

The Negative Role Played by Chettiars in Myanmar's Economy (Early Colonial Period)

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Abstract

This is a study of the Chettiars in Myanmar's Economy in the early colonial period. The development and improvement of agriculture following the British annexation of Bago province in 1852 proceeded apace. At that time, the British introduced Indian coinage as standard currency in Lower Myanmar. Banks were also opened and the use of credit introduced. But the banks did not penetrate into the villages far less the frontier. The cultivator did not have the capital to take up land and extend his cultivation. The link between the cultivators and the European banks came to be formed by the Indian banking community. The most important Indian banking community in Myanmar was the Chettiars. This study finds that the Chettiars, who, as a money-lending class, transferred their activities from India to Myanmar, provided a source of capital for the development of commercial rice cultivation while acting at the same time as an intermediary between the European banks and the farmers. This paper studies how Chettiars participated in Myanmar's economy and played a negative role in the development of commercial agriculture during the period 1852-1923. They came to Myanmar as moneylenders foreclosed on mortgages and turned into absentee landlords.

Key words: Chettiars and Myanmar's Economy

Introduction

This paper attempts to describe the role of Chettiras in Myanmar's economy during the early colonial period. This paper takes into account after 1852 when Indians played a prominent part in the development of Myanmar's economy. Following the British annexation of Bago, the economic demand of Myanmar was not only for agricultural but also for urban labour, not only for the raising of the rice crop, but also for the industrial needs of the towns. To do so, it required labour and capital, both of which were scarce in Myanmar. The sparsely populated Myanmar and the growing demand for labour encouraged immigration from India. Together with them, labour contractors and Chettiars also came into Myanmar, the former as for recruiting labour and the latter, for contributing capital.

Materials and Methods

The hypothesis on this paper was conducted by the descriptive method. Concerning data were collected through some published data. Making use of material available in the library of the History Department, University of Yangon, the Universities Central Library, the Universities Historical Research Center, the National Library and the National Archives Department, an attempt is made to study the factors responsible for the coming of Chettiars to Myanmar, the occupations in which they engaged, and the extent of their participation in various sectors of Myanmar economy and colonial rule.

Discussion

The Chettiars, formerly called Chetties, came mostly from the Chettinad District of Madras State to Myanmar. The Chettiar community prepared a Chettiar child for a position in a Chettiar firm when he came of age. Until the age of ten or twelve Chettiar boys studied in Tamil schools, where they learned bookkeeping techniques and the caste's special counting system. At the age of twelve they went to work as apprentices for Chettiar firms. In the following nine years, Chettiar youths received little in the way of theoretical training. But if

he was successful, young Chettiar would begin to work his way up the hierarchy from an accountant to a cashier after four or five years, and become an assistant in an outstation after seven or eight years. Between the ages of twenty-two and twenty-five, the successful trainee would receive a position as an agent and, if he were talented, eventually become a partner in a firm. These practices were geared to success in commerce.

The Chettiars played an active role in the provision of capital. After the annexation of Bago, the British introduced Indian coinage as standard currency in Lower Myanmar. Note issue was begun in 1861, the Government instituting an issue office at Yangon. Banks were also opened and the use of credit introduced. With domestic agriculture changing into commercial and industrial agriculture the need for credit arose. The Presidency Bank of Bengal opened branches in Yangon in 1861, Mawlamyaing in 1865 and Sittwe in 1886, and the Chartered Bank of India, Australia and China established a branch in Yangon in 1862 – 1863. But the banks did not penetrate into the villages, far less the frontier. The cultivator did not have the capital to take up land and extend his cultivation. The link between the cultivators and the European banks came to be formed by the Indian money-lenders from South India. The Indian bankers were Chettiars, Marwaris, Multanis, and Gujaratis, with the latter three confining themselves to Mandalay, Pyay, Yangon, Mawlamyaing i.e., the urban areas. The Chettiars were the most important Indian banking community in Myanmar especially with regard to rice cultivation. For centuries past, they had been maritime traders but in the more recent period they had become money-lenders and bankers. Their business connections had ramified in all directions, particularly in Madras, Calcutta, Ceylon, Myanmar, Malaya, Cochin – China, Thailand, Java, Sumatra and Mauritius. But the economic stake of the Chettiar in Myanmar far exceeded that in all other countries put together and the connection between Chettiar firms in Madras and Myanmar was very close.

