CHAPTER II

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HISTORICAL BACKGROUND

Historical developments of a region relating to its polity and economy profoundly impact the nature of society as well as culture of its people. In order to understand the transformation of the Nattukottai Chettiar from a class of itinerant traders to moneylenders and bankers, certain historical developments of the region need to be looked into. Despite the general belief amongst members of this caste group in the antiquity of their involvement, there is no documented evidence of it till about the 17th century. Palm leaf manuscripts called the Arapattayangal (the six deeds of gift) maintained at the Palani temple in Madurai district is a confirmation of the oral history relating to their involvement in salt trade, though the extent of trade and other details remain unknown. The Poligar Wars and the ensuing Permanent Settlement by the British with the landholders created important changes in economy and society. The Nattukottai Chettiar were catapulted into the economic scene as moneylenders, by these changes.

The Trajectory of Transition

Efforts have been made by Chettiar historians and Tamil scholars to trace the linkages of this caste group to the traders of the Post-Sangam Age. The epic Silappadikaram by Ilango Adigal has been analysed in an attempt to highlight the cultural and ritual continuities that are still visible in the practices of the Nagarattars. Somalay, a leading Chettiar scholar has
identified certain practices that exhibit close similarities.\(^1\) Accounts by travellers like Marco Polo and Barbosa Duarte are illustrated to show the longstanding ties of the Nagarattars with trade.

Marco Polo’s account at the end of the 13th century contains among other things, interesting observations about trade in the Coramandel region. Kanakalatha Mukund notes how Marco Polo’s writing about young boys apprentice into trade has close similarities with the Nagarattar practice. ‘Marco Polo observed that as soon as a son attained the age of thirteen, he was given a small amount of money with which he was encouraged to trade. The boys would move around the whole day buying and selling commodities, earning profits on their transactions. During the pearl fishery season, they would buy small pearls and sell them to merchants, and in this manner they became the most acute and excellent traders.’\(^2\) This socialisation of children of traders is comparable to the Nagarattar practice. She says, ‘boys were inducted into business at the age of ten and a half, and trained in business for about ten and half years. When these boys (podiyān) became twenty-one, they became assistants (aduttavan) in the business. At thirty-one, they became partners (pangali) and at forty-one, independent businessmen (mudalali).’\(^3\)

Barbosa Duarte writes

‘the more part of them (Chetties) are great merchants and they deal in precious stones, seed pearls and corals and other valuable goods, such as gold and silver, either coined or to be coined. This is their principal trade and they follow it because they can raise or lower the prices of such things many times; they are rich and respected; they lead a clean life, and have spacious houses in their own appointed streets... they go naked from their waist up, and below gather round long garments many yards in length, little turbans on their heads and long hair

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\(^1\) Somalay, *Chettinadum Senthamizhum*, (Vanathi Pathippakam, Chennai, 1984), pp. 36-38 and pp. 43-46.


\(^3\) Ibid, p. 41 and n. 52.
gathered under the turban. Their beards are shaven and they wear finger marks of ashes mixed with sandalwood and saffron on their breasts, forehead and shoulders. They have wide holes in their ears into which an egg would fit, which are filled with gold with many precious stones; they wear many rings on their fingers, they girt about with girdles of gold and jewellery and ever carry in their breasts great pouches in which they keep scales and weights of their gold and silver coin and precious stones......their sons also begin to carry them as soon as they are ten years of age, they go about changing small coins. They are great clerks, and reckon all their sums on their fingers. They are given to usury, so much so that one brother will not lend to another a ceitil (a very small Portuguese coin of copper which took the place of Dinheiro in the region of Joao) without making a profit thereby. They are sober and orderly in eating and spending....

Seventeenth Century Salt Trading

Notwithstanding these early references to traders and their similarities with the Nattukottai Chettiars of today, concrete documented evidence of their participation in salt trading emerges only in the 17th century. The Arapattayangal (the six Nagarattar deeds of gift) are palmleaf manuscripts recording the arrival of a Nagarattar salt trader Kumarappan at the pilgrim centre Palani and the endowments made by him to the temple. Rudner says, 'the deeds (pattayams) tell a story, beginning in 1600, of the initiation and growth of Nakarattar (sic) trade in the pilgrimage/market town of Palani and of the concomitant growth in Nakarattar ritual involvement and religious gifting to Palani temple.' The pattayams reveal that Kumarappan was one of the first to establish salt trade in the region which was salt deficient. He established his business through the temple which was the medium of his interaction with the local public. His stay,

4 Quoted in V.R. Ramachandra Dikshit, pp. 785-86 in Rajah Sir Annamalai Chettiar 60th Birthday Commemoration Volume, Annamalai University, 28 September, 1941. The author adds that 'the Chettis about whom we hear in the Karnataka, Tamil and Telugu areas of South India did business also in the West coast of India'. It is not clear if Barbosa's 16th century account may be taken as a reference to the Nagarattars though the author clearly states so.


6 Rudner, op. cit. p. 137.
initially, at the house of the temple priest advertised his presence and provided an impetus to his business. Kumarappan set aside one-eighth of his profit as magamai, to Lord Velayudha, the presiding deity of Palani. As Rudner says, ‘...commerce entailed much more than simply opening up a shop in the local marketplace and setting prices for goods according to local conditions of supply and demand. In particular, it involved establishing a relationship with the deity of Palani, mediated by the deity’s priest.’ By establishing a relationship with the deity who was the protector of the local people, Kumarappan recognised and accepted his overlordship, concomitantly gaining the trust of the local people. This in turn, evoked a favourable response for his trade. While his business expanded and brought in more profits, the temple too received its share, thereby legitimizing and firmly establishing his presence and business in the region. Kumarappan brought five more nagarattars after four years to set up business and asked them to follow his example and give magamai to the temple.

He not only established trade in the region by participating in the gift-giving ritual to the local god but also established a longterm relationship with the region by initiating annual pilgrimages that continue till date. The last of the Arapattayangal is dated 1805.

Ramanathan Chettiar, in his book, mentions Nagarattar involvement in salt, cotton, and grain business. He says that in the beginning of the 19th century, the Palayakkarar rebellion was crushed by the British and they extended their rule in the region. This brought law and order subsequently enabling the Nagarattars to live in their region without fear. Agricultural productivity was low and poverty was high thereby making it tough to make huge profits. So the Nagarattars had to travel to Aranthangi and

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7 Rudner, op. cit, p. 136.
Thanjavur in bullock carts and engaged in barter trade. They were also involved in grain, cotton and salt business. Ramanathan Chettiar also speaks of the cohesiveness of the caste group and their constant involvement in religious gifting in regions where they conducted business through which they 'gained entrance into local communities.'

'Until 1815, all those who were engaged in cotton business left their homes and met at the house of Arjuna Perumal Ambalakarar at Narasingampatti (5 miles west of Melur and 13 miles east of Madurai) and from there they started as a group to various cotton centres. At the end of the trading season, they returned to Narasingampatti from where they branched off to return home. Deeds of palmayrah leaves have been found in the said Ambalakarar's residence. According to one of those deeds, the profit of 743 and \( \frac{1}{2} \) varahans accrued in one partnership was spent to dig a drinking water tank in Narasingampatti. From revenue records kept in Melur Taluk office, it is known that the tank is called Nakarattar Orani or Panchuppoti Orani ["the tank built out of profits in cotton bale transactions"]

Around the same time, that is, towards the beginning of the 19th century, the Nattukottai Chettiars are said to have gone to Calcutta to carry on grain and cereal trade. They exported rice and grains to Burma and Ceylon via the sea. Since the volume of their business was high, the shipping companies returned 5 per cent of the money paid during the entire year toward transportation, as an incentive. The Nagarattars had created a common trust out of this money for charitable projects. About 20,000 rupees went into the fund every year which was, in turn, used to

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9 Rudner, op. cit. p. 58.
10 Ramanathan Chettiar, op. cit. pp. 31-32. (Trans by Rudner), op. cit. p. 58.
make religious endowments and construction of rest houses in North India.\textsuperscript{11}

**Poligar Wars and Permanent Settlement**

The division of the Madura region into *Palayams* in what is known as the Poligar Settlement developed between the 13th and the 18th centuries.\textsuperscript{12} The *Palayakkarars* accepted the overlordship of the Nayaks by paying a tribute and supplying troops 'in return for the right to tax and govern his charge free of significant outside interference.'\textsuperscript{13}

The decline of the Vijayanagar Empire in the 18th century led to a weakening of the centralised authority of the Nayaks over the *Palayakkarars*. Numerous invaders and usurpers fought for 'territorial dominance' which eventually led to the *Palayakkarars* declaring their independence and demanding 'recognition as rulers on par with their nominal suzerain, the Nayak of Madurai'.\textsuperscript{14} Initially the *Palayakkarars* maintained small armies initially to provide military support to the Nayak overlord. But increased wars within the *Palayakkarars* themselves and also against new forces became a feature once the centralised authority

\begin{itemize}
\item[12] 'Palayam' in tamil means military settlement or camp. Under the Nayaks of Madura, *Palayam* was an administrative unit based on military assistance. The chief of the *Palayam* was called the Palayakkarar or Poligar. He was practically autonomous except for the payment of a fixed amount of tribute and the provision of military service to the central power'; S. Kadhirvel, *A History of the Maravas 1700-1802*, (Madurai Publishing House, Madurai, 1977), p. 7, fn. 6. This creation of Palayams or regions administered by local chieftains began during the 16th century when Vishwanatha Nayak (1524-64), was the Vijayanagar deputy of in charge of the entire southern region. He initially created 72 Palayams mostly headed by Telugu Tottiays who came as military captains of the Nayak viceroycs. Raja Muhammad, *Pudukottai Maavatta Varalaru (Thondaiman Aatchi)*, (Pudukottai District Archives Committee, Pudukottai, 1992), pp. 99-101 and C. Baker 'Tamilnad Estates in the Twentieth Century', *IESHR*, Vol. 13, No.1, 1976 pp. 3-8.
\item[14] Rudner, op. cit. p. 55.
\end{itemize}
weakened and led to the small military units being used for the purpose of such localised wars. This military escalation continued in the 18th century and hence led to an increase in the overall demand for money and credit. According to Rudner, this demand for money was met partly by trade with Europe and the East, though it did not ensure sufficient cash flow. Various other factors like seasonal fluctuations in production and sales, variable weather, unpredictable foreign markets worked to create an 'enormously credit-hungry society.' This kind of situation led to dependence on local sources like the indigenous moneylenders, for credit.

After the decline of the Vijayanagar Empire, the region came under the control of the Mughals who had appointed the Nizam of Hyderabad as their southern representative. He in turn had placed the Nawab of Arcot to exercise control over the Tamil region. The East India Company entered the scene when they secured tax collection rights from the Nawab of Arcot in 1792. The Palayakkars resent this interference by the East India Company and began to agitate. Some of them got together to fight the Company and this resulted in the Poligar Wars.

The Permanent Settlement Act was introduced in the Madras Presidency in 1802, after the English claimed victory over the various Palayakkars. The introduction of the Permanent Settlement in the Tamil region resulted in wide ranging changes within the society. The demand for credit rose with the enactment of Permanent Settlement which stipulated a fixed payment of revenue.

15 Rudner, op. cit. p. 55.
16 Ibid.
17 The Nawab of Arcot was the representative of the Mughals in the Tamil region. Since the British supported the claims of the Nawab Mohammad Ali in a succession dispute, he maintained good relationship with the British.
18 'Sivagangai and Ramnad kingdoms were incorporated into the Presidency of Madras in the Permanent Settlement of 1801-3 as revenue estates, zamindaris, with fixed revenue demand or peshkash'. Pamela Price, Kingship and Political Practice in Colonial India (OUP, New Delhi, 1996), p. 39.
The aim of the British was to improve agricultural production and to cut the costs of revenue collection. In order to effectively implement this, they made permanent revenue demands from the landholders who were now called *Zamindars*. These landholders were the rulers or chieftains of the pre-British times or the Poligar system. In the absence of such rulers or chieftains, the government auctioned the territory in *mittas* (parcels) and accorded these *mittadars* the same legal status as their established neighbours.\(^{19}\) The British assumed that the demand for a regular, fixed tax from landholders would force them to focus attention on efficient collection of taxes because default meant they would lose their domains.\(^{20}\) The objective was to provide security and an incentive for the *Zamindar* to increase the yield from his territory. The *Zamindars* were however unable to meet the revenue demands and resorted to borrowing from moneylenders\(^{21}\) by either mortgaging the land or by giving away grains for marketing. This feature has been widely prevalent in all parts of the country. Cheesman notes that in Sind the Banias levied excessive rates of interest whereby 'he was able to acquire much of his grain at almost no cost.'\(^{22}\)

The high revenue demands and the inability of the *zamindars* to meet the revenue demands, forced the administrators to abandon Permanent Settlement in 1818. Lands were later settled under the Ryotwari system.

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20 Price (1979) op. cit. p. 206.

21 Amit Bhaduri argues that the Permanent Settlement (in Bengal) 'introduced layers of merchants and moneylenders between the *zamindars* on the one hand and the peasants with inferior rights on the other'. This has been discussed in Tirthankar Roy, *The Economic History of India 1857–1947*, (OUP, New Delhi, 2000), p. 91. This is seriously contested by Roy who feels that the argument has major analytical flaws.

The following section is a brief account of Nattukottai Chettiars' involvement in trade in grains and their role as financiers in the Ramnad Zamindari or Samasthanam. This period marked the transformation of the Nagarattar caste group from traders to moneylenders which, in turn, gradually evolved into banking in their overseas pursuits. The adaptability of this group in terms of meeting the changing demands of people, in varied regions can be seen through the shift in their nature of their trading activities.

**RAMANATHAPURAM SAMASTHANAM AND ‘NAGARATTAR ZAMINDARI’**

Chettinad villages are largely situated in the Ramanathapuram district. Of the 76, about 56 villages (of the 76) are in Tirupattur, Sivaganga and Thiruvadanai Taluks. Their relationship with the Setupatis began in the early part of the 19th century. Ramanathapuram estate was one of the largest in the Tamil region with an area of approximately 2,104 square miles ‘inhabited by almost half a million people.’

This region was ruled by ‘fierce Maravar caste, warrior clans, with an ancient Maravar lineage supplying the king.’ The rulers were called Setupatis as it is believed that this lineage guarded the causeway or ‘Setu’ which Rama had crossed on his way to Sri Lanka.

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23 Baker, op. cit. p. 2. This is based on a Madras Government list of 634 estates in the region released in the 1920s.

24 Price (1979), op. cit. p. 208. The establishment of the first Setupati in Maravar country was in 1604. Robert Sewell, *Sketch of the Dynasties of Southern India*, Madras (1883) writes, “The Setupatis claim to belong to the ancient Marava race and to have been rulers of the whole of south of India before the immigration of the Kurumbas, by whom the Maravas were defeated and driven back to the extreme south. Their chiefs lost all semblance of power, till the descendent of the old ruling family was, in the 17th century, reinstated in a position of his ancient patrimony by Muttu Krishnappa, the Nayaka of Madura, and installed at Ramnad”, p. 87.

25 Kadhirvel, op. cit. p. 6.
The conversion of this region to a Zamindari under the Permanent Settlement by the British did not deter the rulers from calling themselves Rajas and Maharajas, and referring to their territory as Samasthanam or kingdom. The traditional role of the ruler, however, underwent significant changes with the enactment of the Permanent Settlement. He could not lead his clansmen for battles for the sake of plunder or lands. The only thing that he could lay claim on was the territory of his estate. This situation is not unique to the Tamil territory.

It happened throughout the country though it was marked by slight regional variations. All the traditional rulers were stripped of their political, military and administrative functions and made landlords. Metcalf however finds the Oudh Taluqdar more powerful than what he was as a petty Raja. In his opinion, the 'invincible legal and administrative apparatus' of the government provided a kind of support which the Taluqdar had never possessed before.26

The Permanent Settlement brought far-reaching changes in the polity and society. The change to Zamindari had serious implications for rulers. It also created new intermediary classes. For the Nagarattars, the Act enabled a change of trade and this was a change that catapulted them to great heights.

The Chettiar were initially involved in trading grain in the region. They were well established in the trade when the Act was imposed. The British demand for a fixed annual payment or peshkash from the zamindars meant that the zamindars had to manage an efficient administration that would ensure a steady flow of revenue to the coffers. But this did not happen and they had to look for sources of credit. The Nagarattars who were keen on acquiring rights to market grain began to lend money to the

Setupatis. The nagarattars were only motivated by the economics underlying the deal. By creating a relationship of dependence, they could gain indirect rewards. They were successful, as a sub-collector states as early as 1828.

'It was formerly the custom to deliver over the...grain to a few rich merchants who of course made a considerable profit by the assistance they afforded the zemindars in relieving them from the burden of disposing it on the market.'

Big merchants controlled grain trade in both Ramnad and Sivagangai Zamindari. Price mentions that the major dealers who had acquired grain contracts from the mid-19th century were the same figures who were lending to the zamindars. Another important factor that contributed greatly for Nagarattar gains was the Setupati's unabated desire to indulge in largess. The Setupatis were known for their princely benefactions and this reputation had to be maintained even in a situation where the ruler was only a landlord. This royal indulgence, Price observes, was one of the important factors for the rise of Nagarattar financiers.

She further notes that this notion gained importance in the absence of legitimate armies because they had to create a class of loyalists by presenting them with bribes of land, cash, clothes and jewels.

