to each firm through which it guaranteed deals, raised credit and concluded transactions with other partnership firms within the community of Chinese merchants. The *chop* was not used in dealings with the English or the Dutch: for that purpose the Chinese concerns in the Straits and in Java turned themselves into registered companies.[56]

III. Growth of the Asian Money Market in Nanyang

Dutch, French and English traders found no existing Asian money market to facilitate payments and guarantee sales in Southeast Asia. In view of their experience in China, where native banks (*ch'ien chuang*) guaranteed through 'native orders' the sale of goods on credit by foreign traders to importing Chinese merchants,[57] they looked around for such bankers' guarantees to back their sales among Chinese customers in Nanyang. But such facilities did not exist in southern waters. There were no *ch'ien chuang*, to endorse Chinese traders' bills there: not even in Saigon, the shortest distance from Hongkong to any Nanyang commercial centre. And yet Shansi bankers were known to be active in financing by bills the far longer overland trans-Siberian trade in brick tea from Hankow to Moscow.[59] Nor were there, at the beginning of the nineteenth century, any Indian shroffs whose *hundis* the foreign traders had long been in the habit of using to raise credit and remit money in India itself. To go by Tavernier's account, *hundis* had been available at Surat on Bantam, Achin and the Philippines at high and uncertain rates way back in the seventeenth century.[60] But when Raffles planted the Union Jack on the obscure island of Singapore, not only were there no native orders, no *hundis*, nor any bill market run by Asian bankers anywhere in southern waters, but even hard cash was a rare instrument in commercial transactions.

Chinese traders exchanged goods with the native islanders mainly by barter — a phenomenon that persisted on a diminishing scale well into the twentieth century[61] — and the Chinese in turn forced the Europeans to conduct transactions mainly by supplying imported goods in advance against future delivery of tropical produce. The European firms struggled against this and tried repeatedly to introduce cash as the basis of commercial transactions, but money in circulation was so short of requirements even in the burgeoning *entrepôt* of Singapore that their efforts were in vain for quite some time to come.[62] The small copper cash in use in the islands and in Malayan waters came mainly in junks from China, and as these were essential for small purchases, petty Chinese money changers were found in every port doing an active business in changing the silver dollar for copper cash.[63] There is no evidence of any larger class of Asian merchants dealing in money as a specialized pursuit in Nanyang ports at the beginning of the nineteenth century. Yet by the end of the century, the enormous *entrepôt* trade centred in Singapore was financed by an active Asian Straits money market holding sway over the Eastern Archipelago and the Irrawaddy, Menam and Mekong deltas. How did it spring up and attain such a size in so short a time?

It was the Chinese promissory note, and later on the Chetti acceptance, that wrought this transportation in less than a century, with substantial assistance from exchange bank discounts which became forthcoming at the stage coinciding with the growth of Chetti acceptances. But at no time was this Asian money market dependent on the banks for any but a small share of its total resources, though initially the growth of paper credit among the community of Asian traders seems to have been sparked off by the requirements of trade with the Europeans in the Straits. In the fiercely competitive business environment of the Straits, the Europeans found it essential to enter into forward transactions and to sell goods on credit to Chinese merchants in order to stay in business. As the Chinese were found to be punctual in their payments, English piecegoods merchants provided them with whole cases or bales to retail to natives during the English occupation of Java, on the security of simple notes of hand.[64] These notes of hand evolved as Chinese promissory notes in the new town of Singapore, and became negotiable instruments as its trade expanded rapidly.

The impulse for this came in 1835, when the European traders collectively resolved at a meeting in the Exchange Rooms 'that on making sales, if at a credit, promissory notes or acceptances shall be taken; and that in all cases, the payment of the same, at the expiration of 3 days' grace, shall be strictly enforced', — it being understood that the promissory notes might be drawn at three to six months.[65] This notice was translated into the Chinese, Kling and Malayan languages and circulated in the bazaar. It is not clear as to who among the Asian business community of the town were expected to issue acceptances; there were no Chinese native banks yet, but presumably bigger Chinese firms, or compradors who had the confidence of the European firms, were engaged in endorsing the promissory notes of smaller Chinese firms, or of dealers unknown to the Europeans. From the reference to the translation into the 'Kling' language, it seems possible that South Indian traders, possibly Nattukottai Chettiars, were expected to engage in the acceptance business as well. They were certainly doing so in a perceptible manner a quarter century later. In the absence of *ch'ien chuang*, Chetti bankers emerged as the intermediaries between the Chinese traders and the exchange banks.

