

CHAPTER III

CREDIT EXTENDED AND RECEIVED BY SHOPKEEPERS

Credit plays an important part at all levels of the distributive trade in Malaya. In Beserah, the credit structure is marked by the absence of any interest charge or definite time limit for the settlement of the debt. In this chapter it is intended to analyse and describe the present system in Beserah.

A. Sources of Supply

The shopkeepers in Beserah obtained most of their supplies from three major sources:

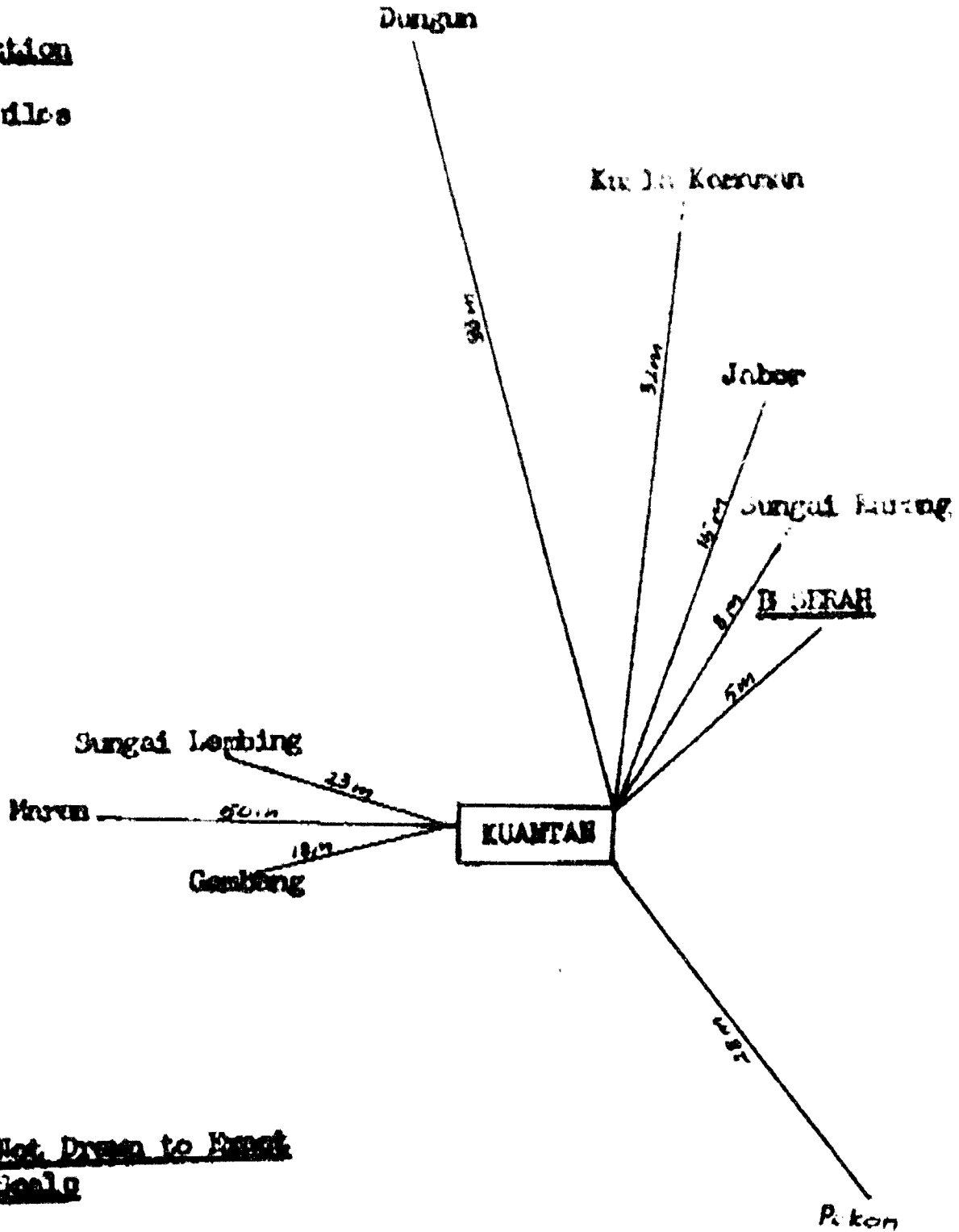
1. The wholesalers in Kuantan
2. The retailers-cum-wholesalers in Beserah
3. The wholesalers in other parts outside Pahang.