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27 Price (1996) op. cit. p. 103 and n. 87.
28 Sivagangai occupies about 2/5ths of Ramnad and was carved out of the Ramnad territory in the year 1750 A.D. This territory was created in order to reward one Sasivarna Periya Udayan Tevan of Nalukottai who had helped Kutta Tevar, Setupati of Ramnad in defeating his predecessor, to become ruler of Ramnad. After this partition, Ramnad is referred to as 'Greater Marava' while Sivagangai is called 'Lesser Marava' or Nalukottai. Radhakrishna Iyer, A General History of the Pudukottai State, Sri Brihadamba Press, Pudukottai (1916), p. 93. Robert Sewell (1883), op. cit. 'Sivagangai is called 'Sinna Vadagai' by the natives, and the 'Lesser Marava' by European writers, p. 97.
29 Price (1979), op. cit. p. 103.
The notion of largess in the context of a changed political and judicial system had opposite consequences for the Setupatis and the Nagarattars. The rulers' indulgence created a dependence on moneylenders for huge sums of money that were needed for such activity. Nagarattars willingly offered loans while manipulating further gains. The inability of Setupati to meet the growing peshkash demands, succession conflicts within the ruling clan and the managers, all contributed to an intensified demand for loans.

Thus began the Nagarattar saga of manipulation and gain. Quick to respond to the changing situation, adaptable as they were, Nagarattars extended loans to Setupatis not only to meet peshkash demands but also to spend on maintaining royal status.

**Mortgages and Foreclosures**

Sometime in the 1860's the Setupati of Ramnad leased out 24 villages to a from Devakottai, AL. Arunachalam in return for loans but since the loans were not sufficient enough to meet the Setupati's financial problems, he mortgaged more villages to Arunachalam's family and two other families during the 1860s and 1870s. To quote Price, 'the merchants gave hundis, as needed by the zamindars and then, at a later point, might negotiate a mortgage bond in which whole taluks or sub-divisions of each zamindari would be mortgaged. In Ramnad, during the 1860s and early 1870s, two taluks were mortgaged to two Nattukottai Chettiar brothers, Chidambaram and Subramanian; three divisions to two cousins, Narayan and Vairavan; two divisions and one-fourth of the rent of another division to Ramanadhan Chetti, who came to play a major role in Ramnad affairs in the 1880's and the 1890's; other portions to the heirs of Arunachalam, one

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of whom Ramasami, became Ramanadhan's major rival for influence in the zamindari.\textsuperscript{31}

There was a gradual shift in the relationship between Setupatis and Nagarattars. The initial phase was one where the Setupati was in a dominant position—as a 'giver' for he granted contracts to Nagarattars. But power equation tilted in Nagarattars' favour when they began to insist on scheduled repayments. Price says that 'began aggressively to force the terms of mortgage bonds and to press for land sales.'\textsuperscript{32}

The initial reluctance on the part of Chettiar lenders to foreclose on mortgages was due to the gains they had envisioned from such lenience.\textsuperscript{33} They gained monopoly over grain trading and marketing as well as fishing rights in the Palk Straits. Proximity to rulers enhanced their social status because the Setupati was still locally acknowledged ruler.

The last decades of the 19th century were different as British domination was all pervasive. A separate judiciary in the form of courts emboldened the s to take the Royals to court. Factional feuds kept the rulers busy while the Nagarattars were building a solid foundation by acquiring zamindari lands as well as sharpening their skills in money trade.

\textsuperscript{31} Price (1996), op. cit. p. 104.
\textsuperscript{32} Ibid, p. 104.
\textsuperscript{33} Moneylenders usually used foreclosures as the last resort. Cheesman avers that a mortgage suited both parties. This was due to complacency on the part of zamindar who wanted to escape worrying about 'tedious matters like cultivation and management of estates, and it transferred the burden of finding cash for the assessment from their shoulders to the Banias'. For the moneylender it was very profitable because he paid a monthly allowance to the zamindar while he was usually able to make a profit of atleast three times the allowance paid to the zamindar. David Cheesman, op. cit. p. 452.
Decline of Setupati and the Rise of Nagarattars

The case of Baskara Setupati, his financial dealings and management of Ramnad zamindari, from the time he was a minor till his death in 1903 at the age of thirty-five, marks a major change in the region’s polity. A variety of factors including mismanagement, extravagance, and the ambivalent ideological position of the ruler in a changing age, contributed to the downfall of Baskara Setupati and led to the establishment ‘Chettiar raj in Maravar country.’

Baskara Setupati was a minor when Ramnad estate fell into deep financial trouble. His mother had borrowed heavily from AL.AR.Ramasami Chettiar for the two marriages of Baskara, for his Rendition ceremony and when he attained majority and assumed charge of the estate, for his installation ceremony as well. As Cheesman says, ‘many zamindars were oblivious of their debts; although technically bankrupt they continued to live in the manner to which they were accustomed.’ The total debts were about 350,000 rupees when Baskara assumed financial responsibility of Ramnad in 1889. Ramasami Chettiar was not only the financier but also advised the royal family on personal affairs and in fact manipulated the familial situation in such a way as to be the chief creditor of the Samasthanam. Baskara and Ramasami Chettiar shared ‘an intimate dependency and friendship which lasted throughout their lives.’ He repaid a portion of Ramasami’s debts immediately after taking over, though he continued to have cash transactions with him. Baskara tried to borrow money from other sources like ‘creditors from Britain’ or from the ‘Commercial and Land Mortgage Bank of Madurai’ in

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34 The entire discussion is based on Pamela Price’s (1996), analysis and Rudner (1995).
36 Cheesman, op. cit. p. 453.
order to 'save the estate from being carved up by its various local creditors.'\(^{38}\) He borrowed money from the bank and paid back part of the debts but in order to return the money to the bank he leased out most of Hanmananthagudy taluk in 1891 to S.RM.M.RM. Muthia Chettiar and V.ARM.V. Arunachalam Chettiar for a sum of 800,000 rupees. Following this he started leasing out villages to individuals in order to raise loans. 'Ramasami Chettiar was the major recipient of these village leases. In 1892 alone the banker received 255 villages.\(^{39}\) At one time he had possession of over 800 Samasthanam amani\(^{40}\) and devastanam\(^{41}\) villages, while relatives of the banker held approximately another 80 villages.\(^{42}\)

Ramasami Chettiar's influential position in the Samasthanam not only as its chief creditor but also as one who shared a close personal relationship with the Setupati, created jealousy among other wealthy Chettiars especially his arch rival L.ARM.RM.Ramanadhan Chettiar. 'L.ARM.RM.Ramanadhan Chettiar so resented Ramasami's influence at the Ramnad court that he attempted to destroy the Samasthanam as a single unit.'\(^{43}\) His antipathy towards Ramasami was manifested when he induced Baskara's 18 year-old brother Dinakaraswami to demand half the zamindari assets by filing a suit. This case, however, was decided in favour of the Samasthanam and a compromise was made with Dinakaraswami. He was provided a monthly allowance of 2000 rupees, a separate lodging and also a payment for past allowances amounting to about 250,000 rupees. The entire litigation process cost about 127,000 rupees which was spent by Ramanadhan Chettiar on behalf of Dinakaraswami. The tussle between the

\(^{39}\) Rudner (1995), op. cit. p. 97, says that at one time Ramasami Chettiar held title to 500 and his relatives to another 80.
\(^{40}\) Those paying revenue directly to the establishment. Price (1996), op. cit. p. 184.
\(^{41}\) Those owned by the temple.
\(^{42}\) Price (1996), op. cit. p. 184.
\(^{43}\) Ibid, p. 184.
Nattukottai Chettiar financiers did not end with this. It continued with Ramanadhan Chettiar getting more involved in family matters.

**Mortgages and Zamindari**

In 1894, Ramasami secured a mortgage deed on the entire zamin of Ramnad as against the 837,035 rupees that he had lent. The lease on the 24 villages given to him near Devakottai was made permanent. In 1896, he was officially installed the zamindar of Devakottai comprising the 24 villages with about forty thousand acres of wet land and sixty thousand acres of dry land. He replaced Baskara Setupati as the manager of the Ramaswami temple at Rameswaram in 1901.

Price argues that the Nagarattars' moneylending to the zamindars was part of their strategy to maintain and conduct effective commercial operations because the loans were usually never repaid in cash. The 'payment could come in the form of lightened taxes, of trading and minting rights, and in the intimidation of robbers.' Rudner, on the contrary, maintains that the amounts involved have been quite substantial for the Nagarattar financiers to have been content with some indirect

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44 In the early part of the 20th century this zamin was listed as one of the 50 major estates in order of population. C. Baker op. cit. Table 3, pp. 7-8. The Chettiar zamindar 'has not cared to visit and it is wondered by many whether he knows where exactly his estate lies'. Quoted in C. Baker op. cit. p. 17.

45 Rudner op. cit. p. 67. The management of Rameswaram temple had eluded the Maravar rulers for a period of one and half centuries. Baskara was appointed as its manager in 1893. This position is clearly significant for he wrote in his diary that without the control of the temple they have been 'Sethupathies in name only'. Diary entry for May 20, 1893 quoted in Price (1996), op. cit. p. 180.

The takeover of the temple has a great symbolic significance in the Tamil context considering the enormous importance attached to this institution as a source of legitimacy. The Setupatis had a relationship of dependence with the deity. Carol Appadurai Breckenridge observes, 'temple-deities conferred royal honours on the Setupati and the Setupati granted privileges to temple-deities.' Carol Appadurai Breckenridge “From Protector to Litigant—Changing Relations Between Hindu Temples and the Raja of Ramnad”, IESHR, Vol. XIV, No. 1, p. 77.

benefits. He says that Nagarattars have ‘demonstrated their unabated appetite for direct repayment of loans’. He, however, accepts that Price’s argument might be true for the early part of the 19th century.

Rudner also notes that the land acquisition by the Chettiars is limited to a small proportion of the elite families. Based on 1890s estimate of the population he calculates that Nagarattar zamindars could have been about one-fifths of the total joint households or the Valavu. In fact only one other Nagarattar besides AL.AR. Ramasami Chettiar was conferred the title zamindar by the British and it was S.R.M.M. Chidambaram, zamindar of Andipatti. All others assumed the title after they acquired permanent leases or foreclosed on mortgages.

Apart from the financial gains of the Nagarattars in their dealings with the Setupatis, it can be argued that the zamindari did well to establish the Chettiars in the region far more firmly than ever before. While one group of elite Nagarattars were seriously involved in the politics and power play of the Ramnad Samasthanam since mid-19th century, another group of Nagarattars had been involved in trading rice to Ceylon since the early part of the 19th century.

BURMA

The annexation of Burma by the British and the following period when it was opened to the world economy till the great depression of the 1930s is inextricably linked to the history of the Nattukottai Chettiars. Though the folklore of the Nagarattars abounds with references to their successful

47 Rudner, op. cit. p. 62.
48 Ibid, p. 67.
49 Most of the informants mentioned their link with some zamindar family or that they themselves were descendants of zamindars or at least thought highly of those in the caste who held zamins. They felt that the zamindari gave a fillip to their social status and made them more ‘visible’ and dominant in the Chettinad region.
business in the past, their successful venture in Burma is the most recent and well-documented. In the following pages an outline of the history of Burma, the conditions that led to the establishment of Nagarattar moneylending business, the extent of their operations and the decline of their banking operations in the first half of the 20th century is narrated after which an elucidation of their businesses in other countries—Malaya, Ceylon and Singapore follows. This is crucial to an understanding of the Chettiar business acumen, the extent of their contribution to the economies of these countries, their adaptability and their response to changing politico-economic conditions. The success in these countries also contributed to the development of material culture that was manifest in many forms and for which the Nattukottai Chettiar are now famous for. Due to availability of more documentation relating to Burma and also because the Chettiar had more investments in Burma than all other countries put together, the section on Burma is more elaborate.

Burma's Political and Economic Situation

Before the British

Lower Burma was an independent kingdom of Mons50 called the old kingdom of Pegu until the middle of the 16th century when it came under the Burman rule. International maritime trade formed the back bone of its economy. But the Burman rule destroyed its urban centres and rendered the people more dependent on agriculture.51 The mid-eighteenth century Burman–Mon wars gave a decisive victory to the Burmans by which Lower Burma became a part of the Konbaung Empire. The centre of state power shifted to Upper Burma, the Burman heartland, and Lower Burma found itself at the periphery of the

50 Mons were one of the many ethnic groups in Burma.
new political system.\textsuperscript{52} The Konbaung further weakened Lower Burma by banning rice exports in order to stabilise domestic grain prices but the domestic prices were very low. To add to the low prices, elaborate sumptuary laws and restrictions on consumer exports eventually led people to produce just for their needs.\textsuperscript{53}

Under the Burmese rule, there were four main types of land—royal, official, wasteland, and private land. Royal land was the private property of the king and rent was paid to him.\textsuperscript{54} Official land referred to those that were held by officials who were working for the king and to whom the land was given as remuneration for the service rendered. Waste land was all those cultivable lands that were lying waste due to a sparse population. 'Private land was land held under alodial title'.\textsuperscript{55} According to this system, the first cultivator who cleared and cultivated the land obtained an informal tenure right known as \textit{dama-u-gya}. Adas calls it 'loose, non-contractual, and usufructuary.'\textsuperscript{56} It became the private property of the cultivator who could sell or pass it on to his descendents. Even if this property was uncultivated for ten or twelve years it remained his, and he had the right to dispossess any newcomer who occupied the land without his permission.\textsuperscript{57} This same land became ancestral property if it was held in possession for three generations and was known by the term 'bobabaing.'\textsuperscript{58} The basic idea behind this land system was that 'land is a

\textsuperscript{52} Schendel, op. cit. p 457.
\textsuperscript{55} Ibid, p. 107.
\textsuperscript{56} Adas “Immigrant Asians and the Economic Impact of European Imperialism: The Role of the South Indian Chettiar in British Burma” \textit{JAS}, Vol. XXXIII, No. 3, p. 387.
\textsuperscript{57} Adas (1998) op. cit. p 107.
\textsuperscript{58} Schendel, op. cit. p 461.
free gift of nature. The majority of the Mons were practicing shifting cultivation at a subsistence level. Hence competition for land was minimal.

**Conditions Conducive to Chettiar Entry, Establishment and Expansion**

**Colonisation by the British**

The Konbaung dynasty of Burma, founded by king Alaungpaya (1752-60) was at the peak of its power during the late 18th and 19th centuries. Numerous regions were captured by its armies including the Mons, the Manipuris, Shans, and Siamese. Their conquest of Arakan and Assam brought them into conflict with the British power in India. The Burmans underestimated the strength of the English and as a result, lost in the First Anglo-Burmese war (1824-26) and ceded Arakan and Tennaserim to the British after withdrawing from Assam and Manipur. This was the first part of Burma to come under the British rule. The annexation of the old kingdom of Pegu as a result of the Second Anglo-Burmese war (1852-53) completed the process of bringing the rest of Lower Burma under the British rule and marked ‘the administrative addition of British Burma as a new province of India.’

The Third Anglo-Burmese war occurred as king Thibaw of Upper Burma began dealing with England’s colonial rival—the French. In order to prevent the French takeover of Upper Burma, the English went to war

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59 Furnivall (1909) quoted in Schendel op. cit. p. 461
60 Adas (1998) p. 104, he says ‘competition for land was virtually non-existent, and land sales were rare’.
62 Ibid, p. 28.
It lasted for a brief two weeks and Upper Burma was annexed on 1 January 1886. Though legally and technically Burma had become a part of British India, 'it was historically, ethnically, linguistically, and culturally distinct from any area in the Indian sub-continent.'

The British conquest of Burma could not have occurred at a better time. The whole world was under the impact of great technological and cultural changes. Once the region came under British rule, changes were introduced at all levels. The British followed the guiding principle of economic liberalism or laissez-faire while opening up the Burmese economy. As Cooper notes, 'freedom of contract and enterprise became the basis of economic activity in Lower Burma.' In addition to providing the political and legal structure conducive to building and promoting a capitalistic economy they also built the necessary infrastructure for production and transportation. Most important, however, was the lifting of ban on external trade thereby creating both 'market outlets for Lower Burma's agricultural products and consumer rewards for increased production.' Private British investors were invited to build 'processing plants for rice' as also to provide the necessary link overseas to market the produce. The consumer goods that were imported by the British and Indian merchants proved 'an important stimulus to surplus production on the part of Burmese agriculturists.'

Tucker succinctly sums up the entire range of changes brought about by the British rule in the following words. 'There now appeared industrial

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64 Adas (1974), op. cit., p. 386.
66 Cooper, op. cit. p. 12.
67 Schendel, op. cit. p. 462.
68 Adas, op. cit. p. 105.
enterprises powered by hydrocarbons and electricity and a baffling new kind of impersonal supply-and-demand commerce assisted by coinage and banks. Businessmen, soldiers, civil servants, architects, engineers, and technicians of every kind arrived from all part of Britain’s empire. The building of railways, the use of steam on rivers, a modern postal system, the telegraph, and the telephone opened new channels of communication. The old system of families farming to supply their own needs changed to one of producing huge surpluses for export.69

Thus, the stage was set for tapping the enormous potential of the deltaic region while at the same time, opening up opportunities for those actors who were ready to facilitate and engineer the transformation of economy.

**System of Land Tenure**

Significant changes in the land tenure system were made by the British in order to bring more area under cultivation. The various ethnic groups residing in Burma were practicing shifting cultivation till the British took over, but changes in the land tenure system brought about a major shift towards sedentarisation of agriculture. 'The general aims of the British government', notes Cheng Siok Hwa, 'were to develop the land as quickly as possible so that revenue could be obtained to help defray the costs of administration and, at the same time, to establish a body of peasant proprietors.'70 The new system of land tenure had some similarities with the Ryotwari system that operated in most parts of South India.71 The squatter system legalised by The Land Revenue Act of 1876 gave the

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70 Cheng Siok Hwa, op. cit. p. 107.