References to Chinese private bankers in southern waters are hard to come by in English sources, and belong in every case to the later nineteenth century. But there was no problem of credit among the Chinese dealers, pedlars and merchants; in fact, to judge from the complaints of the European traders in Singapore, quite the contrary. In their opinion, the real evil was too easy credit being available to too many petty Chinese dealers. They attributed the 'periodical *smashes* in the native trade' — especially the two successive crises of 1858 and 1864 — to the tendency towards over-trading encouraged by such unsound inflation of credit: 'a coolie has only to put on a clean *baju* and to go to European godowns, when he will obtain goods on as much credit as he wishes'.[66] The reason for this, according to the British press in Singapore, was the fierce competition among the European houses to effect sales, which ruled out a proper discrimination in the selection of Chinese dealers buying on credit, and the new credit injected by the exchange banks, which were too freely discounting the promissory notes of the Chinese and were yet to lay down an individually determined limit on the amount of accommodation to be given to each native trader.[67] After the smash of 1858 the Singapore Chamber of Commerce resolved to stop the European firms from granting large advances to the Chinese against future delivery of Straits produce: an announcement which reflected their conviction that Chinese merchants really traded on the credit of the Europeans.[68]

This, however, was an optical illusion. Asian traders in Singapore, both Nattukottai Chettiars and Chinese, saw it the other way round. There were Chinese tycoons on the island who were engaged in financing some big European firms and the crisis of 1864 started when two of the oldest and largest European firms in Singapore, 'largely indebted to Chinese traders of all kinds', failed with liabilities over a million dollars: this naturally reacted on the Chinese produce dealers, who began suspending payment one after another.[69] The volume of credit they had at their command at this time, mobilized mostly within their own community by means of promissory notes endorsed over to one another, is shown by the fact that one Chinese firm failed with liabilities of around 750,000 million dollars.[70] The credit of the Europeans was profoundly shaken among the Asian trading community by the failure of the foreign firms to meet their obligation to the Chinese. There were three major banks operating in Singapore at this time: the Oriental Bank (branch established 1846), the Chartered Mercantile Bank (1855) and the Chartered Bank of India, Australia and China (1864). The Nattukottai Chettiar opium financiers, who were closely associated with all three banks, adjudged that the paper notes of Mercantile and Chartered were too risky to accept, and when the Chinese opium purchases found that the Chettis were refusing to accept bank notes and would only trade opium for silver, the notes of Chartered and Mercantile began to be unloaded on the bazaar at 3 or 4 per cent discount and next morning the Chinese rushed to the two banks to get their notes changed for silver. The *towkays* realized the danger to the fabric of mercantile credit in Singapore and overnight they managed to calm the petty Chinese dealers. Most of them had no bank accounts any way and as the connection between the banks and the Asian money market was so tenuous, the crisis did not spread further and the run on the banks was checked.[71]

In the era of easy financial prosperity that followed with the opening of the Suez Canal, mercantile credit and cooperation among the three main communities in the Straits — Chinese, Chettis and Europeans — was quickly restored and soon carried to a higher level than before. When promissory notes endorsed over to one another would not do to finance deals among the Chinese firms, and hard cash was required for some transaction, the Chinese traders would draw these negotiable instruments in favour of Chetti bankers, who, in turn, would discount the notes with the exchange banks if their own resources did not suffice to meet the Chinese demand for accommodation. The Chinese drew the promissory notes on demand but arranged by word of mouth with the Chettis when the notes would fall due, and the banks accordingly discounted notes for fixed periods of two, three or four months.[72]

Around 1872 the local bills discounted in Singapore by the Chartered Bank of India, Australia and China were restricted to acceptances drawn at two or three months' date by Chetti bankers and Chinese financiers on Chinese opium importers but by 1880 the local discounts of the Chartered Bank — the bulk of them Chinese promissory notes endorsed over to the Chettis — represented money borrowed by the Chinese from the Chettis for more general trade purposes.[73] Their expanding business and connections in the Straits enabled the Chetti bankers to extend lending operations in the direction of Deli, Bangkok and Saigon, where the establishment of branches by the Chartered Bank, with which a relationship of mutual confidence had been established in the 1870s, helped the agents of the Chetti banks to build up new business: by the twentieth century Chetti money had become an important factor in financing Saigon rice[74] in addition to Burma rice which it had helped build up into a major world market product in the years following the opening of the Suez Canal.

The banks rarely sustained any loss in the discount of local bills in the Straits, for the Chettis took care to deal only with Chinese merchants who were financially sound, and in the discreet *nagarathar* operations among Chinese borrowers in Penang and Singapore, the banks found an effective substitute for the services offered by *ch'ien chuang* in Shanghai. The *nagarathars* prosecuted such strict enquiries into the affairs and movements of their clients that they seldom suffered any serious loss[75] — a matter of vital importance to the banks which were suspicious of the Chinese system of trading under double identities and fearful of the Chinese taking shelter behind the anonymous *chop* in case of insolvency. As a committee appointed by the Government of the Federated Malay States certified, the Nattukottai Chettiars, living among the borrowers in the simplest fashion, could lay a finger on the pulse of any man's business, and could be certain of recovering loans which they had given out on the basis of notes of hand with no pledge.[76]

Moreover, they were not slow to avail themselves of the law: it was a common saying in the Straits that the Chettis divided the day between the banks and the law courts. The system of joint signatures by which the *nagarathars* guaranteed each other enhanced the security of the bank loan: two or more Chettis would join in a group, obtain large amounts from the banks on demand notes signed collectively, and lend the money out, after dividing it among themselves, to Chinese traders at rates of 10, 15 and sometimes 20 per cent interest per month. The bank regulated the amount up to which it would discount demand notes by taking note of the standing of the individual Chetti borrower, and sometimes took the additional precaution of taking a personal guarantee from its own shroff (head cashier) who might be a Chetti himself.[77] For Chinese businessmen who applied for loans directly — a phenomenon growing over time — the banks similarly employed Chinese compradors whose function was to determine credit ratings, accept responsibility for every new Chinese account, and guarantee loans given to Chinese customers.[78]