The first Chettiars settled in Mawlamyaing in 1850. From there, their business gradually spread all over Myanmar except Sittwe where the Marwaris prevailed. By 1881 the Chettiars had opened firms in various parts of Lower Myanmar. Rice being the major agricultural product of Myanmar and the financing of agriculture being the major occupation of the Chettiars, they naturally banked on rice – growing lands. Most of the 1,100 Chettiar firms in the districts were therefore located in thirteen main rice-growing districts of Myanmar viz. Bago, Tharawaddy, Hanthawaddy, Insein, Pyay, Taungoo, Patheingyi, Hinthada, Myaungmya, Maubin, Pyapon, Thaton and Kyaikkami districts. After 1886, when Upper Myanmar was annexed by the British, the Chettiars further expanded their business. In 1890, the Chettiars established their business in Mandalay, in 1891 in Myingyan, in 1892 in Meikhtila and in 1894 in Shwebo. The Nattukottai Chettiars Association was formed in 1923 with 1,498 member firms. Beside looking after the commercial interests of its members, it also represented the Chettiar community and collected subscriptions for communal gifts and charity. The association was also a member of the Federation of Indian Chambers of Commerce and Industry. The main Chettiar temple on Mogul (now Shwebontha) Street in Yangon, which was called the “Chettiar Exchange”, served as a focal point for the community’s activities in Myanmar. On the upper floor, in a large room before the community shrine to Siva, Chettiars held periodic meetings, determined current interest rates, settled disputes, and formed common opinions regarding important political issues.

The Chettiars played an important role in the development of commercial agriculture under the British colonial rule. Wherever land was coming under cultivation people needed money to develop and cultivate the land and were ready and willing to pay a high rate of interest. The Chettiars saw an opportunity to make large profits and as cultivation extended, they gradually spread over the Delta and became the principal money-lenders over almost the whole of Myanmar. As cultivation extended, some of the cultivators acquired wealth which

they employed in making loans to other cultivators. But the Chettiars had the advantages of their organization and of their long-standing connection with European banks.

Prior to the 1880s Nattukottai Chettiar money-lenders from the Madras Presidency confined their activities mainly to Yangon and other urban centers. Although there was no record of cultivators taking loans directly from Chettiars in the 1880s, those who lived in the neighbourhood of Yangon and other large towns probably did so. In some areas, Chettiars financed agricultural production indirectly through loans to indigenous money-lenders, who, in turn, lent money to cultivators at higher rates.

In the 1880s agents of the Chettiar firms began to fan out over the Delta from Yangon and other urban centers. They established branches in the larger villages of rural tracts and in towns along the railway line. Chettiar money-lenders supplied credit directly to the cultivator on a much larger scale, and enlarged their role as a source of capital for indigenous money-lenders. It became common practice for Myanmar money-lenders to borrow from the Chettiar firms at 2 per cent per month and to lend to cultivators at 3 or 4 percent. In addition, the lower rates of interest charged by the Chettiars forced Myanmar money-lenders in many areas to scale down their rates. From the 1890s until 1907, the normal interest rate for loans on land security was 3 per cent or less per month.

In Yangon there were large firms of two or three partners. Each firm had a considerable amount of private capital which it had accumulated in the course of its business. But, besides their own capital, the Chettiars also borrowed money from the European banks at 10 or 12 per cent a year. To lend it out at higher rates, each firm had clients or agents in the larger towns to whom it advanced substantial sums at 12 or 14 per cent and these lent money to sub-agents in the districts who made loans to cultivators at 15 or 20 per cent or more. Thus, the Chettiars established a system which combined local knowledge and local network with access to European banks.

The main business of the Chettiars was lending to agriculturists. In Lower Myanmar, two-thirds of their loans were in the field of agriculture. The rural Chettiars borrowed from the firms and lent money to cultivators and agriculturist tenants. In Yangon, 150 out of 350 Chettiar firms made direct loans to agriculturists. Outside Yangon, the Chettiar firms used to finance retail as well as wholesale shopkeepers and industrialists.

Originally, money was advanced only on a note of hand, but gradually security was demanded. Deficient rainfall, or floods or cattle disease led to further borrowing for the following year's operations against a mortgage of their lands. Inability to pay because of a succession of bad seasons and poor harvests eventually resulted in the Chettiar foreclosing, and lands thus began to pass from owner-agriculturists into the hands of non-agriculturist Indian money-lenders. The Chettiars who became landowners were non-agriculturists, and needed to obtain tenants for the lands that had passed into their hands. They let their lands out on rental, either for cash or on a share-produce basis to whoever was willing to cultivate them.