71 Cheng Siok Hwa says that different kinds of tenure systems were simultaneously in operation like the squatter system which resembled the dama-u-gya of Burmese times, the patta system and a third system which was the lease system. Cheng Siok Hwa, op. cit. pp. 107-10.
Burmese the right to clear and settle in any vacant land provided they paid annual revenue to the British authorities. Though they were liable to eviction by the government, they were generally permitted to keep possession as long as the revenue was paid regularly. The strength of this system was that it enabled the development of large areas of land in the region of Lower Burma while keeping the revenue flow into the British coffers intact. It also gave the agriculturists 'occupancy right' and enabled them to use their land as security for loans obtained from moneylenders. The different types of land tenure system highlight the urgency exhibited by the British to bring more and more area under cultivation to meet the world's increasing demand for rice.

The Opening of the Suez Canal

The opening of the Suez Canal in 1869 altered the movement of goods and hence shifts in trading patterns occurred. Burma, which was until then a subsistence-oriented, barter economy with almost no demands on the government, was suddenly faced with sweeping changes at every level of life. The opening of the Suez Canal played an important role in accelerating the rice production of the region because the European market was by then open and accessible. The report of the Burma Banking Enquiry Committee had noted that 'the increase in the market price of rice, which resulted from the development from 1872 onwards of the export trade by steamers passing through Suez Canal and led to a continuous and rapid rise in land values, was

According to the Land Revenue Act of 1876, an agriculturist could gain clear title for a piece of land after payment of taxes for 12 continuous years. It also provided an "occupancy right" on payment of revenue for a single year. This enabled them to use land as 'security for loans to cover the purchase of such things as food, the cost of clearing and drainage, cattle, and seed, and the planting of a crop.' J.F. Cady, A History of Modern Burma, (Cornell University Press, 1958), p. 158.
the prime inducement [for the Chettys] to cultivate the Burma field of finance.  

The increased demand for rice in Europe was caused by a significant reduction in the rice flow from two important regions. The revolt of 1857 had affected export from the subcontinent while the American Civil War of 1861-65 cut off Carolina’s rice exports to Europe. So Britain looked up to Burma to meet the demands of Europe as its soil and climate were well suited for rice production. It was at such a moment that the Suez Canal was thrown open to usher major changes in international trade. ‘The Canal shortened Europe to Asia shipping distances, reduced transit time for mail, passengers and goods, lowered transfer costs, gave a decisive edge to steam ships over sail, and excited the interest of Asian and European commercial agencies.’ It also enabled supply of ‘large quantities of higher-priced husked and even white rice to European markets.’ As the demand rose sharply, more and more Burmese turned full-time producers. There was a competition to grab as much cultivable land as possible. Costs of production rose steeply and the need to keep pace with the competition forced agriculturists to employ wage labour and this meant more expense. All these put enormous pressure on the cultivator to look for credit from sources, other than the indigenous moneylender. It was ‘in response to this demand’, that ‘the Chettiyars began to extend their operations from Rangoon and other urban centres into the rural Delta.’

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77 Ibid, p. 391.
Demand for Agricultural Credit

The change that was brought about by the opening up of the Burmese economy by the British coupled with an increase in demand for rice in the world market led to increased production. An increase in the production necessarily meant more labour, more implements and hence more money. Though plenty of land was made easily available to cultivators by British, the task of clearing the jungle involved hiring labour and it was often the case that it took the cultivator more than one harvest to recover the costs.78 The 'arduous and expensive' task of bringing millions of acres of jungle land into cultivation 'could not have been accomplished in a few decades without the aid of foreign capital.'79 Thus a greater demand for credit emerged. Initially, few moneylenders provided credit, though most of it was diverted to trade rather than agriculture. 'Perhaps the most important sources of credit in the first decades of growth were the cultivator's relatives or neighbours who had managed to save a portion of the profits they had made by marketing their surplus rice. Indigenous professional moneylenders, who were often the originally successful cultivator or paddy broker, extended loans to agriculturists in many areas of the Delta by the 1870s.'80 Cooper mentions that the local store keepers and the Burmese moneylenders were the only sources of credit that were available

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78 Hall. op. cit. p. 650
on a crop season basis. He adds that 'upto 1880, there were few Burmans who could raise 500 pounds within a fortnight.'

According to Cady, credit facilities extended by the Chettiar was one of the three stimulus responsible for the phenomenal expansion of rice production; the other two being 'the steady immigration of experienced agriculturists from Upper Burma skilled in the art of wet rice cultivation' and an influx of cheap labour from India 'to cover peak seasonal demands for planting, harvesting, and milling the rice crop.'

Inability of the indigenous moneylenders to meet the rising need for credit

As already noted, the Burmese economy under the Konbaung dynasty did not have a well-developed market system due to which moneylending was unattractive. Even after the British had taken over the region, there was lack of credit, which led to a series of consequences hampering the opening up of new land. The local Burmese were unable to handle the rising demand for credit because they could not mobilise huge sums of money to conduct operations on a large scale. This paved the way for the Chettiar's entry into the credit network of Burma. Initially, they financed these indigenous moneylenders who in turn lent to the cultivators. Cooper mentions that the Chettiar charged interest rates ranging between 15% to about 25% per annum while the Burmese moneylenders charged much higher—from about 48% to 365% per annum. It is said that 'wherever the Chettiar went, the rates fell'. This enormous difference in the interest rates seems to lie in the fact that there was a higher risk of non-return of loan for Burmese moneylenders. It is believed that those clients who were

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81 Cooper, op. cit. p. 21.
82 Cady, op. cit. p. 157.
83 Cooper, op. cit. p. 66.
turned down by the Chettiar moneylenders approached the Burmese moneylenders and hence the high-risk factor. Because of the innate ability of the Chettiars to judge their clients well, the recovery of loans was usually smooth. According to the Report of the Madras Provincial Banking Enquiry Committee, 'In the case of 136 firms doing business in Chettinad to the extent of 11 crores of Rupees, the bad debts came to only Rupees 4.3 lakhs which works out at less than 0.5% on the total volume of business.'

Creating spaces in the economic landscape of the new colony

Such were the political, social and economic conditions when the Chettiars entered Burma. They utilised village, caste and kinship ties that were strong and pertinent to the social life of people in Tamil Nadu, to manoeuvre their way into the economy of a country across the sea and change the course of the history of the caste. Raman Mahadevan attributes 'the exodus of Chettiar capital from its base in Greater Madras to such of those areas which were being opened up for colonial exploitation, viz., Ceylon, Malaya, Burma, Indo-China, etc' to the conditions prevailing at that time namely—

(a) 'The creation of opportunities for the profitable investment of Asian capital in the above-mentioned regions, especially after the introduction of commercial crops such as rice, tea, coffee, rubber, etc., which greatly stimulated a demand for credit in these regions,

(b) The lack of investment outlets in the Madras Presidency in the fields of industry, foreign trade, money market, etc., as a consequence of the European domination and monopoly over these sectors and

The relative unprofitability of their moneylending business in Madras Presidency as compared to those "blessed regions of a very high interest rate." 86

The Chettiars entered the colony as middlemen to provide the much needed credit support to the agriculturists of Lower Burma. Raman Mahadevan classifies the migration of Chettiars to Burma into two phases,—the period from 1826 to the 1870s and the period from the 1880s to 1929. "Of the three major waves of Chettiar immigration into Burma, which took place in 1826, 1852, and 1870s respectively, the first two fall within the first phase, and the last into the second." 87

The oral history of the Chettiars mention that they had gone to Burma even before the region was colonised by the British. 'We have been trading with Burma even before the British government was established there and this attests to the antiquity of our involvement in trade." 88 Few erstwhile bankers who had conducted business in Rangoon and Moulmein regions of Burma mentioned in interviews 89 that their fathers had gone to Burma in sail ships when nobody from the region had dared to undertake such risky ventures. They had carried with them provisions to last a few months and would ask their close relatives to perform 'vayikkarisi—a ritual usually performed after death. This was done to give symbolic completion to the rituals that they had adhered to steadfastly in their life at homeland. This act of receiving 'vayikkarisi' was mentioned consistently by the members of the caste as a testimony to the enterprising and high risk-taking abilities of the Chettiars.

86 Mahadevan (1978) op. cit. p. 331.
87 Ibid, p. 335.
89 Interviews conducted in Chettinad between September to December 2002.
The Chettiars are said to have accompanied the Indian troops to Burma as early as 1826. When Tenasserim was made a part of British India in 1826, the British facilitated the movement of Indian labour to Burma. The presence of a considerable number of Tamil labourers and Tamil soldiers in the regiments is said to have brought the Chettiars to Lower Burma.90 They were lending small amounts of money to the 'madrassi'91 in British regiments.92

The subsequent colonisation of the Lower Burma region opened up avenues for Chettiar operations in terms of greater participation in the economy. This led to a more organised, assisted migration from the Chettiars. It was during this phase that they established their 'first agency or firm in either Rangoon or Moulmein between 1850 and 1852.'93 The initial operations of the Chettiars were peripheral within the credit network of Lower Burma. They were financing basic needs 'like expenses for marriage ceremonies, pilgrimages, or subsistence goods in times of crisis, like illness or crop failure'94 because it was the Europeans who dominated the key sectors of economy like banking, large-scale processing, foreign trade, transportation etc.'95 For the initial three decades or so from the establishment of the first firm in Rangoon, the operations of the Chettiars was restricted to the city and its surrounding areas.96 During this period, they did not deal directly with the indigenous population. They indirectly financed agriculture through the Burmese moneylenders who

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91 Tamilian but generally used to refer to South Indians.
92 Cooper, op. cit. p. 29; Sean Turnell "Cooperative Credit in British Burma" www.sasnet.lu.se, Lunds Universitet, p. 5.
93 Mahadevan (1978) op. cit. p. 336.
95 Mahadevan, op. cit. p. 336.
charged a higher rate of interest from the local cultivators. Historians\(^\text{97}\) thus opine that the role of the Chettiar moneylenders in the early decades of Lower Burma's economic expansion was only marginal in comparison to the period of heightened activity from 1880 onwards.

The opening of the Suez Canal coupled with a rise in demand for rice triggered increased cultivation in Lower Burma. Bringing more areas under cultivation and the process of cultivation itself generated a need for credit. With a demand for agricultural credit on the rise, Chettiar could foresee profit in the venture and so undertook organised and assisted migration to Burma. They began to expand their operations and moved to interior villages. Those branches or sub-agencies were called 'ulkadais' or 'kattukadais'. This movement from urban centres to villages was bolstered by fresh migration 'from Calcutta and the Madras Presidency.'\(^\text{98}\) The Chettiar were involved in shipping rice from Calcutta to Ceylon and Madras from 1820 onwards.\(^\text{99}\) By 1850 they had an established their business well with about 120 firms operating in the Calcutta region and dealing with export-import trade and moneylending activities. In 1869 they could sense profitable opportunities emerging with the opening up of the Suez Canal and so, a number of these firms are reported to have closed down their business and moved to Burma. In Burma, in addition to moneylending, these firms also exported Burmese rice that was better in terms of quality and also cheaper, to India and Ceylon, and established rice mills in Arakan.\(^\text{100}\) About 60 firms were still operating in Calcutta in

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1910 and they were involved in raising capital through 'deposits and loans for use in Burma.'

**Extent of Nattukottai Chettiar Moneylending Operations**

After the British conquest of Arakan in the early decades of the nineteenth century, paddy and rice began to be exported to India, China and Europe in sail ships from the Akyab port. The British rule ensured law and order, and consequently enabled the Burmese to focus on cultivation. There was a gradual increase in exports. But it was only when the entire Lower Burma region came under the British rule that there was a steep increase in rice exports. The colonisation of the whole of Burma facilitated migration of agriculturists from the highly populated, non-fertile regions of Upper Burma. A favourable system of land tenure ably assisted and accelerated the production of rice for export. The inauguration of the Suez Canal coincided with a demand for rice in the European market and eventually the British looked towards the fertile delta of Lower Burma to meet the growing demand. The area under rice cultivation increased by leaps and bounds beginning with the second half of the nineteenth century, and correspondingly the demand for credit rose too. The following Table 2.1 shows the total area under rice cultivation for the century ending in 1930.

**Table 2.1: Acreage Planted to Rice in Lower Burma**

<table>
<thead>
<tr>
<th>Year</th>
<th>Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>1830</td>
<td>66,000</td>
</tr>
<tr>
<td>1860</td>
<td>1,333,000</td>
</tr>
<tr>
<td>1890</td>
<td>4,398,000</td>
</tr>
<tr>
<td>1920</td>
<td>8,588,000</td>
</tr>
<tr>
<td>1930</td>
<td>9,911,000</td>
</tr>
</tbody>
</table>


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102 Burma Separation Souvenir, op. cit. p. 54.
The Chettiars, as mentioned earlier, were at the end of the 19th century, a major source of working capital to the Burmese moneylenders, paddy brokers, 'rice merchants, large landlords, and other groups who engaged in credit provisions on a part-time basis.'103 The local moneylenders borrowed from the Chettiar firms and in turn lent it for a higher rate of interest to agriculturists. The Chettiars found this beneficial because it reduced the risks significantly and also simplified their bookkeeping operations. The indigenous moneylender was at a position where he could access the capital of not just those Chettiar firms that he was dealing with but also the European-owned banks through the Chettiars.104

Mahadevan quotes the BPBEC report that states that in Prome district the 'Chettiars lends one-third of all the crop loans directly and finances the Burman lenders to such an extent that Chettiars money forms two-thirds of all the loans.'105

The Chettiars were usually reluctant to lend without security. According to Cady, 'the first debt of the squatter family was to the usurious Chinese trader, since the Indian Chettyar would, as a rule, not advance money on land security until a substantial equity had been developed.'106 The Lower Burma Land and Revenue Act of 1876 provided land as the 'dependable collateral' that would lure the moneylenders in financing cultivation on a large scale.107 The Chettiars began financing rice cultivation in Burma extensively 'when cultivation and stable ownership had been established but prior to the point of full development.'108

104 Ibid.
105 Mahadevan, op. cit. p. 345.
106 Cady, op. cit. p. 159.
107 Turnell, op. cit. p. 5.
Beginning with the 1880s the Chettiars began establishing branches of their firms 'in the larger villages of rural tracts and in towns along the railway lines and main rivers throughout most of Lower Burma.'\textsuperscript{109} They also moved northward and established their firms in Mandalay in 1890, in 1891, in Myingnan, in Meitkila in 1892, and in Schwebo in 1894.\textsuperscript{110} They extended their business to cover as many villages in the deltaic region so as to make loans easily available to the cultivators. As Cooper says, 'to a greater and greater extent credit for agriculture was obtained by the small farmer from the Chettyar and by the end of the 19th century the Chettyar was the most important factor in the agricultural credit structure of Lower Burma.'\textsuperscript{111} The expansion of Chettyar firms to various interior parts of rural Burma to extend credit and assist increase in agricultural production was considered a welcome initiative in the initial years. Though the colonial government had formulated the policy of transformation toward a market-oriented economy, it was the Chettiars who, as conduits, carried out the task of establishing easy availability of credit. Hans-Dieter Evers' concludes that the Chettiars 'channelised British capital into the peasant economies of Southeast Asia and helped in the extension of market-oriented production.'\textsuperscript{112} Though they were responsible for ensuring easy availability of credit even in remote villages and towns, it was not just British capital that was channelised. British capital was just a fragment of the total capital pumped into the Burmese economy by the Chettiars. More than two-thirds of the capital belonged to the proprietor's capital as Table 2.2 shows.

\begin{itemize}
\item \textsuperscript{109} Adas, op. cit. p. 391.
\item \textsuperscript{110} Mahadevan, op. cit. p. 339.
\item \textsuperscript{111} Cooper, op. cit. p. 30.
\item \textsuperscript{112} Dieter-Evers (1987), p. 217.
\end{itemize}
Table 2.2: Sources of the Working Capital of Chettiars

<table>
<thead>
<tr>
<th>Amount</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>53.5</td>
<td>Proprietor's capital</td>
</tr>
<tr>
<td>11.5</td>
<td>Deposits from Chettiars</td>
</tr>
<tr>
<td>3.0</td>
<td>Banks in Madras such as the Imperial Bank of India, Chartered Bank, etc.,</td>
</tr>
<tr>
<td>1.3</td>
<td>European banks in Burma</td>
</tr>
<tr>
<td>5.7</td>
<td>Non-Chettiars such as Marwaris, Chinese and Burmese</td>
</tr>
</tbody>
</table>

With an increase in the price of paddy and a notable rise in exports, the value of land increased tremendously. The Chettiar agencies which had spread well into the villages were advancing loans to agriculturists against the security of the standing crop. The advancement of loans during 'the flourishing cultivation season from March to September' enabled the Chettiars to retrieve the loan either in cash or kind—either of which brought good profits. In the event of non-payment of loans they took possession of the land.¹¹³ But according to Cady, the Chettiars as a rule avoided taking ownership of the land as they preferred to 'keep their capital liquid'. He holds that the Chettiars often kept 'the debtor-tenants' on the land as long as they received 'substantial payments even at reduced rates of interest.'¹¹⁴ Cady quotes a settlement report of 1908-09 covering Lower Burma's Thaton district to illustrate the beginning of the transfer of lands from agriculturists to moneylenders. The report cites a general indebtedness that had made the cultivating owners mere 'creatures of the Chetties'.¹¹⁵ In the 1920s, 90 per cent of the Chettiar firms were operating in the delta where there was one Chettiar for every 500 people.¹¹⁶ Cooper

¹¹³ Mahadevan, op. cit. p. 342.
¹¹⁴ Cady, op. cit. p. 160.
¹¹⁶ Harvey (1946), quoted in Cooper, op. cit., p. 31.
avers that even if one were to take a more conservative estimate of one Chettiar to a thousand rural inhabitants, 'there may have been approximately 5000 Chettyar loan offices in Lower Burma. With each credit office ready to serve the credit needs of every 300 farm families it is not surprising that the Indian moneylenders virtually dominated the agricultural credit scene in Lower Burma.'