The *nagarathars* traded to a greater extent than the *towkays* on capital borrowed from the banks, but the Europeans were quite mistaken in their impression that the financial system maintained by the Chettis was a mere extension of the banking system.[79] The Chetti banking firms, strongly integrated by interlocking partnership arrangements, traded with very large amounts of aggregate capital simultaneously from Madras, Colombo, Rangoon, Penang, Singapore and Saigon and were capable of rapid transfers of funds between each of these five money markets.[80] No detailed nineteenth century estimates are available, but according to the analysis of the Indian Income Tax Department in 1929, the Nattukottai Chettiars were rolling over 66 crores of rupees in their banking business at home and abroad on the eve of the Great Depression, of which 44 crores was their own capital and 22 crores was borrowed (see Table 1). As besides their own capital they took deposits from the Nattukottai Chettiar community and other people in Madras, and at the same time mobilized substantial amounts of capital by means of *Thavanai* deposits[81] from Burmans, Ceylonese and Chinese in Rangoon, Ceylon and the Straits, the amount of capital they borrowed from the banks in their loan operations was not the critical component in their banking business.

The large amount of aggregate capital at the command of the *nagarathars*, the wide area of their operations and their ability to concentrate resources at any one point according to the need of the hour, and the fact that they could afford from this position of strength to choose only clients of sound credit and to leave the more risky business of loans to unsound borrowers to native money-lenders, all these were factors which ensured that their money would not lie idle at any time, enabling them to finance the rice growers in Burma and Saigon at lower rates of interest than the native loan sharks, and to engage in exchange operations to take advantage of fluctuating rates of exchanges between the rupee zone (Madras, Calcutta, Rangoon) and the dollar zone (Penang, Singapore and Saigon).[82]

The *nagarathar* exchange operations attracted notice in the Straits after the laying down of the cables by the Eastern Extension Company from Madras to Penang, Singapore, Batavia, Hongkong and Shanghai in 1872 made it possible for the exchange banks to offer telegraphic transfers of money.[83] In the early 1880s the Penang branch of the Chartered Bank of India, Australia and China found its rupee sales on Calcutta and Rangoon increasing steadily on account of drawings by the Chetti bankers, who had begun to shift funds to and fro between India, Burma, and the Straits, drawing on India and investing the proceeds in Penang and Singapore when the rate was favourable in the Straits, and remitting to India when the rate of exchange was reversed. The exchange banks were willing to finance these operations — allowing the Nattukottai Chettiars credit at 9 1/2 to 11 per cent interest (per annum) on their purchases of rupee drafts for periods ranging from a fortnight to two months — because the *nagarathar* transactions, being concerned entirely with India, did not compete with the exchange business of the banks which operated on the sterling exchanges in London.[84]

By the twentieth century the Nattukottai Chettiars had extended these operations to Saigon, moving money from Madras and Rangoon to Penang, Singapore and Saigon whenever the dollar fell in value in relation to the rupee.[85] They did not operate solely through the exchange banks. Besides moving funds by telegraphic transfers through the Chartered Bank, Mercantile Bank, Hongkong and Shanghai Bank, Nederlandsche Handel Maatschappij, Yokohama Specie Bank and other banks with which they had opened relations, they also had their own 'hundial shops' in Rangoon, Penang, Singapore and other important centres which enabled them to transfer money to Madras or Chettinad by means of *hundis* on which a discount (*vattam*) was charged. The Chetti bankers operating in the Straits had *adathis* (commission agents) in Madras with whom they contracted that all *hundis* issued by them, or to them, in India would be paid, or received, on their behalf by the *adathi* shops.[86] Instead of relying solely on telegraphic transfers through the exchange banks, the Chetti bankers thus organized their own system of remittances between India, Burma and the Straits, carried on through *adathis* belonging to the Nattukottai Chettiar community who bought and sold *hundis* on commission.[87]

Unlike the *nagarathars*, who invested their capital almost exclusively in lending and exchange operations, the *towkays* spread their money in a far wider range of enterprises — planting, mining, dealing in Straits produce, marketing imported goods, farming spirits and opium, sago manufacture, shipping, organizing the *Sinkheh* traffic, contracting for Chinese coolie labour and so on. The wide range of their productive enterprises made the Chinese a more permanent element in the population of Nanyang than the Nattukottai Chettiars, who lacked social and political distinction in the Straits despite handling very large sums of money. On account of their transitory character as triennial bank agents, they could never win the honours that fell to some of the tycoons of the Hokkien, Teochew and Cantonese communities.[88] The profitability of their wide ranging activities prevented these Chinese tycoons from concentrating capital in specialized loan operations on the model of the Chetti bankers. The latter had in any case captured the position of intermediary between the banks and the Asian trading community — hence specifically banking pursuits did not figure prominently in the activities of the *towkays* until later in the nineteenth century. Nonetheless, the Chinese tycoons loomed large in the world of Singapore finance mobilizing resources within the community by a wide diffusion of credit deals that enabled the smaller Chinese pedlars to sail to the islands, peddle imported goods and bring back tropical produce. The remarkable case with which credits moved within the community through the extensive use of promissory notes enabled many *sinkhehs* to become *towkays* in less than twenty years.[89] The bulk of the Chinese promissory notes, which the Chetti and exchange banks found by experience to offer the best and safest of the local bills to finance, never came within the range of their discount business at all. As the case of *Heng Mo and Ang Ching Seng* v. *Creditors* (1885) revealed, the Chinese firms invariably used the *chop* to guarantee deals among themselves, to raise credit for friends, relations and connections, to endorse the promissory notes of weaker firms to enable them to get delivery on credit, all the while keeping these operations strictly separate from dealings with outsiders which were conducted through registered companies.[90] Moreover, the Chinese financiers were not slow to take advantage of their superior knowledge to take the pick of the discount business for themselves. In the years following the crash of 1866, the exchange banks found their discount business much reduced by the operations of a prominent Chinese firm which made skilful use of its knowledge of the bazaar to quote rates lower than the banks could afford to offer.[91]