1. The Wholesalers in Kuantan. Of the three, the wholesalers in Kuantan supplied the major needs of the shops in Beserah. There were about thirty-six wholesalers in Kuantan, including some big rubber dealers who operate as suppliers and collectors for most of the East Coast village towns in Pahang. (See Figure 1, ^{page 20} illustrating the importance of Kuantan as a collecting and distributing centre).

2. The Retailer-cum-wholesalers in Beserah. There were two shops performing the dual functions of retailing and wholesaling in Beserah, one is located in Kampong Pantai and the other in Kampong Ambia. Their main customers were the coffee shops.

Direction

m = miles



Not Drawn to Exact Scale

fig 1. Sketch Map Showing Kuantan As the Collecting And Distributing Centre For The Main East Coast Towns

3. The Wholesalers in other parts outside Pahang. The shopkeepers in Beserah also obtained some of their supplies from wholesalers in Kuala Lumpur, Ipoh and Penang. In some cases the latter sent their agents to Beserah to sell their goods. The tailors and the goldsmiths frequently obtained their supplies from the above sources.

B. The Use of Credits by Shopkeepers

The shopkeepers were the main recipients of the wholesalers' credits from the three above-mentioned sources. It is necessary for the shopkeepers that such credit be obtained in view of the limited current supply of liquid capital at their disposal.

Table VI shows the distribution of the wholesalers' credits among the various types of shops in Beserah. It can be seen that the wholesalers extended \$28,000 worth of credit to the shopkeepers in Beserah. Of that amount 80 per cent went to sundry shops, 13 per cent to coffee shops and 7 per cent to other shop-types. The wide disparity in the percentage consumption of credits by the various types of shops are perhaps in part attributed to corresponding disparity in the volume of business per shop-type transacted and in the number of shops of each type. There are shops which had no liabilities with wholesalers for the following reasons: (a) lack of creditworthiness (b) preference for financial freedom.

Some shops were of too recent origin to be able to attain within a short period of time the credit standing regarded by any wholesaler as safe. The granting of credits without due regard to the shopkeepers' ability to pay is a venture fraught with risks such as default through bankruptcy. Some shopkeepers prefer to buy their supplies from the cheapest sources without being restrained by the need to safeguard the wholesalers' goodwill when accepting such credit.

TABLE VI

THE DISTRIBUTION OF CREDIT BY WHOLESALEERS
TO THE VARIOUS TYPES OF SHOPS IN HONG KONG
IN THE MONTHS OF JUNE/JULY 1958

Types of Shops	Average Per Shop (\$)	Val. of Credit extended to each shop-type (\$)	Percentage of all credit
Sundry shops	1,244.4	22,400	80
Coffee shops	260	3,650	13
Goldsmiths	420	850	3
Barbers	-	-	-
Tailors	150	300	2.5
Bicycle-repairer	300	300	
Rubber dealers	-	-	-
Tinsmith	500	500	1.5
	682.9	28,000	100.0

C. The Use of Credit by Customers

In turn the shopkeepers also extended credit to some of the village customers. The latter needed credit especially during the monsoon seasons to meet their needs for essentials for during such times they normally could not go to the sea to fish.

Table VII on page 24, shows the amount of credits extended by the shopkeepers to their customers. It also shows the individual contributions made by the number of shops of each type to the credit needs of the customers. In all the latter obtained from the shopkeepers the sum of \$32,370 worth of credit for the month of June/July. Presumably a substantial part of the above sum may have been the result of earlier transactions. It is noticed that the sundry shops are collectively the biggest providers of credit, accounting for 62 per cent of the total, coffee shops 15.1 per cent, goldsmith 14.5 per cent and 8.1 per cent the rest. The sundry shops, by virtue of their larger number and their importance as suppliers of essential goods to the villagers, account for the greatest percentage contribution to the credit needs of the villagers. The goldsmiths individually contributed more than the others not only because of the investment habits of the villagers¹ but also because of their activities as pawnshopkeeping.