From about 350 firms and a capital of Rupees 15 crores in the first decade of the 20th century, the Chettiers' business had increased to about 1660 firms and a capital of 75 crores by 1937. The increase in the operations of the Chettiers may be attributed to the general boom that the Burmese economy was experiencing. The Burma Provincial Banking Enquiry Committee Report estimated the sources of the working capital of the Chettiers and produced the break up which is shown in Table 2.2. Over two-thirds of the capital belonged to the proprietors of the firms and amounts to Rupees 53.5 crores. The collective capital of the Chettiers which was employed in Burma in the form of loans and other investments 'was equivalent to all British investments in Burma combined.' The loans disbursed by the Chettiers in the year 1930 totalled between 100 and 120 million and this, according to the BPBEC Report, was about 70 per cent of all lending in Burma.

In 1929, there were 1650 Chettiar firms operating all over Burma. About one-fifth of these (360) were located in Rangoon while Lower Burma had the maximum firms.

117 Cooper, op. cit. pp. 31-32.
119 Mahadevan, op. cit. p. 344.
120 Turnell, op. cit. p. 5.
121 Ibid, p. 5.
122 Mahadevan, op. cit. p. 343.
Table 2.3: Regionwise Distribution of Chettiar Firms

<table>
<thead>
<tr>
<th>Region of operation</th>
<th>Number of firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower Burma</td>
<td>1443</td>
</tr>
<tr>
<td>Upper Burma</td>
<td>195</td>
</tr>
<tr>
<td>Federated Shan States</td>
<td>12</td>
</tr>
</tbody>
</table>

More than 80 per cent of all the Chettiar business was concentrated in the 13 main rice-growing districts of Lower Burma. The following table shows the distribution of firms in these districts.

Table 2.4: Distribution of Chettiar Firms in the 13 Main Rice-growing Districts

<table>
<thead>
<tr>
<th>District</th>
<th>No of firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pegu Division</td>
<td></td>
</tr>
<tr>
<td>Pegu District</td>
<td>125</td>
</tr>
<tr>
<td>Tharrawaddy District</td>
<td>110</td>
</tr>
<tr>
<td>Hanthawaddy District</td>
<td>45</td>
</tr>
<tr>
<td>Insien District</td>
<td>40</td>
</tr>
<tr>
<td>Prome District</td>
<td>70</td>
</tr>
<tr>
<td>Toungoo District</td>
<td>65</td>
</tr>
<tr>
<td>Irrawady division</td>
<td></td>
</tr>
<tr>
<td>Bassien District</td>
<td>100</td>
</tr>
<tr>
<td>Henzada District</td>
<td>70</td>
</tr>
<tr>
<td>Myangma District</td>
<td>110</td>
</tr>
<tr>
<td>Maubin District</td>
<td>55</td>
</tr>
<tr>
<td>Pyapon District</td>
<td>100</td>
</tr>
<tr>
<td>Tennasserim Division</td>
<td></td>
</tr>
<tr>
<td>Thaton District</td>
<td>30</td>
</tr>
<tr>
<td>Amherst District</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td>940</td>
</tr>
</tbody>
</table>

About 75 per cent of all the lending by Chettiar went to cultivators and were mostly crop loans 'given and repaid every year and corresponding immediately to annual expenses of cultivators.' The Chettiar thus controlled the agricultural credit structure of Burma through their well-spread establishments and the huge amount of capital that they had invested.

Depression and its Impact

Depression in the 1930s with the contraction of world markets resulted in the fall of the price of rice and caused severe financial hardship to cultivators. In 1934 the price of paddy came to a third of its price. The cultivators could not keep up the interest payment on loans and were forced to default on debts and rents. This led to widespread alienation of land from 'tenant to landholder and small cultivator to mortgager.'

Cooper maintains that though the price of paddy declined, exports were high during that period enabling the Burmese farmers to sell all what they grew. The problem, however, was that the produce fetched a price that was much less than the costs. The agriculturists entered into contracts during the period when prices were high. This remained constant though prices had rapidly declined causing a great financial crunch. As Cooper says, 'the agriculturist had little or no equity in the land he worked and, in more cases than not, had to rely on next year's income to meet this year's interest accumulation. This disparity in income and costs could only result in default and subsequent bankruptcy.'

123 Turnell, op. cit. p. 5; Mahadevan, op. cit. pp. 344-45.
125 Golay, et. al., op. cit. p. 221.
126 Cooper, op. cit. p. 60.
Brown maintains that the Chettiar assets were highly liquid in nature prior to the Depression. Though there were some defaults by Chettiars to Western banks, they largely repaid their borrowings. For instance, the Chettiars were indebted to the Lloyds Bank Rangoon for Rs. 7.5 million in June 1931 and to the Imperial Bank of India for Rs. 7,379,000. 'By 1935, the debts had been reduced to Rs. 2.5 million and Rs. 3 million respectively.'

Thus, the Chettiars who owned about 6 per cent of the land in the 13 main rice-growing districts before Depression came to acquire 25 per cent of the land by 1936. Andrus points out that after the 1930s the courts were so inundated with foreclosure cases that many of the debtors decided to give up their property without waiting for legal proceedings. The Table 2.5 shows the landholding pattern in the 13 principal rice-growing districts of Lower Burma between 1930 and 1937. This clearly brings out the fact of land alienation from agriculturists to non-agriculturists.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total occupied area (in thousands)</th>
<th>Area occupied by non-agriculturists of acres</th>
<th>Area occupied by Chettiyars</th>
<th>% Area Chettiyar occupied to area occupied by non-agriculturists</th>
<th>% Area Chettiyar occupied to total occupied area</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930</td>
<td>9,249</td>
<td>2,943</td>
<td>570</td>
<td>19</td>
<td>6</td>
</tr>
<tr>
<td>1931</td>
<td>9,305</td>
<td>3,212</td>
<td>806</td>
<td>25</td>
<td>9</td>
</tr>
<tr>
<td>1932</td>
<td>9,246</td>
<td>3,770</td>
<td>1,367</td>
<td>36</td>
<td>15</td>
</tr>
<tr>
<td>1933</td>
<td>9,266</td>
<td>4,139</td>
<td>1,782</td>
<td>43</td>
<td>19</td>
</tr>
<tr>
<td>1934</td>
<td>9,335</td>
<td>4,460</td>
<td>2,100</td>
<td>47</td>
<td>22</td>
</tr>
<tr>
<td>1935</td>
<td>9,408</td>
<td>4,687</td>
<td>2,293</td>
<td>49</td>
<td>24</td>
</tr>
<tr>
<td>1936</td>
<td>9,499</td>
<td>4,873</td>
<td>2,393</td>
<td>49</td>
<td>25</td>
</tr>
<tr>
<td>1937</td>
<td>9,650</td>
<td>4,929</td>
<td>2,446</td>
<td>50</td>
<td>25</td>
</tr>
</tbody>
</table>


128 J. Andrus (1946) op. cit. p. 263.
It is generally held that the Chettiars had no interest in the acquisition of land and that the lands came to them only in lieu of defaulting on debts.\textsuperscript{129} Rajah Sir Annamalai Chettiar mentions that the lands came to the Chettiars as a result of the slump stringent financial condition prevalent the world over. He further says that it is unfair to criticise the Chettiars just because they happen to acquire so much land. In the beginning of the 20th century the Chettiars had claimed ownership of lands when the debtors could not repay the loans but sold them back to the Burmese in the next few years. In the same way, he stated, the Chettiars would sell all the land that they owned when the appropriate time came. ‘The Chettiars have no interest in usurping the land. We have been involved in moneylending for generations together. We are not agriculturists. Even if land yielded gold, we would still prefer moneylending and business.’\textsuperscript{130}

In a confidential note on the question of compensation payable for the nationalisation of paddy lands prepared by the Burma Nattukottai Chettiar Association, there is a mention of three methods by which land came to them.

1. \textit{Voluntary Sale in Settlement of Debt}: When a debt accumulated and the debtor was unable to pay, he sometimes settled with his creditor by conveying a portion of his property in full settlement of the debt.

2. \textit{Court Sale under Money Decree}: If the Chettiars were unable to realise their dues from the debtor, they filed a suit in a court and obtained a money decree and attached the property. Thereafter, the court authorised the property to be sold in a public auction and the


\textsuperscript{130} Statement of Rajah Sir Annamalai Chettiar, n.d., p. 5.
creditor sought the permission of the court to bid at the auction so as to set off the purchase money against the dues. Since the creditor was usually the highest bidder he secured the property.

3. **Court Sale under Mortgage Decree:** Under this method the Chettiar filed a suit for the realisation of the mortgaged property and obtained a decree, and after the normal period of six months of redemption of property, the property was sold, as in the above case, in public auction. The remaining procedure was the same in the above case.\(^{131}\)

Mahadevan argues that the rising land values in Burma since the 1880s, the demand of the Chettiars for the best land as security and their interest in purchasing land at public auctions in the face of competition from other bidders, all point towards the Chettiars' desire and profitability involved in the ownership of land.\(^{132}\) They were interested in acquiring land only to re-sell it for a higher price and make a profit. With a fall in the price of rice and land value, it became tough for Chettiars to dispose off all the land that came into their hands. Mahadevan points out to the trend among Chettiars to diversify into other fields such as ownership of mills, trade etc.\(^{133}\) The rent collected from their lands was in kind, 'was stored in granaries and subsequently exported from Burma.'\(^{134}\)

Their interest in collecting rent in kind, establishing rice mills and involvement in rice trade all reveal that acquisition of lands may not have been as unsolicited and accidental as often portrayed. Mahadevan also

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\(^{131}\) Mahadevan, op. cit. p. 354.

\(^{132}\) Ibid, pp. 354-55.

\(^{133}\) Speech by T.S.N Palaniappa Chettiar at the Second Conference of Burma Nattukottai Nagarattar Sangam, *Kumaran*, 6 January 1926. He mentions how some of the members are involved in rice trade, export and import, rice mills etc., some of them are also landlords.

\(^{134}\) Mahadevan, op. cit. p. 355.
dismisses another common argument that the Chettiar always preferred liquid capital and hence would be undesirable for them to lock their investments in land. He rightly states that this would apply only to small players who owned small capital. Firms which had a considerable pool of capital were willing to diversify into other fields provided the returns were satisfactory.

The vicious cycle of debt, mortgage and foreclosures assumed Herculean proportions when prices fell and there was an overall financial crunch. This had repercussions on not just the Burmese agriculturists but on the Chettiar business as well. Being moneylenders, it was essential to have 'a balance between their liquid assets and investment in immovable property.' But what happened at this juncture defied this logic and their capital was locked in land due to which their firms faced a major crisis. Deposits of other Chettiars and non-Chettiar depositors had to be returned. To add to this the European Banks too started calling in their loans that they had advanced to big Chettiar firms. In turn, when they had to call in the loans that were lent to smaller firms, the smaller firms succumbed to the pressure and collapsed. 'It was estimated that as many as about 400 of the 1650 firms that were operating in 1929 collapsed during the depression.'

The growing unrest among the agrarian population culminated in the anti-Indian riots in 1930. As Cooper says, the race riots of 1930 and 1938 were the 'inevitable outcome of the developments of the preceding five decades'. The Saya San rebellion broke out in the Tharrawaddy district of Lower Burma on 22 December 1930. It was explicitly directed against

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135 Cady, op. cit. He too mentions that the Chettiar preferred to keep their assets liquid, p. 160 and p. 304; Chakravarti, op. cit. p. 58.
136 Mahadevan, op. cit. pp. 355-56.
137 Ibid, p. 357.
139 Cooper, op. cit. p. 69.
government taxes and Chettiar moneylenders. An official report of the government of Burma stated that the Burmese are getting poor because of heavy taxation and debts due to Chettiar moneylenders. The uprising was crushed by British troops by the middle of 1931, leaving 3000 peasants killed or wounded and 8300 to 9000 captured or arrested, and 128 hanged, among them, in November 1931, the leader Saya San.140

Cooperative credit as an alternative to Chettiar financing

Initiated in the first decade of the 20th century on the basis of the recommendations made by the Indian Famine Commission of 1901, the cooperative credit banks came into being by the Cooperative Societies Act of 1904. Turnell says, 'Cooperative credit was the British Empire's all purpose answer to problems of rural poverty and indebtedness, usury and land alienation.'141 The main intent behind the establishment of these banks was to eliminate the 'scourge of the moneylender' in the territories ruled by the British. Basically it was targeted against the Chettiar who were considered villains in the history of colonial Burma.142 The first two decades of its existence was marked by exponential growth with increasing number of credit societies. In 1910 there were 252 credit societies with about 6000 individual members and a share capital of Rs. 79,000. In 1920, it rose to 1252 societies and a capital of Rs. 700,000. At the zenith of its existence in 1925, it had 4057 societies, over 92,000 members, 21 central banks, 575 unions, share capital of Rs.3.56 million and almost Rs.18 million in advances available or lent to members.143 Despite its growth, the cooperative credit system could not cater to the needs of agriculturists. In 1925, the credit societies advanced Rs.6.6 million which

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140 Hans-Dieter Evers, op. cit. p. 212.
141 Turnell, op. cit. p. 1.
142 Ibid, p. 4.
was just 3 per cent of the Rs.200 million that was required by the cultivators. The remainder was filled in by the private moneylenders, a major portion of them being Chettiars. But one major achievement of the cooperative credit societies was bringing down the interest rates on agricultural loans.

Legislative Measures to Combat Land Alienation

The issue of land alienation surfaced as early as 1906 when the Lieutenant Governor of Burma endeavoured to prevent land from passing on to non-agriculturists through the draft Land Alienation Bill. But this attempt was defeated by Chettiars and other interests. A settlement report of the Thaton district prepared in 1908–1909 also noted the high level of indebtedness and the transfer of lands to traders and moneylenders. The government authorised a general investigation of the deteriorating situation in 1908 under H Clayton. The report indicated that 'virtually all sections of the country had been affected by the collapse of paddy prices during the 1907 world depression, that credit had contracted sharply, and that small proprietors in rice-growing areas were losing out to lenders and traders.'

Some important legislations were passed to safeguard the rights of natives over land ownership and prevent agricultural lands from being passed into the hands of non-agriculturists. Table 2.6 shows the Acts and their important provisions.

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144 Turnell, op. cit. p. 16.
146 Andrus, op. cit. p. 262.
147 Cady, op. cit. p. 160.
Table 2.6: Legislations to Prevent Further Alienation of Land from Agriculturists

<table>
<thead>
<tr>
<th>Year</th>
<th>Legislation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1935</td>
<td>Debt Conciliation Act</td>
<td>Voluntary scaling down of debts and accumulated interest</td>
</tr>
<tr>
<td>1937</td>
<td>Burma Tenancy Bill</td>
<td>Protection to tenants against foreclosures.</td>
</tr>
<tr>
<td>1939</td>
<td>The Tenancy Act</td>
<td>Landlord had first claim over crop. Gave the tenant security of tenure if he paid his rent and was otherwise satisfactory.</td>
</tr>
<tr>
<td>1941</td>
<td>Land Alienation Act</td>
<td>Land could not be sold to or taken over through a foreclosed mortgage by non-agriculturist.</td>
</tr>
<tr>
<td>1941</td>
<td>Land Purchase Act</td>
<td>Large scale Government purchase of land from non-agriculturists.</td>
</tr>
</tbody>
</table>


Separation of Burma from British India

All the above mentioned legislations affected the Chettiars because of their enormous landholdings. To add to their woes was the separation of Burma from British India. The Statutory Commission’s recommendation for the separation of Burma was the beginning of severe hardships for the Chettiars. The Chettiars did not welcome this move of separation for very obvious reasons. As Nagarajan says, ‘The Nattukottai Chettiar Association in Burma was greatly perturbed and it was mainly as a result of Rajah Sir Annamalai’s attitude that the Association stood aloof.’  

Separation occurred and various legislations were passed. Though the Nattukottai Chettiar Association of Burma could bargain and get representation in the legislature, it was not of much help in getting back the frozen capital. The Land Purchase Act (1941) passed before the Japanese invasion aimed at

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buying back all the land from non-agriculturists. The Japanese invasion occurred immediately after the passing of this Act and therefore it could not be satisfactorily implemented. But according to one official estimate, the land with non-agriculturists in Lower Burma was worth between Rs. 540,000,000 and Rs. 672,500,000. This amounted to about four to five times the annual revenue of the Government of Burma. The Japanese invasion was another blow to the Chettiars and most of them departed Burma. The British law was rendered non-operative thereby nullifying Chettiar mortgages and land titles. The Japanese officially denied the Chettiars any payment. The interest on debts was also cancelled. They also ruled that non-resident landholders, mostly Chettiars, could recover their holdings only if they established proof of their claims. And finally, any of the Chettiars remaining in the region were forbidden to engage in moneylending.

The restoration of the British rule in 1945 provided a glimmer of hope to the Chettiars to return to Burma. But various legislations that were passed during this time made it difficult for the Chettiars to operate their business in Burma. The 1948 Land Nationalisation Act served to prevent the ownership of land by non-cultivators and set a maximum of 50 acres as the size of land a peasant may own.

In the same year two more Acts, namely the Land Alienation Act and the Disposal of Tenancies Act and the Transfer of Immovable Property (Restriction) Act were also passed. The first of these three Acts prohibited the sale of lands to non-citizens of Burma. The second empowered the government to lease to tenants of its own choosing the maximum area that

151 Cooper, op. cit. p. 75.
152 Ibid, p. 76.
a single tenant could cultivate efficiently.' \(^{153}\) Finally under the Transfer of Immovable Property (Restriction) Act, no foreigner was allowed to transfer his immovable property by way of gift, sale, mortgage, or otherwise for a period beyond one year. \(^{154}\)

Other Investment Ventures in Burma

Timber was another business interest of the Chettiaris and they had exported considerable quantities of it from Burma to India. The Vysiyamitran, Tamil journal was published from the region in 1911. It reported that 5000 tons of timber was shipped from Burma to the small port of Tondi in Ramnad district. \(^{155}\)

P.A. Chokkalingam Chetty of Madras was an important figure who had commenced this business in the year 1902. It was believed that his family has been involved in timber business for at least three generations. 'This firm imported huge quantities of timber from Burma and it was said that every week a consignment of logs was either shipped or floated ashore from Burma. Among his customers were the Government of Madras and private contractors in Madras and the dominions of Hyderabad and Mysore.' \(^{156}\) It was this teak from Burma that went into the building of all the palatial mansions of the Chettiaris in the Chettinad region.