Financial operations with the more specific characteristics of the banking business probably began among the Straits Chinese in the sphere of remittance operations between Singapore and the China ports. As the remittances to Kwangtung and Fukien by the new Chinese immigrants to Nanyang grew in size, the profits of the small remittance pedlars (*seu pe ke*) attracted the class of *towkays*, who gradually cut into the business by setting up banking and remittance shops in the 1870s and 1880s. On the eve of the Opium War, the business was in the hands of shipmasters and carrying agents who agreed to carry the remittances either in cash or in the form of rice and other useful goods, on the junks sailing back to China, levying a ten per cent commission on remittances in cash but carrying them free of charge if allowed to invest the money in goods for sale.[92] After the opening of China, the business assumed by slow stages a more organized form and by 1876 there was a class of Singapore Chinese bankers, operating alongside the pedlars, who undertook faithfully to deliver remittances to addresses in the remotest parts of Kwangtung and Fukien. When the British Post Office sought to take over the business by issuing postal money orders in that year, the *towkays* instigated a riot in the town and the money order system had to be closed down:[93] the Chinese, explained the *towkays* to be the Protector of the Chinese, 'like to do things in the Chinese fashion'.[94]

While setting their face against any British innovation, the Chinese subsequently reformed the system themselves by substituting regular money shops for the itinerant collectors who made periodic trips to their villages in China carrying the savings of their fellow villagers. Around 1886 there were no less than 4000 of these remittance pedlars, and only about 70 Hokkien and Teochew money shops acted as remittance agents; but a move was taken in that year to concentrate remittance through money shops capable of using modern exchange and telegraphic facilities, and in the years following this the pedlars gradually disappeared and the business was ultimately concentrated in the hands of 250 remittance banks.[95]

Compared to the Shansi banks and the Ningpo Ch'ien in China, the Nanyang Chinese money shops had a narrower scope and a looser organization.

It was not part of their activity, like the Shansi and Ningpo banking firms, to issue paper notes, which was the preserve of British exchange banks in the Straits and the Java Bank in the Archipelago. The attempts of one Cantonese capitalist in the Straits to circulate his own paper notes never got beyond the stage of restricted circulation on his own plantations, and the notes retained full value only to himself.[96]

References to banking activities in Nanyang Chinese biographical sketches are rare: we come across one Hokkien trader from Amoy named Low Kim Pong who arrived in Singapore in 1858 and set up, besides a Chinese druggist's store, 'a private banking business which was much patronised in the days before there were Chinese banking houses';[97] we also encounter a settled Dutch subject named Be Tiat Tjong, who was born into a banker's family in Semarang (1889), but we learn nothing about his family's banking business beyond the fact that he took charge of it (the Be Biauw Tjwan Bank) upon returning from Holland with an engineering degree.[98]

From the meagre character of such occasional references, it is evident that there was no distinct class of Chinese bankers in Nanyang organized in guilds on the pattern of the Shansi and Ningpo associations. The Nanyang Chinese whom we encounter in the later nineteenth century in the capacity of private bankers conducting remittance and discount operations belonged to the Hokkien, Teochew and Cantonese communities. These had no previous tradition as banking communities in China, nor any record of possessing specialized financial institutions like the Shansi and Ningpo communities. The *towkays* thus pursued private banking as a side line amidst other profitable operations in Nanyang. Their financial operations were widely diffused, but were nevertheless confined within the Chinese overseas community and were sharply distinct from the activities in the European money market of the Straits and the Archipelago.