The link between the cultivator and the money market at Yangon was served by the Chettiars. The flow of the money in Myanmar through Chettiars and traders usually took place in the following way. The money was taken out into the villages by the dealers to buy the paddy at harvest time from the cultivators. The cultivators used the money to pay crop loans, to buy clothing and other necessities, repair houses and bunds etc. By the repayment of the loans to the Chettiars and the purchase of goods, the money found its way back into the commercial centres. The money then went out again to the cultivators through the Chettiars in the following season to repeat the cycle.

The Chettiars were invariably members of firms, the Chettiar firms being owned on a partnership basis by several persons who were usually related. An agent-supervisor directed the day-to-day operations of the firms from its headquarters which was located in Yangon and Mawlamyaing. The firm normally had agencies in the larger towns of the Delta which were run by agents and staffed with cashiers, accountants, and clerks. Beginning in the 1880s outstations which were run single-handedly by sub-agents were established in growing number of villages in Lower Myanmar. The Chettiar combinations provided superior sources of capital to invest and lend. Prosperous Chettiars were often partners in several firms, and in the late 19th century a firm in financial difficulty was invariably given aid by other firms. Moreover, the Chettiars were connected with Western banks and joint-stock companies which provided them with sources of working capital.

The main sources of Chettiar capital were proprietors' capital, deposits received in Myanmar, advances from Myanmar banks and advances from Madras banks. The proprietors' capital was largely obtained through loans and advances from their principles in Madras on agency account and these could be anything up to 90 per cent of the total capital. On this, a fixed rate of interest was paid which was normally about 3 per cent higher than the current bank rate of interest prevailing in the Madras money market. The proprietor's own capital was comparatively small and could be 5 or 10 per cent of the combined capital.

The Chettiar firms in Myanmar were in fact operating mostly on borrowed capital and deposits obtained in Madras and Myanmar. They had a system of call deposits between the firms in Myanmar and the current rates of interest. These call deposits were a very important source of local finance and self-help though the practice was mostly confined to large towns in Myanmar. The size of these call deposits depended on seasonal requirements, being the largest in February-March (busy season) and smallest in September-October (slack season).

Another source of Chettiar finance was the current deposits made by non-Chettiars. The Chettiar firms used to pay a slightly higher rate of interest on these deposits than that on call deposits and many traders including Chinese, Myanmar, and other Indian money-lenders, kept their money in such deposits.

The Chettiars used to receive substantial advances from commercial banks. They could obtain facilities from all the major banks including the Imperial Bank of India, Netherlands Trading Society, Chartered Bank of India, Australia and China, Indian Oversea Bank, Lloyds Bank, Mercantile Bank of India, National City Bank of New York, Central Bank of India, and the National Bank of India. Advances obtained from the first four banks constituted the major portion of advances while that of the Imperial Bank of India alone would be about half.

Beside money-lending, the Chettiar firms also honoured cheques, changed money and accepted documents and valuables for safe deposit. Although a few Chettiar owned shops, factories and saw – mills, rice – mills, and although a great many came to own land by default, the Chettiars in Myanmar as a class, limited their activities to banking and money-lending.

Conclusion

The Chettiars, who, as a money-lending class, transferred their activities from India to Myanmar provided a source of capital for the development of commercial rice cultivation while acting at the same time as an intermediary between the European banks and the farmers. Naturally the Chettiars were banking community and experts in money. Therefore, their business connections had ramified in all directions. But, because the Chettiars saw an

opportunity to make large profits the economic stake of the Chettiars in Myanmar far exceeded their expectation. Moreover, in the process of financing as there were not other competitors, the Chettiars could charge high rates of interest. Therefore, Chettiars played the negative role in Myanmar economy under the British colonial rule who came to Myanmar as money-lenders foreclosed on mortgages and turned into absentee landlords.

Acknowledgements

I would like to thank Dr. San Linn, Acting Rector, Hinthada University, and Dr. Aung Win, Pro-Rector, Hinthada University, for their permitting of the opportunity to present this paper. Special thanks are due to U Tun Aung Chain (Retired Professor), Myanmar Historical Commission, for his kind guidance and helpful suggestions.

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