There were other Chettiaris, who had established rice mills and were involved in rice and paddy trading. M.M. Palaniappa Chettiar was one of the most enterprising businessmen. Joining the R.M.M.L. firm as an

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\(^{154}\) Pavadarayan, op. cit. p. 90.

\(^{155}\) Vysiyamitran, 7 August 1911, quoted in Mahadevan (1978), op. cit. p. 351.

\(^{156}\) Mahadevan, op. cit. p. 351.
aduthal, he soon moved up to become a melal. Showing greater interest in rice trading, he sought the support of his employers but they declined to involve the firm in the business. He embarked upon the project single-handedly. As was the custom those days, any profit occurring within the contract period was to be shared with the employers and losses, if any, were to be borne by him. His sharp entrepreneurial skills came to the forefront around 1892 as he began procuring rice and exporting them from the Akyab port. He had offices in Rangoon and Akyab in Burma, and in Colombo and Kandy in Ceylon. Apart from these, various offices were established at ports in the Eastern and Western coast of South India. He owned two rice mills and three ships for transporting cargo. In 1906 he was honoured by the British as one of the top twenty shipping magnates.

Summary

It is easy to bestow the ‘Shylock image’ on the Chettiars if the historical, political and economic conditions prevalent at that time are not taken into consideration because when economies go wrong, the moneylender becomes an easy scapegoat.

Exploitation of natural resources of Burma to promote its own trading interests was the coloniser’s agenda for which numerous actors were brought into play.

In a statement Rajah Sir Annamalai Chettiar subtly mentions that it was the British desire to tap the natural resources of Burma that facilitated the migration of Indian labour to promote and develop agriculture, and

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157 Akyab was called Arikkan in Tamil. The name Arikkan was prefixed to his name due to his enormous success and was called Arikkan Palaniappa. To this day, this name is remembered in Chettinad.


159 Turnell, op. cit. p. 4.
Indian capitalists to enhance business.\textsuperscript{160} As in every other region that was colonised, the native way of life and its institutions were judged by British standards. The principle of laissez faire was thrust upon a people who were till then producing only for subsistence. To bring large jungle areas under cultivation, labour and money was required — both of which were provided by Indians. The Chettiars became a major source of private credit as well as conduits to transfer money from Western banks to the local people. The Chettiars were sought-after because of their easy accessibility and absence of procedural delays. They were available at all hours and treated clients courteously.\textsuperscript{161} The Burmese were unable to deal with Western banks because they did not know English and found the several trips to town cumbersome.\textsuperscript{162} Moreover the Chettiars did not hesitate to provide consumption loans to local people. From the Chettiar’s point of view, money-lending was a risky business. It involved ‘controlling the five senses, not looking for huge profits but financing big businessmen who made enormous profits, accepting the meager amount decided as interest and spending a part of that money for charity.’\textsuperscript{163}

The Chettiars always remained ‘outsiders’ in the Burmese society. They were racially different, culturally distinct and economically sound. They were bound by their rigid caste and religious rules, and kept their interaction to the bare minimum. Many erstwhile bankers who were interviewed clearly delineated between ‘trade land’ and ‘home land’. Being outsiders they had keenly observed the Burmese society and mentioned that ‘women dominated there; they came to take loans, while the men gambled and consumed liquor.’\textsuperscript{164} The timid nature of the

\textsuperscript{160} Statement of Rajah Sir Annamalai Chettiar, op. cit. p. 3.
\textsuperscript{161} Andrus, op. cit. p. 269.
\textsuperscript{162} Cooper, op. cit. pp. 21–22; Andrus (1946), op. cit. p. 269.
\textsuperscript{163} T.L. Narayana Pillai, Biography of T.N. Natchiappa Chettiar, Jananukoola Acchu koodam, (Trichy, 1925), p. 37.
\textsuperscript{164} Interview with K. Chettiar, Kanadukathan, January 2004.
Burmese was a big advantage to the Chettiar because recovery was easier. But except extending loans, the Chettiar did not mingle with the local people.

The Chettiar felt that they earned their money through hard work and hence their superior financial position vis-à-vis the Burmese was justified. A satirical poem published in 1924 speaks of the travails of a Chettiar employee—his five day long sea voyage from Chennai to Rangoon, the hardships he undertakes to extend and recover loans in the interiors of Lower Burma, the glamorous Burmese women and the lazy men. There is a warning that Chettiar men should be wary of Burmese women who were considered capable of trapping men, luring them and eventually rendering them bankrupt. This was the general view that the Chettiar held about the Burmese. Most of the informants mentioned that those Chettiar who had Burmese mistresses were unable to visit their families in Chettinad because the mistresses would not permit the Chettiar such a visit, for fear that they may leave them.

There was a general feeling that the Chettiar did not 'mix' with the Burmese. The Chettiar, however, felt that the good relationship that they shared with the local people was sabotaged by sustained anti-Indian propaganda by a section of the population. These people incited politicians against the Indians on grounds of looting Burma's wealth and depriving employment for the Burmese. Rangoon Times, the newspaper backed by Anglo-Indians began the campaign and following the English papers, Burmese papers too began to write on the Indian presence in Burma. 'New Burma' warned the Government to prevent the wave of Indian immigration. 'The Indian Review' revealed that the British were

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165 Many of the informants mentioned this as one of the reasons for their successful recovery of loans.
attempting to divide and rule because they began to fear the goodwill between the Burmese and the Indians.167

The Burmese were agitated at the large amounts of money spent by the Chettiars on temples when they were struggling to make both ends meet. The Chettiars are said to have spent about four crores of rupees in building temples in Burma. There is a mention in the Burma Separation Souvenir that even if they had spent a crore of it for promoting Indo-Burman ties, this kind of resentment and discontentment could have been avoided.168

Burma had a special place in the collective life of the Chettiars and their business in Burma proved to be a defining period for the history of this caste group. Almost all the informants had mentioned the fall of Burma as a major catastrophe. In fact, the period after the Great Depression is a watershed because of the way it altered the lifestyle of this group. The withdrawal—both physically and economically from Burma was a great blow to the Nattukottai Chettiars. According to AMM Arunachalam, 'The Great Depression and post-war happenings, especially in Burma, had shattered the venturesome spirit of the Chettiars.'169 The big players could anticipate the consequences of Depression and transferred their investments to South India. But the medium and smaller firms could not do it and so suffered huge losses.

MALAYA

There was a shift in the maritime trading interests of the Europeans during the late 18th century. Prior to this, they were seeking 'traditional European cargoes of spices, pepper and textiles' for Europe. The changing European

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167 'Indians in Burma', Kumaran, 23 September, 1925, p. 2.
168 Burma Separation Souvenir, p. 15.
market however demanded cargoes of 'Chinese tea and a variety of tropical raw materials.' So the Europeans began 'trading the exports of the area into Southeast and East Asia in return for new commodities in demand in Europe.'

The strategic importance of the Straits of Malacca as a vital trade route which enabled the control of trade between India and China prompted the British to arrive at some settlement for promoting their own trading interests. The British East India Company thus commenced its trading operations in Penang in 1786 and in Malacca in 1795. As in other Southeast Asian countries, trade was replaced by the takeover of the administration and consequently, the region was added to its list of colonies. However, the British followed a policy of non-intervention in the Malay peninsula for about 50 years following the Anglo-Dutch Treaty of 1824. This treaty clearly demarcated the spheres of influences of the British and the Dutch in the Malay Archipelago, thereby removing the commercial rivalry between the two colonisers. Once imperial ideas started gaining momentum in the home country, it reflected in the British policy towards colonies and hence the policy of non-intervention was reversed and 'British rule and Pax Britannica was introduced into the Malay states.' The British took formal control of Malaysia in 1874 through the Pangkor Treaty. The first state to come under the British in Malaya was the state of Perak in 1874 and by 1914 all the states had been brought under British control and governance.


The two most attractive areas of investment in Malaya included tin mining and plantation production of spices. The Chinese settlers had established themselves in these two activities in the first half of the nineteenth century. Though the native Malays had been extracting tin, they had done so at a small level. The Chinese made a great deal of investment in tin mining when it was discovered along river beds, thereby becoming the major suppliers of tin to the British. They were also the initiators of the plantation system in Malaysia.173 Once the plantation system was found to be successful, the Europeans financed coffee plantations in the Western states of Perak, Selangor and Negri Sembilan and along with the Chinese support they established a plantation economy throughout Malaysia. But in 1890s there was an overproduction of coffee in Brazil that flooded the world market and so the British sought other profitable investment sources. At the same time there was an increasing need for rubber and so foreign investment was redirected to this industry. Robert Bach opines that the development of rubber industry not only meant the growth of the Malaysian economy but also served as a ‘major mechanism for foreign penetration and control.’174

It was the early Chinese plantation owners and the European growers from Ceylon who provided the initial capital to experiment with rubber on a large scale in Malaysia. The initial success stimulated further investment and the colonial government formulated such land policies as to promote estate production of rubber. ‘One thousand acres apiece were offered to planters who would permanently grow rubber. No limit was placed on the amount of land nor was land taxed.’175 This kind of policy attracted a lot of

175 Ibid, p. 466.
foreign investment. The main hurdle, however, was the investment of huge capital. Rubber required long-term investment because the tree took five to eight years to mature and hence locked capital. It also required labour. The native Malays could not venture into such large-scale investments because they were operating at a subsistence level. The Chinese were making profits in their tin mining with control over domestic commerce. But it was difficult for them to move into new investment ventures given the fact that they were remitting much of their wealth to Mainland China. And moreover, "the Chinese system of finance in the tin mines depended on quick turnovers and the ready availability of cash, and for this reason the tin production was to a great extent subject to the fluctuations in the local money market. When a depression set in, in 1889 and lasted nearly three years, the tin mines were badly hit." 176

Thus the British with a large capital reserve accumulated through their mercantile ventures and their dominance in world economy entered the arena of rubber production. They had connections with merchant houses of the 19th century and could hence facilitate the channelling of funds into the Malaysian rubber industry with ease. As Bach says, 'The merchant houses changed with this new financier role. They became "agency houses"; i.e., managers. Using their own capital, their control of imports and exports through monopoly of shipping and their new role as managers of London capital, the agency houses spurred the development of rubber. In 1903 the Pataling Rubber Estates Syndicate Ltd. was launched through the agency house of Harrisons and Crosfield Ltd., agents of the East India Company since 1844.' 177

176 Chai Hon-Chan, op. cit. p. 20.
177 Bach, op. cit. p. 466.
Rubber Plantation: Success and Consequences

The Malay peasants were predominantly rice growers but when they witnessed the spectacular success of rubber as a new commodity, they also started growing rubber albeit, on a small scale. This rapid spread of rubber cultivation among the Malay peasants has been attributed to three factors:

1. the tree fitted naturally into the kampung or village setting with its emphasis on tree crops,
2. its cultivation made few extra demands on the peasant because the crop is non-seasonal, hence the labour involved in tapping could be spread over the year; there was no clash in labour needs with the seasonal paddy/rice crop, and no necessity for extra draught animals, ploughs or manures; the technique of producing rubber sheets from latex was simple and required only a little extra investment for the purchase of a tapping knife, a coagulant and a roller, and,
3. the peasant discovered, despite price fluctuations, that in times of good prices an acre or two of rubber could supply his family with the cash necessary to provide a better living than that obtained from paddy planting, with less physical labour.\textsuperscript{178}

Such was the situation as far as the rubber industry was concerned, with rural peasants too participating in the production of rubber. Introduced to Malaya in the 1870s planted acreage of rubber expanded rapidly and by 1919 the Malayan net export of rubber exceeded the net export from all other producers.\textsuperscript{179}

Land policy and the building of rail network were two important factors that enabled opening up of the country for colonial exploitation.

\textsuperscript{178} Baharuddin, op. cit. p. 447.
\textsuperscript{179} Ibid.
Expansion of rail network enabled linking all the interior parts of the country where rubber was being produced. These had important implications for the Malayan economy and a brief review of these is essential to contextualise the entry of the Chettiar into the country.

Before the entry of the British into Malaya there were two types of land. One owned by the Sultan or an Orang Besar (Chief) and the other land used by peasants. The Sultan or Chief owned the land in the territory over which he had control. Gifts and revenue were taken from the people living under his jurisdiction in return for internal order and his services as a patron. A peasant, on the other hand, used land to cultivate for his subsistence. Usually only as much land was kept by the peasant as was necessary for his family's subsistence. There was no concept of the Western notion of private property and land was never considered merchandise. In the 1880s the British introduced a new land tenure system based on the principle of private property and was successfully enforced by the 1890s whereby land which was till then abundantly available became a scarcity. '.... land acquisition was only possible by a process of application to the colonial government, or through private purchase.'

The British started the construction of railway and road networks linking all the principal towns and ports of the country in the 1830s and this was completed by the 1930s. Most of the rubber estates were located along the railway lines thereby reducing costs of transportation through other means. It also enabled faster and easier access to rubber producing areas and promoted settlement. This consequently increased the colonial government's sources of revenue.

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180 Baharuddin, op. cit. p. 437.
Chettiar Entry into Malaya

Burma and Malaya were both transformed into export-oriented economies by the British. For Burma, it was a change from subsistence-peasant-economy into a rice-exporting one. The Malay economy on the other hand, concentrated on the export of rubber and tin while partly importing rice from Burma. In Malaya, rice growing was not an attractive proposition and it was only in select areas like the Krian district in Perak that the rice economy became commercialised. Cash crops like coconut and rubber were far more attractive. Till about 1930s, it was in the few commercialised rice-growing districts of Malaya that the Chettiar moneylending activities were concentrated. The Chettiar established their first firm in Malacca around 1808. "This was followed by their entry into Penang around 1828, and into Singapore soon after its establishment as a British port." 181

The Northern Perak region consisted of the mining fields of Larut, the Chinese business centres of Taiping and Ipoh, and the highly commercialised rice surplus area of Krian. The Chettiers penetrated these regions with their capital and extended their moneylending activities. It is mentioned by Kratoska that in 1908, there were eleven Chettiar firms in Parit Buntar (population: 1566 in 1901), and a total of twenty-one such firms in the Krian district.182

Raman Mahadevan classifies the entry of Chettiar capital into the economy of Malaya into two phases. "The first", he says "lasted from the time of, or very soon after, the establishment of British colonial rule in certain regions in the Malay Peninsula in the early nineteenth century until

182 Paul Kratoska Chettiar and the Yeoman", Singapore, ISEAS, Occasional Paper No. 32 (1975) p. 18. Success in moneylending operations in Malaya had led to the prefixing of the names of the proprietors (of the firms) with the small town or place where they held considerable amount of property. For instance one informant had the name of the Malayan town Ipoh prefixed to his name and till date even his grandson is known and identified by this prefix.
the last quarter of the nineteenth century, viz, when Malay was beginning to be integrated into the world economy as indicated by (a) the expansion of Britain’s territorial possession or sphere of influence in the region and (b) the subsequent colonial economic exploitation of these regions as evidenced by the introduction of export-oriented cash crops (principally, rubber) and the production and export of tin." The second phase was the period after the integration of Malaya into the world economy until the economic depression of 1930.

The Chettiars, as elsewhere in the subcontinent, were the main credit providers for the indigenous population (as well as for the Chinese in the case of Malaya) until the advent of modern banks. ‘Chetties (or Chettiars) were South Indian moneylenders and financiers who played an important part in financing the tin mines before the advent of European capital western banks, such as the Chartered Bank of India, Australia and China, the Hongkong and Shanghai Banking Corporation and the Mercantile Bank of India, had started their operations from the middle of the 19th century in the Straits Settlements, and from the outset many of their transactions were with Asian customers.’ The Chettiars provided medium and long-term credit even after the establishment of modern banks for a large number of ‘small and medium Indian and Chinese traders, artisans, tin miners etc. Because of their long involvement in money lending and rich experience gained from operating in other countries, they acquired knowledge of the credit worthiness of small Chinese and Indian traders. The western banks were unable to gauge this and so the Chettiars acted as conduits for the percolation of funds to the lower levels of Asian business. The European banks operated in the ‘conventional colonial pattern of banking, namely, of exchange operations

183 Mahadevan, (1978b) op. cit. p. 146.
with London, India and China and the financing of foreign trade of region.' The situation was similar to the Burmese experience. Only big Chinese merchant houses could have direct dealings with the European banks. For small and middle traders, such banks were inaccessible and they had to look for other sources like the local moneylenders or Chettiars for credit. The Chettiars lent money against mortgages on crops or against promissory notes. They had become such an important source of credit to Asian traders in Straits Settlements that 'by 1867 most of the Singapore opium trade passed through their hands.' They extended loans to Malay peasants and landowners by accepting property and land titles as security. According to Arasaratnam, their activities had gone beyond the four Federated states to the Unfederated states of Kedah and Johore.