Both English and Dutch financial interests were suspicious of this separate world of Chinese finance and trade.[99] The exchange banks in the Straits sought a grip over this unknown world, functioning through the incomprehensible *chop*, by pressing through a new law in 1906 that provided for compulsory registration of partnerships. The measure raised a clamour of protest from the numerous Chinese dealers who had so long carried on the bulk of the trade of the Archipelago with no banking facilities, purely by means of their own community financial arrangements. Till around the last decade of the nineteenth century, indeed, there were not fifty Chinese traders who could be pointed out as having bank accounts. It was the increased number of Chinese who entered into direct relations with the banks at the beginning of the twentieth century that motivated the exchange banks to hurry through the compulsory registration bill, with a view to getting 'a better insight into the partnership arrangements of their constituents'.[100]

The Chinese business community, however, showed themselves to be quite capable of coping with the new challenges of twentieth century business and finance: under the leadership of Thio Tiauw Siat, they organized the Singapore Chinese Chamber of Commerce in 1906. They had already started modern banks of their own. The Cantonese capitalist who had earlier tried in vain to circulate his own paper notes, Wong Ah Fook, set up the first Chinese bank — the Kwong Yik Bank — in Singapore in 1903. A group of Teochew capitalists set up the Sze Hai Tong Bank to operate between Singapore and Bangkok in 1906. These relatively smaller concerns were succeeded by three big financial institutions — the Eastern United Assurance Corporation (1912), the United Commercial Bank (1912) and the Ho Hong Bank (1917) — which firmly established the Singapore Chinese in the world of modern finance.

The move towards modern business and corporate finance was not confined to Singapore, or to the Chinese. The earliest Chinese banks to become prominent in Java were the N.V. Bataviasche Bank, the Deli Bank, the Chung Wah Bank and the N.V. Oei Tiong Ham:[101] these institutions reflected the tendency among the Java Chinese to withdraw from money-lending and pawn-shops, which the Dutch government was gradually taking over, and to concentrate on new forms of activity connected with the Nanyang trade in which they had established themselves independently of the Dutch. The Nattukottai Chettiars in the meanwhile pioneered the Indian Bank in association with some professional families in Madras (1907), and on the eve of the Great Depression one *nagarathar* family owning two banking firms with numerous branches in Ceylon, Burma, the Straits and Saigon incorporated the entire complex into the Bank of Chettinad.[102]

These modern Asian enterprises of the twentieth century grew continuously out of nineteenth century trading and banking groups rooted in an even older context of Asian maritime and monetary activity. It would be wrong to dismiss this process as the bastard outgrowth of imported Western capitalism. Few among the promoters of the successful twentieth century Asian enterprises were 'compradors', in the technical sense of the term.[103] More usually they were independent private bankers, financiers and wholesale merchants who had long been engaged in mobilizing and employing capital through time-tested Asian techniques and channels, which not only proved perfectly capable of yielding large returns in the new colonial context, but which the colonial interests found sufficiently sophisticated for utilization in their own operations on terms profitable both to themselves and to their Asian associates. Though political power passed to the Dutch and British colonial interests, the Chinese and Nattukottai Chettiar communities were found to have effective institutional devices to preserve their autonomous commercial identities: the Chinese adopted the system of trading under double identities and used the *chop* among themselves, while the Nattukottai Chettiars maintained the *Nadappu* rate within the community and regulated relations with outsiders through the *Nagaraviduthi*. The organization of Chinese and Chetti finance was thus distinct from that of the Western money market till the early years of the twentieth century, but when the time was ripe, the *towkays* and the *nagarathars* adopted modern forms of business. Upon the whole, and taking especially into account the loanable money they made available to Asians, the

Chinese *towkays* and the Chetti *nagarathars* made a contribution to the development of the Nanyang money market no less significant than that of the Dutch and British banks.

Notes

1 J.C. Van Leur, *Indonesian Trade and Society. Essays in Asian Social and Economic History* (Bandung 1955) passim.

2 J.H. Boeke, *Economics and Economic Policy of Dual Societies as Exemplified by Indonesia* (New York 1953) 12-15.

3 The nineteenth century European term —'Indian' or 'Malayan' Archipelago— is, I imagine, unsatisfactory to my Indonesian colleagues, and for the same sort of reason, 'Indonesian' Archipelago might be objected to in Singapore and Kuala Lumpur. The difficulty arises from the fact that a commercially homogeneous area is now divided by the accidents of colonial and post-colonial political history into Indonesia, Malaysia and Singapore. The Chinese had a more ancient and commercially more meaningful term for the entire area — Nanyang. As Wang Gunguru points out, the area of the Nanyang is not conterminous with Southeast Asia but is rather to be identified as those areas reached by the Chinese (and one might add, Indians) by sea and not by land: i.e., the maritime belt of the Malay peninsula, the Irrawaddy, Menam and Mekong valleys and the islands stretching outwards from the Straits of Malacca. Wang Gunguru, *A Short History of the Nanyang Chinese* (Singapore 1959) 1ff.

4 *Towkay* is a Hokkien expression meaning 'the head of a business', but is used by other Nanyang Chinese groups as well to denote the financial and commercial magnates within the community. *Nagarathar*, literally 'bourgeois' or 'townsman', is a term applied to members of the Nattukottai Chettiar community of Tamil Nadu, a banking caste divided into several *nagarams* or 'towns' (exogamous clans) with a temple at the head of each.

5 G.F. Earl, *The Eastern Seas or Voyages and Adventures in the Indian Archipelago in 1832-33-34 comprising a Tour of the Island of Java — Visits to Borneo, the Malay Peninsula, Siam, & c.; Also An Account of the Present State of Singapore, with Observations on the Commercial Resources of the Archipelago* (London 1837) 23-24 and passim.

6 Quoted by J.W.B. Money, *Java; or, How to Manage a Colony. A Practical Solution of the Questions now Affecting British India* I (London 1861) 300 and 325.

7 Clive Day, *The Policy and Administration of the Dutch in Java* (London 1904) 360.

8 Money, *Java*, 39.

9 In a consular report on the trade of the Archipelago, the distinction was clearly drawn by the American trade consul, who commented: 'It is this trade in Dutch East Indian products, carried on by the Chinese, that has built up Singapore into one of the greatest primary markets of the world.' Frank R. Elrige, *Trading with Asia* (New York 1921) 197 (Far Eastern Division of the U.S. Bureau of Foreign Domestic Commerce).

10 'The Bugguese prows from Celebes and other parts of the Eastern Islands, will resort to the settlement of Singapore with their goods, and barter them for manufactures, in preference to going to Malacca or Batavia, and it will soon become a depot for the Eastern traders.' J. Horsburgh in a letter to Raffles, quoted in Sophia Raffles, *Memoir of the Life and Public Services of Sir Stamford Raffles* [. . .] *and Selections from his Correspondence* (London 1830) 401.

11 Raffles' minute 'On the Administration of the Eastern Islands 1819' given in the appendix to Sophia Raffles, *Memoir*, 5-10.

12 Earl, *Eastern Seas*, 237 and passim. By the time of Earl's voyage, the junk fleets from Amoy and other South China ports annually voyaging to Nanyang had deserted Batavia for Singapore and the Bugis *prahus* were weaving their way through the maze of unpoliced channels in the Archipelago to the free port in annually increasing numbers. Ibidem, 23-24.

13 The NHM operated only in the trade between Java and Holland and the Dutch ships seldom penetrated beyond Java. Ibidem, 24-25, 32-33.

14 G.F. Davidson, *Trade and Travel in the Far East; or Recollections of Twenty One Years Passed in Java, Singapore, Australia and China* (London 1846).

15 Wong Lin Ken, 'The Trade of Singapore 1819-1869', *Journal of the Malayan Branch of the Royal Asiatic Society* 33 (1960) 81-83; C.M. Turnbull, *The Straits Settlements 1826-67. Indian Residency to Crown Colony* (Singapore 1972) 169, 185.

16 Earl, *Eastern Seas*, 177; Arnold Wright ed., *Twentieth Century Impressions of British Malaya. Its History, People, Commerce, Industries and Resources* (London 1908) 716, 726.

17 *Sir Frank Swettenham's Malayan Journals 1874-1876*. P.L. Burns and C.D. Cowan eds. (Kuala Lumpur 1975) 153-154, 156-157 (20, 21 and 25 November 1874).

18 Cheng Siok-Hwa, *The Rice Industry of Burma 1852-1940* (Kuala Lumpur 1968) 185-190; *Report of the Burma Provincial Banking Enquiry Committee 1929-30* I (Rangoon 1930) 105, 203.

19 Nattukottai Chettiars had the following expectation of comparative rates of return on capital: Madras, 8-9%; Ceylon, 10-12%; Burma, 12-15%; the Straits Settlements and Federated Malay States, 15-18%. *Madras Provincial Banking Enquiry Committee 1929-30* IV (Madras 1930) 339.

20 Ibidem, 243.

21 Arnold Wright ed., *Twentieth Century Impressions of Netherlands India. Its History, People, Commerce, Industries and Resources* (London 1909) 557-558.

22 Raffles' minute of 1819, Sophia Raffles, *Memoir*, 12.

23 J.S. Furnivall, *Studies in the Social and Economic Development of the Netherlands East Indies* (Rangoon c. 1933) 2, paper III, State and Private Money-Lending.

24 Even in the heyday of Malacca in the sixteenth century, the native trade of the Archipelago, though certainly not confined to hawkers and pedlars, was not supported by an indigenous money market. There were merchants well provided with capital and dealers in luxury articles and handlers of bulk cargoes. But there was no advanced form of accountancy and no banking and credit system that would have made an international traffic in money possible. M.A.P. Meilink-Roelofsz, *Asian Trade and European Influence in the Indonesian Archipelago between 1500 and about 1630* (The Hague 1962) 7-8.

25 When a questionaire framed in India instructed the Burma Banking Enquiry Committee to find out who the 'indigenous bankers' were, the committee was constrained to reply that 'indigenous banking in Burma was imported by Indians, especially Nattukottai Chettiars'. There was, in that sense, an indigenous money market in Mogul Street, Rangoon, connected with Calcutta, Bombay, Madras, Colombo, Penang, Singapore and Saigon. *Burma Banking Report*, 186.

26 James Cameron, *Our Tropical Possessions in Malayan India* (London 1865; reprint Kuala Lumpur 1965) 135.

27 Davidson, *Trade and Travel*, 76.

28 Frank M. Tamagna, *Banking and Finance in China* (New York 1942) 13; Brijkishore Bhargava, *Indigenous Banking in Ancient and Medieval India* (Bombay 1934) 165.

29 Srinivas R. Wagel, *Chinese Currency and Banking* (Shanghai 1915) 146-147; Kalhana, *Rajatarangini*. trans. Ramjit Sitaram Pandit (New Delhi 1977) 208, 209, 211.