The bigger Chettiar firms had access and financial adjustments with the European banks and therefore could obtain long term loans and overdraft facilities on current accounts against the security of bills or title deeds to property, besides the discounting of bills. Mackenzie states that the Chartered Bank of India, Australia and China was dependent on the Chettiars for their successful operations and held Chettiars in high esteem. They dealt only with those Chinese merchants who were financially sound and always met their obligations to the Bank. The Bank was also able to control the local rupee market through its connection with the Chettiars. It is said that the Chettiars opened an account with the bank only if they were permitted overdraft facilities to be used in times of need. They

185 Mahadevan, op. cit. p. 147.
188 Mackenzie, op. cit. p. 108.
provided title-deeds to properties in recently developed areas as collateral security to the bank.\textsuperscript{189}

The Chettiars expertise in handling and discounting of bills, or \textit{hundis}, helped them make substantial profits in Malaya as well. They took advantage of the fluctuations in the exchange rates between the Indian rupee, Straits dollar and pound sterling 'against the background of the standing offer by the Secretary of State to purchase sterling bills in India at fixed rates.'\textsuperscript{190} They discounted the bills of Chinese traders and this was the principal activity of Chettiar firms in the 19th century. These bills were in turn rediscounted by the Chettiars at the 'European exchange banks with whom they had financial dealings and thus placed themselves with the funds.' This arrangement not only boosted the Chettiar moneylending operations but also provided revenue to the European banks. Thus in 1872, 'almost all the local bills discounted [at the Singapore branch of The Chartered Bank of India, Australia and China] were acceptances drawn at two or three months date by these groups [Chettiars] on Chinese purchasers of opium.'\textsuperscript{191} The position in 1880 was still much the same: 'The bulk of the local discounts were... Chinese promissory notes endorsed over to the Chettiars, representing money borrowed from the latter for trade purposes.'\textsuperscript{192}

The Chettiars were significant middlemen for the British because they promoted their own business while at the same time accelerating the business of the European banks. The Penang branch of the Chartered bank granted overdrafts to the Chettiars to 'facilitate produce shipments'. The bank's rupee sales in Calcutta and Rangoon had increased conspicuously

\begin{footnotes}
\footnote{Mackenzie, op. cit, p. 224.}
\footnote{Mackenzie, op. cit. p. 109.}
\footnote{Ibid, p. 109.}
\end{footnotes}
during early 1880s. 'Most of these drawings went to the Chettiars, who had money laid down in India, Burma and the Straits; When the rate of exchange was favourable in the Straits it was to their advantage to draw on India and invest the proceeds in Penang and Singapore; if the contrary ruled they were anxious to remit.' The bank did not feel threatened by the success of Chettiars because they did not compete with the bank. The bank's business operated on the sterling exchanges in London while the Chettiars were concerned entirely with India.

The tin mining industry was hit by a three-year depression period from 1889-91 and there was a shortage of money. This was caused by a fall in the price of tin. 'The tightness of the money market had a chain reaction from the wealthier traders to the men with limited capital in the tin mines.' The Senior Warden of mines declared in 1905 that 'mines developed and worked on borrowed capital from Chettiars meant an industry that was on sand and ready to collapse when the price of tin fell.' As predicted, the Chinese could not manage to obtain credit from either the banks or Chettiars and finally the government was forced to step in and 'a dislocation of the industry was averted only by generous loans from the government.'

In 1930, Chettiars had lent $125 million to peasant agriculturists. But 75% of these loans went to Chinese smallholders while only 25% went to Malay peasants.

Though the moneylending operations of Chettiars in Malaya was not of the same magnitude as that of Burma, the main advantage for their business in Malaya was the need for credit all through the year. In Burma,

193 Mackenzie, op. cit. p. 112.
194 Ibid.
195 Chai Hon-Chan op. cit. p. 168.
196 Ibid.
197 Rajeswary Brown, op. cit. p. 264.
the agricultural season demanded more credit whereas rubber cultivation had no particular season and long-term credits were needed all round the year.

Brown shows that the Chettiars have financed big Chinese firms in Malaya. The Khaw family of Penang and South Siam had varied business interests all over South and Southeast Asia. Chettiar capital was used to fund some of their ventures. The Khaw family is said to have redistributed Chettey (sic) loans to small Chinese traders, miners and rubber producers in South Siam who had little access to major financial institutions such as the Siam Commercial Bank or the Chartered Bank. Chettiar credit was crucial during the post-war slump—between 1919 and 1921. During this period the Khaws took Chettiar loans in Penang and advanced them to the Chinese for the rubber industry in Siam. Chettiar capital was effectively used by the large Chinese trading families to fill a void created by the non-availability of Western loans.198

Mortgage of property and title deeds as security for loans meant that failure to repay entailed foreclosures and attachment of property. Just as agricultural lands in Burma came to the Chettiars due to heavy indebtedness and inability of the Burmese to pay back, in Malaya too, rubber estates and tin mines passed into the hands of Chettiars. The fundamental instability of the Malaysian economy caused by heavy dependence on international business situations caused frequent crisis in the rubber and tin industry. This led to heavy indebtedness and loss of property because ‘when prices fell, as they often did during times of crisis, the owners of rubber gardens and tin mines would, on failing to repay the loans, find the Chettiars foreclose on the mortgage and take possession of the property.’ 199

199 Mahadevan, op. cit. p. 149.
International Crisis and its Effect on Chettiar Firms

Raman Mahadevan avers that the crisis caused by international situations had two entirely different effects on the Chettiar firms. 'It was very unwelcome to the small Chettiar moneylending firms which conducted their business on small amounts of borrowed capital since it was essential to keep their limited funds liquid; on the other hand, these crises proved very beneficial to the large Chettiar firms, who would wait for the prices of rubber and tin to appreciate before disposing off these assets for a profit.'

It is said that many Chettiar firms had taken advantage of the situation and bought rubber estates at throw-away prices and sold them off for a good price when prices had stabilised. Testifying to this, A Savarinatha Pillai cites the case of a Chettiar in the Federated Malay states 'whose assets 14 years back [viz 1916] were worth 1.20 lakhs and are now [1930] worth 20 lakhs owing to the appreciation [in the price] of rubber.'

Apart from such acquisition of estates, they independently invested in rubber estates from the 1920s. This was consistent with the logic of the Chettiarsthat when they found attractive investment ventures, they would not hesitate to step into it. A similar thing occurred in Burma when, apart from the lands that came to their hands through foreclosures, they indulged in grain and timber trade. Similarly in Malaya, many Chettiar firms had brought virgin lands under rubber cultivation. Raman Mahadevan cites instances of such firms, which is now reproduced for further clarity. It is said that O.A. R. Arunachalam Chettiar, agent of K.V.A.L. Chettiar firm, acquired one thousand acres of forest land in the Jabore state in 1925-26 and brought it under rubber cultivation. Subsequently the firm acquired some more small estates in the adjoining areas increasing the total area of the plantation to 1,260 acres. The

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200 Mahadevan, op. cit.
201 Written evidence to the MPBEC.
plantation was then organised into a private limited company and was floated as the Ayre Manis Estate Private Limited. The shareholders of this company comprised of mostly Chettiars and a few Indians.

The Nagappa Rubber estate was established in the Johore state in 1926 with an acreage of 1,700 acres. This plantation belonged to the P K N Chettiar firm.202

Similarly, the Chettiars had large interests in the tin mining industry as well. In addition to these, they had established stock trading companies—Kannappa and Co, and Tenappa and Co, in Singapore, The Oriental Company Ltd, and The India Trading Company Ltd, Sundaram Company Ltd in Penang and Teyvanay and Co, and Sundaram Co in Malacca.203

Just when the Chettiars were diversifying their investments and making huge profits, Depression set in and it affected their business severely. The world consumption of tin and rubber fell considerably thereby plunging Malaya into severe economic crisis because 'rubber and tin accounted for over 70 per cent of Malaya’s exports and thus made up the bulk of country’s national income.'204 Chettiars were in an intractable situation with their liquid capital locked in immovable property. As in Burma, here too they had to foreclose on mortgages. Without liquid capital that was so very essential for their functioning as moneylending agencies, many of the small firms collapsed. This failure was infectious and some medium and few large firms also collapsed. To add to the woes of the Chettiars, the government introduced some legislative measures to check the problem of land alienation. Indebtedness of Malays to Chettiar moneylenders was already common around the turn of the century. The

202 Mahadevan, op. cit. pp. 149-150.
203 Ibid, p. 150.
204 Ibid, p. 151.
saving grace however, was the protection provided by the Malay Reservation Enactment of 1913. 'In areas placed under this Enactment land could not be alienated or sold to non-Malays.' The law could hinder the sale of land owned by Malay peasants to financially stronger groups to a certain extent but could not prevent absentee landlordism of Malays or the increasing indebtedness of the Malay peasants.205

Thus, even before the Depression, land was moving from the hands of agriculturists to non-agriculturists but the government decided to take steps only when Depression accentuated the problem into a crisis. The Small Holdings (Restriction of Sale) Bill was introduced in 1931 much to the displeasure of Chettiars who protested strongly. 'According to the provisions of this Bill, no sale of land exceeding 25 acres could be carried out without the consent of the state where the land was situated.'206

The four Acts that were passed between 1913 and 1933 namely the Reservation Enactment (1913), The Ricelands Enactment (1917), The Amendment to the Land Enactment of 1918 (1931), and the Malay Reservation Amendment (1933) were all measures taken by the British to avert the problem that gripped contemporary Burma. The Usurious Loans Enactment of 1919 also attempted to save the peasants from the usurious grip of moneylenders.

The Chettiar interest in Malaya was severely hampered by these legislations and the Chettiars slowly withdrew from the country after putting up claims for compensation for the heavy loss incurred and properties lost as a result of Japanese invasion of 1941. The following table represents the claims made by a Chettiar firm whose headquarters was in Karaikudi, Ramnad District with its principal agency office in Penang, Malaya. The claims were made in the year 1944.

205 Hans-Dieter Evers, op. cit. p. 215.
206 Mahadevan, op. cit. p. 151.
Table 2.7: Claims made by a Chettiar Firm in 1945

<table>
<thead>
<tr>
<th>Kind of property</th>
<th>Amount in $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lands, gardens, Estates, etc. These included Rubber Estates in Perak, Negri, Sembilan, and the Straits Settlements; Paddy fields in the State of Kedah; coconut gardens in Penang; Tin mines in the State of Perlis</td>
<td>1,39,775-00</td>
</tr>
<tr>
<td>Offices, houses, bungalows, etc in Kedah and the Straits Settlements</td>
<td>67,287-54</td>
</tr>
<tr>
<td>Mortgages, Securities, Pledges, Immovable property. These included mortgages of coconut gardens and houses in Penang</td>
<td>4,500-00</td>
</tr>
<tr>
<td>Promissory note, on demands and IOUs</td>
<td>457-25</td>
</tr>
<tr>
<td>Outstandings from Chettiar firms</td>
<td>18,573-75</td>
</tr>
<tr>
<td>Mercantile Bank of India Ltd, Penang</td>
<td>10,100-00</td>
</tr>
<tr>
<td>Shares in Oriental Company Ltd, Penang (This was a Chettiar concern)</td>
<td>400-00</td>
</tr>
<tr>
<td>Furniture, Motor car, 1/10th share</td>
<td>114-40</td>
</tr>
<tr>
<td>Cash Balance</td>
<td>775-43</td>
</tr>
<tr>
<td>Headquarters investments, viz</td>
<td>15,188-43</td>
</tr>
<tr>
<td>(a) Shares in Hongkong and Shanghai Banking Corporation $8536-28</td>
<td></td>
</tr>
<tr>
<td>(b) Shares in the Chartered Bank of India, Australia and China $4805-35</td>
<td></td>
</tr>
<tr>
<td>(c) Shares in the Rawang Tin fields $1846-80</td>
<td></td>
</tr>
</tbody>
</table>

Source: Raman Mahadevan, 1978 b, p. 150.

SINGAPORE

'Indians have been present in Singapore from the very first day of its foundation as a British trading post by Raffles in January 1819.'\(^{207}\) The Chettiar entered the Singapore region when it was part of the Straits Settlements.\(^{208}\) Penang and Singapore were two important regions of investment for the Chettiar. This was due to the strategic location of the two


\(^{208}\) Straits Settlements refers to Singapore, Malacca and Penang.
places. Ships that sailed from South India first anchored in Penang before arriving at Singapore due to which Penang became 'an important strategic point for the Chettiars.'209

They moved to Singapore when the British shifted their main centre of administration from the Straits Settlements to Singapore. It was then that the entrepot trade was also beginning to develop. All these attracted the Chettiars to this new region and they started their operations in Singapore. A small number of Chettiars were functioning in this region but their contribution was much larger in proportion to their size. The number of Chettiar firms operating in Singapore far outnumbered the European Banks during the late 18th and early 19th centuries. The Table 2.8 given below is an indication of Chettiar enterprise.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Chettiar moneylending firms</th>
<th>Number of European Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1883</td>
<td>28</td>
<td>4</td>
</tr>
<tr>
<td>1900</td>
<td>19</td>
<td>6</td>
</tr>
<tr>
<td>1910</td>
<td>35</td>
<td>9</td>
</tr>
</tbody>
</table>

Source: Singapore and Straits Directory.

The Chettiars moneylending activity in Singapore was initially (before 1830s) concentrated 'along the western fringe of the central business core, in the Chulia and Market street areas'.210 Their clientele in Singapore covered not just Indian traders and businessmen but also

210 Mani and Sandhu, op. cit. p. 778.
'Chinese miners and businessmen, European proprietary planters and others, and Malay royalty and civil servants.'

As in other countries, Chettiar firms in Singapore may also be classified into small, medium and large firms. The size of the firm was determined by the capital involved, which in turn decided the clientele. According to Pavadarayan, small firms (till 1950s) had a capital of S $1000 to S $3000. Loans would be extended in small portions on a short-term interest collected on a daily basis. Clients included hawkers and Indian labourers. Such small firms did not employ people and were managed by the proprietor himself. Pavadarayan mentions that such small firms were usually owned by former agents.

Medium sized firms had a capital of $50,000 to $100,000. They catered to small scale traders usually Indian Muslim traders engaged in the sale of household provision, textile, books etc. She notes that here too interest was collected on short intervals maybe once in ten days.

Large firms usually employed capital amounting to anything between S $100,000 to S $200,000. Being large, they usually hired a minimum of five employees.

'Large firms usually lent out to Chinese traders involved in all sorts of trade in Singapore, and in Malaysia to rubber and later palm oil estate holders, traders, tin-miners and Malay moneylenders who lent out to Malay peasants involved in Padi cultivation.' Since large firms lent out large amounts of money on long-term basis collaterals were demanded.

The Chettiaris in Singapore too had well-developed financial ties with the Chartered Bank. They discounted local bills drawn on Chinese purchasers of opium. Because of the bank's trust in their shrewdness and

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211 Mani and Sandhu, op. cit, p. 781.
212 Pavadarayan, op. cit, p. 59.
integrity, they could obtain fixed loans or overdraft facilities on current accounts without any additional security.

The Chettiars had their typical overseas organisation in Singapore as well. They had built the Dandayuthapani Temple at Tank road between 1855 and 1860. "Another Saivaite temple that is a Pillayar temple, in Keong Siak Road was built by the Chettiars in 1926. Unlike many Hindu temples, these two have not been subjected to the control of the Hindu Endowment Board in Singapore."

This temple became the focal point of all activity in the region along with the 'Kittingis' in Singapore. Kittingis were residence-cum-business centres where male Chettiars resided as well as had their offices.

Not much information is available on the quantum of Chettiar operations in Singapore in isolation. It is only seen as part of the Straits Settlements since Singapore got its independence from Malaysia only in 1965. By then the Chettiar businesses were on the decline due a series of factors discussed in the previous section. It has been observed by Thompson that the Chettiar investment in the economic sector of Singapore amounted in 1940 to about 30 to 40 million Singapore dollars. Even in Singapore, laws were enacted that restricted the activities of the Chettiars. "Even in the Straits Settlements legislative checks were imposed between 1930 and 1940. For example, in 1930 Sections 22 and 24 of the Moneylenders Bill stipulated legal sanctions against certain moneylending practices such as the charging of exorbitant interest rates. In 1936, the registration or licensing of moneylending firms was made compulsory and

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213 Pavadarayan, op. cit. p. 45.
214 During a visit to this temple, it was noted that the Chettiars still assemble here on important occasions like on Fridays and festivals. But the temple has ceased to perform its economic function. This is due to the decline in moneylending activity. Now it stands as a cultural symbol, a social space for the Chettiars to meet and a status symbol within the community to be on the board of trustees.
it became necessary for moneylenders to formally write explicitly a contract outlining the terms of borrowing and lending between lender and borrower; compound interest was no longer permitted and the maximum interest rate per annum was fixed at 48 per cent.\textsuperscript{216}

The Chettiar however, strongly protested against the Moneylenders Bill of 1936 which sought to limit the maximum interest rate. The Chettiar felt that this was a drastic measure and that it was the Sikh moneylenders who were unscrupulous in their moneylending practices. They wanted to be exempted from purview of this Act but their pleas went unheard.

The Kittingi

The \textit{Kittingi} served as a focal point of all the commercial activity of the Chettiar (in their overseas businesses) in addition to providing the social infrastructure of a lodging home. This \textit{Kittingi} provided an identity for the Chettia in Singapore and Malaysia. In Singapore, they had \textit{Kittingis} in the Market street area of commercial Singapore since their arrival in the 1820's\textsuperscript{217}. The architecture of the \textit{Kittingi} was such that each floor had a distinctive front and back portion. The back portion of the building housed the kitchen, dining area, sanitary and washing facilities. This was the private space of the Chettia. The front portion, on the other hand, consisted of a long open space. It was here that many of the Chettiar firms operated. Each firm had an employee who used to sit behind a ‘petti’\textsuperscript{218}. It was here that all transactions occurred. The hall housed many firms and was usually owned by a rich Chettiar to whom the others paid a rent for using the \textit{Kittingi}. When the clients came for loans, they sat on the floor on

\begin{footnotes}
\item[Pavadarayan, op. cit. pp. 91-92.]
\item[Ibid, p. 52.]
\item[Low desk-like boxes that contained the ‘\textit{Kurippu’}, ‘Kai Chittai’\textsuperscript{'}, other documents and cash.]
\end{footnotes}
which mats were spread. Even their business space reflected the simplicity and frugality that they steadfastly followed.