30 Bhargava, *Indigenous Banking*, passim; Wagel, *Chinese Currency*, passim.

31 Cameron, *Our Tropical Possessions*, 135; Day, *Dutch Policy and Administration*, 345.

32 The Javanese traders, according to an anthropological survey in Modjokuto, 'are members of a community which is numerically larger and socially more loosely organized than the Chinese, who pooled their capital and extended their credit through community groupings'. Alice J. Dewey, *Peasant Marketing in Java* (New York 1962) 46-47.

33 *Burma Banking Report*, 186; L.C. Jain, *Indigenous Banking in India* (London 1929) 27-34.

34 Victor Purcell, *The Chinese in Southeast Asia* (Kuala Lumpur 1980) passim; Song Ong Siang,

One Hundred Years' History of the Singapore Chinese. Being a Chronological Record of the Contribution of the Chinese Community to the Development, Progress and Prosperity of Singapore; of Events and Incidents Concerning the Whole or Sections of that Community; and of the Lives, Pursuits and Public Service of Individual Members thereof from the Foundation of Singapore on 6th February 1819 to its Centenary on 6th February 1919 (London 1923) 67.

35 *Selections from the Records of the Bombay Government. New Series no. 212. Hadthramut and the Arab Colonies in the Indian Archipelago.* L.W.C. Van den Berg ed., trans. C.W.H. Sealey (Bombay 1887) 32, 45-51.

36 Quoted in Yen-Ping Hao, *The Comprador in Nineteenth Century China. Bridge between East and West* (Harvard 1970) 117. The trade between the South China coast and Nanyang had for centuries been carried in Chinese junks. Even when European steamships intruded on this run, the junks persisted for some time. Finally the Chinese themselves began to employ steamships. Song, *Singapore Chinese*, passim.

37 Arnold Wrights directory of Chinese and Chetti firms in Penang, Singapore, Batavia, Semarang and Surabaya is the basis of the above conclusion. Wright, *British Malaya*, passim; idem, *Netherlands India*, passim.

38 The above details are taken from A. Savarinatha Pillai, 'Monograph on Nattukottai Chettis' banking business', *Madras Banking Report* III, 1170ff; *Burma Banking Report* I, 343 and passim; Compton Mackenzie, *Realms of Silver. One Hundred Years of Banking in the East* (London 1954) 106-113; Edgar Thurston, *Castes and Tribes of Southern India* V (Madras 1909) 250.

39 Pillai, 'Monograph', 1170.

40 Ibidem, 1171-1172, 1179-1180; Thurston, *Castes and Tribes*, 254-257.

41 William Dampier, *Voyages and Discoveries* (London 1931) 195.

42 Tan Che Sang was the first Chinese merchant to set up, along with Napier, Mackenzie and Scott, a substantial warehouse in Singapore. Raffles to Dr. Wallich, 8 February 1825, Sophia Raffles, *Memoir*, 537.

43 Seah Eu Chin, one of the prominent early Chinese merchants of Singapore who eventually became a member of the Singapore Chamber of Commerce, started as a clerk and pedlar on various junks sailing to Riau, Sumatra and Malayan ports and eventually set up a commission agency and general trading firm in Singapore with regular trade relations with these places. Song, *Singapore Chinese*, 19-20.

44 Wang, *Nanyang Chinese*, 24-25.

45 Thio Tiauw Siat, alias His Excellency Chang Chin Hsun, Minister for the Emperor of China and Consul-General for China in Singapore. Emigrated from Canton to Batavia 1840. Opium farmer to the Dutch in early career. Extended opium operations to the Straits. Set up the firm, Ban Yoo Hin (1886), running three steamers from Achin to the Straits Settlements. Invested in tin mines in the Malay peninsula. In later life, Director of Canton Railway and partner of the Bank of China. Wright, *British Malaya*, 777-781; Song, *Singapore Chinese*, 387. Oei Tiong Ham, alias Hung Chung-Han, born Semarang 1866. Inherited from father (an immigrant Totok from China) the Handel Maatschappij Kian Gwan, which became the leding Chinese sugar and rice firm of Java with offices in Semarang, Surabaya and Batavia in the 1890s. From sugar plantations in Java and import trade in rice from Rangoon, Siam and Saigon, he expanded his concerns to steamships running between Java and Singapore, and subsequently to banking. Leo Suryadinata, *Eminent Indonesian Chinese. Biographical Sketches* (Singapore 1978) 106-107; Wright, *British Malaya*, 180; Wright, *Netherlands India*, 476, 546-548; Song, *Singapore Chinese*, 352-353.

46 Wright, *Netherlands India*, 509-512.

47 Ibidem, 550.

48 Ibidem, 482.

49 Ibidem, passim; Wright, *British Malaya*, passim; Song, *Singapore Chinese*, passim; Purcell, *Chinese in Southeast Asia*, passim; Cheng, *Rice Industry of Burma*, passim.