The Kittingi reflects the social aspects of the Chettiar life abroad. The Kittingi functions as an active business centre while at the same time acts as a replica of the 'village universe'. In this capacity it performed the following functions:

(a) An agent of social control
(b) Reinforced social and community ties
(c) Maintained group solidarity

The Kittingi acted as an agent of social control in a much similar way like the village in Chettinad. The close proximity and the collapse of private and business sphere enabled every member of the Kittingi to keep a check on the movement and behaviour of the others. The Chettiars usually maintained a routine that was almost common to all of them. This made it easier for the members to notice any deviation on the part of any member very easily. Once detected such deviance became the subject of gossip that spoilt the reputation of the member concerned.

'For example should a member have a reputation of returning late to the Kittingi or indulgence in sexual immorality or drunkenness and aggressive behaviour, he would not only be sanctioned by public ridicule within the community or lose his social reputation but may have to forego taking up further residence in the Kittingi. Conformity to the unwritten codes of social conduct within the Kittingi is important means of social control in the overseas situation.'

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219 It was mentioned that they used to wake up early, bathe and then pray at the temple before beginning the day's work. Their lives were mostly spent at the Kittingi.

220 Pavadarayan, op. cit. p. 56.
Besides this kind of effective social control, the Kittingi also reinforced social and community ties. When there was an auspicious occasion back home like for instance, a daughter attaining puberty or other festive occasions, the Chettiaris distribute sweets and share each others happiness. They also exchange gifts on some occasions. During religious festivals like Thaipoosam, Kaarthigai and Panguni Uttaram, Chettiaris in Malaysia and Singapore visited each other and stayed in their respective Kittingis to enjoy the occasion as well as to cement the bonding between community members. Pavadarayan mentions that Thaipoosam is popular in Penang and Singapore, Kaarthigai in Muar, Panguni utharam in Kuala Lumpur etc.\textsuperscript{221} This kind of meeting enabled them to keep in touch with recent developments at the personal front, news about the village and also local political developments. This was a time when gossip and news about fellow Chettiaris were passed on to each other. Those Chettiaris who had defaulted or indulged in any kind of malpractice did not have any chance of escape and lost community support.

In addition to the above functions the internal dynamics of the Kittingi promoted group solidarity in a subtle way. The Kittingi was usually owned by one or a group of affluent Chettiar or by the temple. In case it was owned by a Chettiar, the others who had their offices within the Kittingi had to maintain good relations with the owner. The power relation was obvious because it was the sole discretion of the owner to keep a person in his Kittingi or not. But this power was not wielded in such a way that the group solidarity was sacrificed. Some firms within a Kittingi did very well while some others did not. Those who did well and made large profits never thought of establishing a Kittingi of their own. They stayed on in the same Kittingi. While a client entered the Kittingi, he chose a firm on his own and no Chettiar ever tried to lure another's customer.

\textsuperscript{221} Pavadarayan, op. cit. p. 58.
even if they did not have any business. Group solidarity was given paramount importance because it was economically advantageous for individual firms while at the same time proximity and collective residence provided support in a foreign land.

With a series of laws that affected the business of the Chettiars (discussed above) and Singapore’s independence in 1965, the Chettiars turned to other professions in the country. Table 2.9 shows the percentage and types of employment that the Chettiars were involved in 1983. Though this table might not be representative of the whole Chettiar population in Singapore, it gives a rough picture of the changing patterns and the adaptability of the Chettiars.

<table>
<thead>
<tr>
<th>Field</th>
<th>Percentage</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business/Professional</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td>Administration/Education</td>
<td>33</td>
<td>20</td>
</tr>
<tr>
<td>Technical</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Clerical/Sales/Service</td>
<td>35</td>
<td>21</td>
</tr>
<tr>
<td>Unskilled</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Retired</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>

Source: Pavadarayan, 1986:97

CEYLON

Before the British, the British rule and Nagarattar moneylending

The Chettiars are said to have been trading in Ceylon even before the Dutch conquest.222 Arasaratnam points out that the Hindu and Muslim

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222 The Dutch ruled over Ceylon between 1600-1800.
traders had established themselves so well in Kandy that the Dutch tried, without success, to root them out.223

The Chetty settlements were found in Colombo, Galle, Kalpitiya and Kottiyar and they are said to have moved to the interior villages for trading purposes demonstrating the mobile nature of the community. They maintained dual domicile, 'many of them having residences in their South Indian towns as well as in Ceylon.'224 The retail trade of the island was in the hands of the Chettis, Cholia and Malabar Muslims and the Dutch could not curb their trading activities even though they imposed numerous restrictions.

They had good rapport with the Kandyan kings who used them to carry letters and couriers on their behalf.225 Though the history of Ceylon is full of references to the Chettis, it is difficult to tell whether it is the Nattukottai Chettis who were being referred to because there were other Chettis like the Vaniya Chettis, the Colombo Chettis and Chettis who had formerly worked as coolies and labourers in the public service of the island from the time of the Dutch.226 These Chetty groups were entirely different from the Nattukottai Chettis. But the Nattukottai Chettis had established themselves well in the trade of the country by 1830 as shown by the following extract from the evidence given by Rabinel of Galle who was a European merchant of Ceylonese birth.

'The Nati-cottians (Chetties) are a distinct set of agents, who are (excepting a few parawas from Tuticorin) the exclusive importers of India


224 Arasaratnam, op. cit. p. 114.


manufactured cloths. They carry on business for very opulent merchants of Southern India; are the principal speculators for their masters at the pearl fishery; and in government bills on the colonial agent in London; and export in return for coast cloth and grain they bring into the market coffee, oil and rope.'227

Another account written during the second half of the 19th century notes that the Chetties 'are another immigrant race in Ceylon, coming from the Coramandel, and employed as clerks or accountants and collectors of taxes, rents and moneys, for which they appear to have a special aptitude. The Chetties are a very quiet and orderly people, excessively frugal and penurious in their habits, and great usurers; ...These men are found in the capacity of accountants and collectors of money all over India and the archipelago.'228 Though this description does not explicitly mention Nattukottai Chetties, it seems to fit them. In such a case, a shift in terms of the occupation is manifest with the first description showing them mainly as traders and the second emphasising their involvement with money. It also coincides with the data obtained from interviews that they had initially gone to Ceylon as traders while slowly transforming into full time moneylenders. Rudner too mentions that the Nattukottai Chettiars dominated certain sectors of the coastal trade as for instance, 'arrack and other coconut products from Ceylon to Madras, in rice and cloth from Madras to Ceylon and, arguably, in salt from Madras to Calcutta and rice from Calcutta to Madras and Ceylon.'229

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Converting Currencies

According to Rudner, their domineering position in the rice trade of Ceylon, ‘allowed them to take advantage of a marked imbalance of trade strongly tilted in favour of rice exports from Madras to Ceylon.’\(^{230}\) An increased supply of coffee to London correspondingly led to an increase in the flow of sterling bills from there. There was a deficit of rupee as against the sterling surplus.\(^{231}\) The Chettiar agents in Colombo had a monopoly of rice imports and refused to accept sterling bills unless there was an exceptional demand for them in India. The Colombo merchants had a choice of either selling the sterling bills in India and importing rupees which would take about a month, or could wait for their bills to be discounted in London and the money sent in the form of silver to India where it could be minted into rupees. This lengthy process would take up a year or more. Since both these processes were time consuming, they had to look for other ways of maintaining a smooth flow of goods and money. So the Ceylonese rice traders appointed agents in India to whom they sent their sterling bills for sale. They then sold rupee drafts on those agents to the Chettiar bankers in Ceylon who discounted the hundi and supplied cash to the merchants at a standardised discount rate.\(^{232}\) They were also the only dealers in rupees in Ceylon at that time and were hence free to choose the bills that they discounted and even to dictate their own terms.\(^{233}\)

Rudner maintains that two changes in the Ceylonese economy affected the commercial operations of the Chettiars. First was the arrival of British exchange banks to fund the Ceylon coffee boom of 1850–80 and the second was the overall growth in the export market due to the opening of the Suez Canal in 1869.

\(^{230}\) Rudner, op. cit. p. 59.
\(^{231}\) Mackenzie, op. cit. p. 90.
The Coffee Boom

In the mid-1830s the country started experimenting with plantation agriculture and within 15 years, the success of coffee trade radically changed the economy. Between 1838 and 1843, there were 130 plantations in the Central Province and by 1846, the number of coffee plantations increased to anything between 500 and 600 in the island with a majority concentrated in the Central Province. The acreage under coffee doubled between January 1845 and December 1847 from 25,198 to 50,071 acres. Increased consumption of coffee in Britain and Western Europe coupled with the protection given for the colonial against foreign coffee in British market led to 'unrestrained expansion of cultivation'. About 5 million sterling pounds were invested in coffee both by individuals and by agency houses. Most of the plantations were in the hands of British planters and were financed by the British banks.

Coffee prices fell in 1845. The crisis was further worsened by the depression in Britain in 1847-48 because it led to a sharp drop in consumption of coffee. Added to this was the coffee leaf blight which attacked the plants in the late 1870s leading to the destruction of the crop.

The Ceylonese plantation owners looked for alternatives to coffee and started exporting cinchona, coconut, cocoa, tea and after 1900, rubber. A major predicament that these native plantation owners faced was the problem of finance. British banks would not lend them money to buy land, seed or fertilizer. Many of the other small producers and exporters faced the same problem. It was then that the Chettiar stepped in to extend credit to these native plantation owners and exporters.

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235 De Silva, op. cit. p. 269.
236 Rudner, op. cit. p. 74; De Silva, op. cit. p. 269.
237 De Silva, op. cit. p. 269.
Rudner mentions that between 1870 and 1916, the number of Chettiar firms in Ceylon increased from 150 to 700. At the peak of their operations, in 1929, the total volume of business is estimated at Rs.150 million.238

The Establishment of European Exchange Banks

The European exchange banks were established in the country by the middle of the 19th century. This significant development initially seemed like it would displace the Chettiars and push them to the periphery. But the Chettiars donned a new role—that of intermediaries, between the exchange banks and the Ceylonese.

Though the establishment of the exchange banks led the European merchants of Colombo to rely on the banks instead of the Chettiars for their transactions, they retained their position as major suppliers of credit to the Ceylonese agriculturists and businessmen. The exchange banks' concentration solely on the foreign trade left the indigenous players' reliance on the Chettiars undisturbed. Even the few loans extended by the exchange banks were restricted to large estates—sometimes directly but most often through the European exchange agency houses. They primarily lent to importers and to the brokers and shippers in the export business.239 This catapulted the Chettiars to the centre stage of inland financing.

'For most Ceylonese the Chettiars were the only source of credit, whether on long terms or short terms. They made loans for the purchase and development of estates as well as for trade, production and consumption.... Ceylonese exporters and importers, retailers and small "boutique-keepers", estate owners, coconut millers and arrack-renters, all of them at one time or another had to obtain accommodation from the

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238 Rudner, op. cit. p. 76.
239 Weerasooria, op. cit. p. 27.
Chettiars. The Chettiars were in fact responsible for the thin trickle of credit which found its way to internal trade and production.\textsuperscript{240}

**Chettiars as Middlemen**

The establishment of the exchange banks instead of drastically limiting the business of the Chettiars, acted as a source of funds for them. They were able to obtain short-term loans from the exchange banks as the banks had considerable deposits made by the British clients.\textsuperscript{241} The exchange banks would not lend money to the Ceylonese but they found it convenient to make short term loans to Chettiars. They did not, however, lend indiscriminately to the Chettiars. Loans were extended only to reputable firms featuring in the *adathi* list\textsuperscript{242} of the Imperial Bank of India. The exchange bank lent the money after it was endorsed by a second Chettiar.\textsuperscript{243} This was aimed at excluding any dealings with the smaller Chettiar firms. But this safeguard never really worked because of the intra-Chetty lending and the protection offered by the *adathi* firms to the smaller firms in times of crisis. The money was lent at the 'Chetty rate of interest' which was the rate at which the Imperial Bank of India originally lent money to them. It was 2 to 3 percent above the normal bank rate which in those days varied from 5 to 6 per cent.\textsuperscript{244} The Chettiars in turn lent the amount borrowed from banks to the local Ceylonese at a higher rate of interest.

The short term borrowings from the exchange banks required no security from the Chettiars and hence made it easy for the Chettiars to lend

\textsuperscript{240} Quoted in Weerasooria, p. 28.
\textsuperscript{241} Rudner, op. cit. p. 77.
\textsuperscript{242} This was a list prepared by the Head office of the Imperial Bank of India of the credit worthiness of the Chettiar firms and the maximum amount of loans for which each firm was eligible.
\textsuperscript{243} Rudner op. cit. p. 77.
\textsuperscript{244} Weerasooria, op. cit. p. 29.
even risky loans to the Ceylonese. The following rather lengthy quotation of a witness who testified before the Ceylon Banking Commission sums up the entire system of Chettiar financing in the island.

'as the due dates of the loans vary in the different banks, the Chettiar used to borrow from one bank to pay off their dues to others so that a Chettiar firm which is financially embarrassed can easily tide over its difficulties and if it is actually insolvent the heaviest loss is entailed upon the bank to which the loan is repayable last in order of time.

.....The system of inter-Chetty lending was the chief support of the successful working of Chettiar Banking. When in need of liquid funds they lent freely among themselves, at the usual inter-Chetty rate (6 per cent or under) or at the rate charged by the banks, whichever was higher, if, in order to accommodate a brother in the trade, a Chettiar had to borrow from a bank. Thus so long as some among the Chettiars had untapped margins of credit at the banks, none of them, whose position was otherwise sound and could prove it to be such to his prospective Chetty creditor, had to fear, in all normal times, any inability to meet his short term obligation to his bank.

Thus the Chettiars Through the age-old practice of being their own mutual lenders of last resort were able to use loans from banks, sometimes from the same bank, to meet the maturing bank loans. To the extent this happened, it was the banks’ own money which enabled the Chettiars to keep their loan contracts with the banks with striking promptness.’

This method of functioning suited both the exchange banks and the Chettiars perfectly well, until the collapse of one of the two leading Chettiar firms— the A.R.A.R.S.M firm in 1925.

The Chetty Crisis

The failure of this well known Chettiar firm heralded the 'Chetty crisis' leading to the curtailment of bank credit to Chettiars in Ceylon. It all began when three partners of the said firm were adjudicated insolvents in India in June 1925. The firms assets were estimated at Rs.800 thousand and

Indian liabilities at Rs.3.7 million. Its Ceylon assets were calculated at Rs.150 thousand while the liabilities ran to Rs.1.7 million.\textsuperscript{246}  

The failure of the firm is said to have exposed the malpractices that the firm had indulged in and triggered a fear that it might be followed by other Chettiar firms too. So the exchange banks not only curtailed credit but also recalled existing loans. This put the Chettiar\s in a financial quandary. Further, the exchange banks conducted an assessment of the securities offered by the Chettiar\s and found that many of the securities offered were not safe and adequate. The only loans that were not recalled were those on the security of government paper.\textsuperscript{247} The Chettiar\s activities were crippled by the sudden withdrawal of credit. It is noted that at one time the advances of the Imperial Bank to the Chettiar\s had exceeded Rs.20 million.\textsuperscript{248}  

Consequently the Chettiar\s were forced to recall the loans from the Ceylonese clients when the due dates arrived as they were not in a position to give an extension. In cases where money was not forthcoming, the Chettiar\s resorted to foreclosures taking possession of lands or moveable properties. This set in motion a series of events and ultimately the depression brought the economy to a very bad situation as worldwide prices plummeted.  

In July 1931, a motion was tabled in the State Council asking the government to provide relief to the debtors by forced sale of the properties (offered as securities) during the period of Depression. This sent a panic message across the Chettiar community that it would result in the loss of properties that they had offered as securities. So they sent a memorandum to the governor asking him to look into the issue of sudden curtailment of

\textsuperscript{246} Rudner, op. cit. pp. 78-79; Weerasooria, op. cit. p. 38.  
\textsuperscript{247} Weerasooria, op. cit. p. 38.  
\textsuperscript{248} Ibid, p. 33.
credit by the exchange banks. They also requested him to suggest a gradual withdrawal of credit by the banks so that they in turn need not pressurise the Ceylonese. But the problems raised by the Chettiars were not redressed and eventually the economy of Ceylon had to face a stringent credit situation. The Chettiars did not extend new loans after 1929–30.

The Chetty crisis, foreclosures and the Depression all combined to flare up the existing discontent against Chettiar moneylenders. They were accused of charging usurious rates of interest, and alienating lands and other property. As early as 1921, a newspaper from Ceylon ‘The Morning Star’ carried an article with scathing criticism against the Chettiars. Refuting the allegations on behalf of the community, Desa Nesan, a Tamil paper carried an article. The Morning Star mentioned that the Chettiars come to the island ‘with nothing but a recommendation letter. They borrow from the banks and re-lend it at an exorbitant rate of interest.’

A series of legislations beginning with the establishment of a state-aided bank—The Bank of Ceylon in 1939, greatly affected the financial activities of the Chettiars in the island and a very long association of the Chettiars with the island nearly came to an end.

Before concluding a cursory glance at the scale of Chettiar operations in Ceylon would provide a clear picture of the distribution of their assets in business and properties, the loans and deposits, and the source of their capital in the year 1934.