50 Purcell, *Chinese in Southeast Asia*, 195-197.

51 Mark Elvin and G. William Skinner eds., *The Chinese City Between Two Worlds* (Stanford 1974) 76-77, 104.

52 Earl, *Eastern Seas*, 286-287, 291-292.

53 Wright, *Netherlands India*, 287.
54 J.D. Vaughan, *The Manners and Customs of the Chinese of the Straits Settlements* (Singapore 1879) 98, 109, 113.
55 Wright, *British Malaya*, 154-160.
56 Song, *Singapore Chinese*, 217-218.
57 Wagel, *Chinese Currency*, 183-185.
58 Mackenzie, *Realms of Silver*, 198.
59 Ibidem, 76-77.
60 Jean Baptiste Tavernier, *Travels in India*. W. Crooke ed. (London 1925) 36-38.
61 Peter Blundell, *The City of Many Waters* (London 1923) 126.
62 John Phipps, *A Practical Treatise on the China and Eastern Trade: Comprising the Commerce of Great Britain and India, Particularly Bengal and Singapore, with China and the Eastern Islands* [. . .] *Adapted to the Use of Merchants, Commanders, Pursers and Others, Connected with the Trade of China and India* (Calcutta 1835) 129.
63 S. Osborn, *Quedah, or Stray Leaves from a Journal in Malayan Waters* (London 1865) 216ff; Cameron, *Our Tropical Possessions*, 184.
64 Phipps, *Practical Guide*, 23-24.
65 Ibidem, 269.
66 *Singapore Free Press*, 21 May 1864, extract in Song, *Singapore Chinese*, 126-127.
67 Ibidem.
68 Wang, 'Trade of Singapore', 164-165, quoting *Singapore Free Press*.
69 *Singapore Free Press*, 21 May 1864, extract.
70 Cameron, *Our Tropical Possessions*, 139. There were enough rich men within the community to generate this kind of credit. Tan Kim Seng, who died the same year, was 'worth close upon two million of dollars'. Ibidem.
71 Mackenzie, *Realms of Silver*, 105-106.
72 This was the established practice in Penang around 1875 when the Chartered Bank established its branch there. Ibidem, 110, 112.
73 Ibidem, 108-109, 112.
74 Purcell, *The Chinese in Southeast Asia*, 197n; *Burma Banking Report*, 213.
75 Wright, *British Malaya*, 141.
76 Evidence of Nattukottai Nagarathars' Association, Madras, in *Madras Banking Report* III, 1103. The usual method employed by the *nagarathars* in lending money in the Straits was to accept as security a promissory note signed by the borrower and endorsed by one approved guarantor. Wright, *British Malaya*, 141.
77 Ibidem.
78 Ibidem, 140.
79 Ibidem, 141.
80 *Burma Banking Report* I, 191; VII, 499.
81 *Thavanai* deposits were taken by the *nagarathars* in overseas centres from outsiders. In Rangoon they met every week to determine the *Thavani* rates, as distinct from the *Nadappu* rates payable on deposits from their own community. The loans from outsiders were repayable after a definite period of rest (*thavanai*), 2 months in Rangoon, 3 months to one year in the Straits and Ceylon. Pillai, 'Monograph', 1171, 1179.
82 Pillai, 'Monograph', passim; *Burma Banking Report* I, 343; Cheng, *Burma Rice*, 174.
83 *The Imperial Gazetteer of India. The Indian Empire* II, Economic (new ed. Oxford 1908) 441; Mackenzie, *Realms of Silver*, 40.
84 Ibidem, 112-113.
85 Pillai, 'Monograph', 1186-1187.
86 Ibidem, 1177.
87 Oral evidence of Sevaga Chettiar and Arunachalam Chettiar, *Madras Banking Report* IV, Oral Evidence, 244-247.
88 Vaughan, *Manners and Customs*, 3ff.
89 See amount of as a typical the origins of Ong Hai & Co., Song, *Singapore Chinese*, 171-173.
90 Ibidem, 217-218.

91 Mackenzie, *Realms of Silver*, 108.
92 Davidson, *Trade and Travel*, 55-56; Wong, 'The Trade of Singapore', 113.
93 Vaughan, *Manners and Customs*, 10.
94 Song, *Singapore Chinese*, 187.
95 Ibidem, 67-68.
96 Wright, *British Malaya*, 145.
97 Song, *Singapore Chinese*, 107.
98 Leo Suryadinata, *Eminent Indonesian Chinese, Biographical Sketches* (Singapore 1978) 5.
99 Day, *Dutch Policy and Administration*, 362.
100 J.M. Allison's despatch from Manchester protesting against the injustice to Chinese traders, quoted in Song, *Singapore Chinese*, 382-383.
101 J.S. Furnivall, *Netherlands India. A Study of Plural Economy* (Cambridge 1944) 336.
102 *Burma Banking Report* I, 205.
103 The Sze Hai Tong Banking and Insurance Company, which was a collective Teochew enterprise, had as one of its promoters Tan Swi Phiau, a comprador of the Netherlands India Commercial Bank, but he was independently a shareholder in two companies trading in pepper, gambier and gutta-percha. Wright, *British Malaya*, 146.

Table 1

Nagarathar Liquid Capital 1929 (in Rs. crores)

Country	Own Capital	Borrowed Capital	Total Capital
Madras Presidency	—	—	3
Burma	15	8	23
Federated Malay States, Straits Settlements, Dutch East Indies and Siam	—	—	20
Saigon in French Indo-China	—	—	5
Ceylon	10	5	15
Total	44	22	66

Source:
A. Savarinatha Pillai, 'Monograph on Nattukottai Chettis' Banking Business', *Madras Banking Enquiry Committee* III, *Written Evidence* (Madras 1930) 1173-1174.