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249 Weerasooria, op. cit, p. 39.
250 Ibid, p. 41.
251 Dhana Vysia Ooliyan, 8 October 1921 Editorial column.
**Table 2.10: Business and Properties in Ceylon, After Depression (in 1934)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value (rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural land and estates (about 50,000 acres): 70% coconut, 15% rubber, 15% tea, cocoa etc.</td>
<td>30,000,000</td>
</tr>
<tr>
<td>Residential property in principal towns</td>
<td>6,000,000</td>
</tr>
<tr>
<td>Business capital in retail shops, estate suppliers, rice trade, import business, etc.</td>
<td>10,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>46,000,000</strong></td>
</tr>
</tbody>
</table>


**Table 2.11: Loans and Deposits in Ceylon, After Depression (in 1934)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value (rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pawn broking advances</td>
<td>40,000,000</td>
</tr>
<tr>
<td>Loans against mortgages</td>
<td>20,000,000</td>
</tr>
<tr>
<td>Other advances: against promissory notes, etc.</td>
<td>25,000,000</td>
</tr>
<tr>
<td>Deposits in British banks</td>
<td>50,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54,000,000</strong></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>100,000,000</strong></td>
</tr>
</tbody>
</table>


**Table 2.12: Sources of their Funds**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value (rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Their total capital</td>
<td>85,000,000</td>
</tr>
<tr>
<td>Borrowed from relations in India</td>
<td>14,000,000</td>
</tr>
<tr>
<td>Borrowed from local banks</td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100,000,000</strong></td>
</tr>
</tbody>
</table>

According to Rudner, the Chettiars evenly distributed their assets in money lending and non-money lending business ventures with a preference for money lending.252

**Conclusion**

This chapter so far traced favourable conditions in the four countries that led to the development of Chettiar banking activities. Each country had its specific economic, social and cultural condition and the Chettiars responded well to meet the local demands. The role of Chettiars has been seen as that of 'compradors'-tacitly supporting the British in exploiting the indigenous population and by channelising European money into the local economy. The Chettiars were no doubt using European capital. But that formed just one portion of their capital with more than 50% obtained from other sources. The Over Draft facilities of the Banks supported their functioning by keeping flow of credit smooth. They in turn, provided information to the Banks by informing them of the local credit as well as demand and supply situation. They were the lynchpins in linking the town and country in these countries for they reached the local people to meet their demands for money which the Banks could have never done.

The following table highlights the landholdings and business establishments of the Chettiars in various countries.

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252 Rudner, op. cit. p. 76.
### Table 2.13: The Chettiar Investments in Various Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of business establishments</th>
<th>Ricelands &amp; Plantation</th>
<th>Other assets Rs.(million)</th>
<th>No. of Chettiars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burma</td>
<td>1600</td>
<td>2,800,000</td>
<td>800</td>
<td>3000</td>
</tr>
<tr>
<td>Malaya and Singapore</td>
<td>1000</td>
<td>500,000</td>
<td>400</td>
<td>2000</td>
</tr>
<tr>
<td>Ceylon</td>
<td>500</td>
<td>150,000</td>
<td>200</td>
<td>1200</td>
</tr>
<tr>
<td>Indo-China</td>
<td>200</td>
<td>200,000</td>
<td>100</td>
<td>400</td>
</tr>
<tr>
<td>Rest of East-Asia</td>
<td>150</td>
<td>15,000</td>
<td>50</td>
<td>200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2350</strong></td>
<td><strong>3,665,000</strong></td>
<td><strong>1550</strong></td>
<td><strong>6800</strong></td>
</tr>
</tbody>
</table>


This section looks at the Chettiar network and its method of operations.

**STRUCTURE AND FUNCTIONING OF THE CHETTIAR NETWORK**

The firms usually employed a minimum of three people in a hierarchical set up. The agent or *melal* who represented the owner in his absence, the *adutthal* who assisted the agent in his duties, and a clerk known as keezhal (sometimes called the ‘pottiadi payyan’). The agent bore the responsibility of the smooth functioning of the firm and supervised the work of the other employees. The agent is usually selected on the basis of his personal qualities of trustworthiness and integrity, from among the kin group or known circle. The *Kanakkupillai* or *adutthal* need not necessarily belong to the Chettiar caste.253 While the agent had more chances of mobility, the other two positions had lesser mobility.

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253 This was confirmed in the interviews conducted at Chettinad. A visit to the house of a *Kanakkupillai* of the Chettiar in one of the Chettinad villages-Mahibalapatti brought out the striking similarity in the construction of a palatial home by this person who was from Yadava caste. He was a *Kanakkupillai* at Burma during the colonial period.
The agent was employed for a period of three years on a contract basis. The terms and conditions of employment were clearly stated in a specific format. This document was called the ‘Sambala Seettu’ literally meaning the pay slip. It was written and signed by the agent and submitted to the employer. This Sambala Seettu was a written affirmation of the agent’s commitment to the employer and also contained the salary amount agreed upon for the contract period. The salary was paid in two instalments. The first half of the salary was taken by the agent after completion of three months at the overseas firm and the second half was claimed on his return after duly submitting the tallied accounts of the firm. He also consented to accept any amount of money that was granted by the mudalali at the end of his tenure for ‘purchasing things’. Finally the agent promised to work again for the employer, should he so desire, after a few months of vacation with his family.254

If a firm or its branch is to be newly established, the agent usually went to the country (or town) a few days in advance along with his employer to inform the existing Chettiar bankers already operating there and also to develop a familiarity with the region.

The agent decided the salaries of those employed under him, in conjunction with the employer and got a Sambala Seettu written by them. The agent enjoyed ‘general powers’ during his three-year term. He decided everything on behalf of the firm in accordance with the general powers delegated to him by the employer. He enjoyed the right to decide on the firm’s expansion, growth, loan recovery processes, checking the daily accounts written by the Kanakkupillai in addition to receiving loans and making deposits in banks and other institutions.

Since his boarding, lodging, clothing and other expenses were met by the firm, the agent could not indulge in his own business while on contract.\textsuperscript{255}

The \textit{Aduthal} was next in the hierarchy and he performed those functions as were delegated by the agent. Some firms employed more than one \textit{aduthal} and in that case there was a principal \textit{aduthal} who carried out most of the jobs of the agent and was answerable to him. In large firms, there were many employees in the category of \textit{aduthal} and they were delegated specific functions. For instance, one \textit{aduthal} to look after legal affairs, one to collect interest, rent etc, and another to recover the loans lent on the security of land, either in cash or kind. This \textit{aduthal} was also referred to as the \textit{Kattal}.\textsuperscript{256}

The last rung in the Chettiar firm was occupied by the \textit{pottiadi payyan} or \textit{keezhal}. This category comprised those young men who were sent to apprentice and those who did odd jobs. If they were recruited by the employer, their boarding and lodging and food was taken care of by the firm. They were usually not paid any salary though at the end of their term, they were given a small amount to buy things.

The accountability of the agents and other employees to the \textit{Mudalali} was complete. On his return from an overseas assignment the agent was expected to visit the employer even before he went to his own residence. There he laid open his baggage for the employer to examine the contents. If anything was to the liking of the \textit{mudalali}, he was free to take it. This way the employer exercised total control over the employees for he could ascertain whether his purchase was proportionate to his income.

The \textit{Nagarattars} built a well-coordinated network that ensured a regular and smooth flow of information, personnel and capital. The firms

\textsuperscript{255} Annamalai, op. cit. pp. 33–34.
\textsuperscript{256} Ibid.
in Rangoon, Colombo, Malaya or Saigon were responsible to the employers or Mudalali in Chettinad for the functioning of the agents in the interior villages of these countries.

CHETTIAR SOJOURNERS

The Chettiars as a trading caste have been moving from one place to another in search of better business prospects. What initially began as a simplest form of trade—that of buying things that were cheaper in one place and selling them at a price higher in another place where it was unavailable slowly developed into more sophisticated business operations. Even their moneylending business seems to have stemmed from itinerant trading as is revealed by the use of the term ‘Kondu vikkaraithu’ (Literally means taking and selling) for their moneylending operations in Southeast Asia. This transformation has been in response to the changing situations in the world economy and its reflection in the policies of the colonial power.

Pavadarayan uses Simmel’s concept of Fremder to understand the case of Chettiars in Singapore. Simmel’s concept of ‘Fremder’\textsuperscript{257} denotes a partial integration and partial exclusion of a group from the wider society. The outsider or stranger group may be economically integrated while at the same time be socially and culturally excluded from the wider society. Social distance between the ‘fremder’ group and the society is accentuated by the realization and acceptance of specific differences that is larger than feelings of commonality.

Another theory that could be useful for understanding the movement of Chettiars is Edna Bonacich’s\textsuperscript{258} idea of a sojourner in her theory of


middleman minorities. She uses the theory to explain the behavior and organisation of trading minorities. She holds that all of the trading minorities have their origin in 'sojourning'. Members did not originally plan to settle in their host countries. This notion had three significant consequences. It promoted an inclination to save rather than consume. Deferred gratification was a common tendency that assisted in the accumulation of trading capital. Secondly, only such occupations were chosen that enabled the sojourners to be mobile and return home at a short notice. Thirdly ethnic traditions were kept alive because of their hope to return back to their home countries. This was the reason why associations were formed, endogamy was accepted and followed, and involvement in politics avoided.

Evers has pointed out gaps in this theory and proposes the paradigm of 'trader's dilemma'. The trader’s dilemma lies in the moral obligation of the trader to share his financial success with kinsfolk and neighbours, while at the same time looking for profits and accumulating trading capital.\(^{259}\) He avers that the dilemma could be resolved by maintaining a social and cultural distance from customers while at the same time strengthening solidarity within traders. He says that 'traders use cultural distinctiveness as a deliberate strategy morally to justify the maintenance of their trade monopoly and their right to profit'.\(^{260}\)

Markovitz's theory of circulation can be applied to the Chettiar case comprehensively. Markovitz brings out an important distinction between commercial migrants who were involved in trade before migration and others 'who shifted to trade after they reached their destination.'\(^{261}\)


\(^{260}\) Ibid, p. 11.

Commercial migration, according to him, is characterised by a 'phenomenon of circulation rather than migration proper, rarely resulting in permanent settlement.'

The Chettiars were operating as traders and moneylenders in the Madras Presidency and the Pudukkottai Samasthanam even before they ventured into other countries for business. They were sojourners in the sense that they did not wish to settle permanently and had continuing links with the ancestral homeland. And also they preferred to keep their assets in a highly liquefied form. Their links with the homeland was very different from those of the other migrants in the sense that their homeland functioned as the base from which they operated. There was thus, what Markovitz calls, a circulation of personnel, capital, information and knowledge.

The network of the Chettiars can be best understood by using the model Markovitz employs in analysing the Shikarpuri network in Sind. The Nattukottai Chettiar's network can be seen as a variant of the model. The network centre was the Chettinad region in Madras Presidency where the owner of the firm resided and the overseas location were the centres where actual business was conducted.

The spatial distance between the network centres and the actual place of business demanded a workable solution for business to be conducted effectively.

In order to ensure successful functioning of the network, a flow of capital, manpower, information and knowledge was carefully maintained. Markovitz says it was a 'multiform and multilayered circulation' in which capital and manpower flowed along different lines. While the flow of capital was unidirectional from the centres to the actual place of business, manpower flow occurred from both ends. But the manpower circulation

\[\text{Markovitz, op. cit. p. 17.}\]
was stratified in such a way that the employers seldom travelled between the two centres. Following Markovitz the Chettiar network is seen as a 'structure through which goods, credit, capital and men circulate regularly across a given space which can vary enormously in terms of both size and accessibility.'263

The fixed tenure of employees for a period of three years enabled circulation of manpower. While allowing the employees to take care of their families back in Chettinad, it provided employment opportunity for others. The Chettiar usually paid a share of the profits of the firm with a view to motivating the agent to augment business. Once the employer had witnessed the commitment and integrity of the employee, the same agent was usually reemployed in the firm for a second term. It is also said that the agents were even permitted to start their own firms with the employer extending financial support. Some of the agents were also taken as partners in the firm if they were successful agents for three consecutive terms.264 The fixed tenure of all the employees kept the flow of manpower in a regular circulation between the network centre, and the actual place of business.

Information and knowledge regularly flowed among the caste members through the various avenues that were created for the purpose. A constant source of information about overseas centres was through the employees who returned after their tenure. They were well-informed about the situation at the business centres and hence transmitted it to their employers as well as other caste members who had business interests there.

Almost every major centre of business in other countries had a temple built by Chettiar. This temple was, apart from being a seat of religious

263 Markovitz, op. cit. p. 25.
264 Interviews with erstwhile bankers conducted in Chettinad in December 2002.
importance, a venue for the congregation of the members of the caste. Formal meetings were held on the 16th day of every Tamil month to fix the interest rates. Informal meetings of the members occurred on a regular basis as it was customary for the Chettiar to begin their day with a visit to the temple. This interaction helped in knowing the political, social and economic situation of the host country, the British policies, and the operations of other banking communities like the Multanis, Marwaris etc.,

Letter-writing was one of the ways in which flow of information was constantly maintained. Almost all the Chettiar maintained a regular correspondence through letters. Whether it is the Kanakkupillai at Chettinad who was looking after the business in Chettinad or the agents working overseas, letters were the medium of communication. Letters contained details of events that had taken place in the region, fluctuations in price, changes in the political front, the ups and downs of the economy, changes observed in local people and all other business-related information. Meticulously written, these letters are said to be a treasure house of a variety of information. The Nagarattars never signed their names at the end of the letter. Instead they wrote the names of their Gods and surprisingly they were accepted as evidence in courts.265 The Chettiar who was the head of the household gave instructions through letters to his wife and children while the employer did the same to his agents and the agent reported all the business related information to his employer. This way, a major gap in communication was avoided and all the people in the network were sufficiently informed of major events and occurrences.

The advent of the telegraph and its expansion helped in increased flow of information to scattered business locations. It is said that a very prominent grain trader M.M.Palaniappa conducted his entire business

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with the help of telegrams. The price fluctuations were informed from various business centres to Chettinad where he had employed clerks to read and translate them and also employed delivery boys to bring them at his own cost.266

The beginning of the 20th century witnessed a growth in the print media and as a result a number of weekly and fortnightly journals were published. A majority of them published from Chettinad region reflected the concerns of this specific caste group.267 Articles commenting on the British policies, the economic situation of the Southeast Asian countries, the need for reform within the Chettiars and the rates of hundi, paddy and rubber were published. These publications ushered an era of information and knowledge generating greater awareness within the caste group.

The rise in the anti-Indian sentiments in countries across Southeast Asia where the Chettiars had achieved considerable economic superiority and the growing nationalist movement had triggered a sense of panic among the Chettiars who felt the need to organise themselves in the form of associations. The Burma Nattukottai Nagarattar Association and various other associations emerged in the beginning years of the second decade of the 20th century. These associations along with the journals268 sensitised the caste members to a variety of issues. They were able to get small concessions from the British whenever new legislations were passed. A perusal of the journals brings out the role of the educated elite in their attempts to reorganise and rejuvenate the caste group. They played a critical role in bringing together the members of the caste group who were scattered all over Southeast Asia.

266 Sundar, op. cit. p. 10 and PL. Annamalai, op. cit. p. 25.
267 The names of the journals too reflected the caste name or their Gods. For instance, Dhana Vysia Ooliyan, Dhanavanigan, Sivanesan, Kumaran etc.
268 The Danavanigan was published on behalf of the Burma Nattukottai Nagarattar Association from 9 March 1933 to 28 April 1941. Its publication ceased due to the Second World War. Kasi Nattukottai Nagarattar Chathiram Centenary issue (1963).
The flow of capital was, as Markovitz says, largely unidirectional. The employers invested a particular amount in a firm overseas and the capital was handled by the agents of the firms. Apart from the proprietor’s capital, other sources of capital too were brought in which included the deposits drawn from caste members and European banks. A large reserve of capital was thus created for conducting business. Capital kept circulating within the caste because one person usually invested in more than one firm. Circulation of capital within the caste was maintained by the intra-Chetty lending. Lending between the members of the caste attracted lower rates of interest. The smaller firms and firms in dire need of money utilised the capital derived from within the group. Added to this was another system that provided access to European capital. The European Banks prepared and maintained an ‘Adathi’ list which contained the list of credit worthy Chettiaras with a considerable reserve of capital. Though this list comprised comparatively large firms, the practice of counter signing for smaller firms by the Adathi Kadai ensured percolation of finance to the entire group. The attestation of the Adathi (parent banker) showed the credibility of the firm no matter how small it was. It also ensured an interdependence of firms operating within a given region. The fixing of uniform interest rates every month reduced rivalry among members of the caste.

The profits accrued in a firm was either deposited with other firms or used up to enlarge business. This profit was rarely pumped to vitalise the local Chettinad economy. It came back in the form of materials for the construction of the palatial homes and a part of it was spent on temples and charities. But a steady flow of capital back to Chettinad was not to be seen.

The British were not mute spectators to the growth, success and decline of the Chettiaras and their financial activities in their colonies of
Southeast Asia. Though the Chettiar had their own system of functioning and mechanisms for the effective functioning of it, the British pulled the strings wherever and whenever they could. Bagchi shows how the Presidency banks displayed their power once they became less dependent on the Indian shroffs and Chetties. He states that when there were major conflicts between the Presidency Bank and the Indian *hundi* merchant or banker, the banks eventually won, backed as they were, by the colonial state.\(^{269}\) They extracted as much knowledge as they required from the Indians and tried to use it for their own benefit. Bagchi mentions that the Bank of Bengal displayed its power in a ruthless fashion to deal with the Chettis by greatly reducing the advances made to them. In Ceylon too, the exchange banks did the same. But, as Bagchi says, 'if the banks were predisposed to practice 'probabilistic discrimination' against them as a community, the Indian bankers also often displayed a considerable degree of group solidarity.'\(^{270}\)

It is this group solidarity which made the Chettis a formidable group of bankers even within the colonial scheme of things.

The next chapter traces the banking instruments used, the kinds of deposits accepted and the sources of Chettiar capital which brings out the internal dynamics of the banking system.


\(^{270}\) Ibid, p. 232.