1. Villagers usually prefer to invest their savings by the purchase of jewellery or other valuables from goldsmiths.

TABLE VII

THE CONTRIBUTION OF CREDIT BY THE
VARIOUS SHOP-TYPE TO THEIR CUSTOMERS

Types of Shops	Val. Credits extended by Column one to customers in (\$)	Percentage of total	Average Val. of Credit in (\$)
Jundry shops	20,373	62.3	1,132
Coffee shops	4,900	15.1	326.6
Goldsmiths	4,800	14.5	2,400
Barbers	-	-	-
Tailors	650	8.1	325
Bicycle-repairers	350		350
Rubber dealer	1,200		1,200
Tinsmith	100		100
	32,373	100.0	

D. The Credit Structure

A widespread form of monopoly in Malaya is one "organised in a number of chains each with several links connecting the credit resources of the City of London - through local banks and trading companies, Chinese wholesalers, and Chinese retailers - to small producers."¹ At each stage the availability of credit is absolutely necessary. As a result the retailers are afraid to transfer their

1. T. H. Silcock, "From Piracy to Credits", Problems of the Malayan Economy, LIM TAY BOH, Ed. page 20.

business from one set of wholesalers to another for fear that they may lose the goodwill on which their credit depends. This same fear governed the behaviour of the farmers and fishermen in Basrah so that they too were mindful in preserving the shopkeepers' goodwill. As a result the shopkeepers have a group of customers to whom they could sell their provisions regularly at high prices and from whom they can buy produce at low prices.

The diagram in Figure 1 on page 17 illustrates the form of monopoly discussed above with particular reference to Basrah. The arrows indicate the flow or direction assumed by the credit streams. The main source of the credit being the City of London and the stream flows through the various units in the distributive system until finally they reach the final consumers.

TABLE VIII

FLOW OF CREDIT TO AND FROM SHOPKEEPERS
ACCORDING TO TYPE OF SHOP

Types of shops	Value of Credit Received by Shopkeepers from wholesalers in (\$)	Value of Credit Extended by Shopkeepers to Customers in (\$)
Sundry shops	22,400	20,373
Coffee shops	3,650	4,900
Goldsmiths	850	4,800
Bakers	-	-
Tailors	300	650
Bicycle-repairers	300	350
Rubber dealer	-	1,200
Tinsmith	900	100
	28,000	32,373

Table VIIb on page 25 is an attempt to translate into figures the flow of credit in the distributive system. The figures show that the retailers collectively extended more credit to their customers than they received from the wholesalers - a difference of \$4,370. This is because the retailer was faced with a much wider circle of customers than the wholesaler. Also, they differed in their credit policy, the retailers used credit more as a means of attracting customers or sincerely helping the villagers in times of their needs or even exploiting them, whereas the wholesalers, being more cautious, extended credit only to shopkeepers whom they consider as creditworthy and reliable. More personal elements entered ^{ed} into retailer-villager credit relationships than in retailer-wholesaler relationships. This accounts partially for the disparity mentioned above.

From the Table it appears that the barbers and the rubber-dealers were the only non-receipts of wholesalers' credit. This can be explained by the nature of their trades which involved little or no relationship at all with wholesalers. But of the two only the ^{rubber dealer} ~~wholesaler~~ gave credit to their customers. This again can be explained by the fact that the rubber dealer in Beserah undertook at the same time the supplying of sundry goods.

CITY OF LONDON

LOCAL BANKS IN MALAYA

AGENCY HOUSES & TRADING COMPANIES IN SINGAPORE

AGENCY HOUSES & TRADING COMPANIES IN PENANG

WHOLESALE IN MALAYA

WHOLESALE IN KUANTAN (36)

WHOLESALE OUTSIDE KUANTAN

RETAILERS IN BESRAH

SHOPS WITH RETAILING AS THE MAIN FUNCTIONS (37)

SHOPS WITH THE DUAL FUNCTIONS OF RETAILING & WHOLESALING (2)

SMALL RETAIL SHOPS

FISHERMEN

FARMERS

NON-FARMERS INCLUDING GOVT. SERVANT

Diagram 2: Illustration of the Credit Channels Underlying the Credit System Operating in Beserah.

E. Discrimination by Shopkeepers

In the execution of their credit policies shopkeepers at times exercised a certain degree of discrimination against fishermen in general and in favour of non-fishermen such as rubber farmers and government servants. According to the shopkeepers the latter group of customers have on the average much higher and regular incomes than the fishermen.

F. Consequences of Credit

1. Indebtedness of the retail customers to the shopkeepers is one of the main effects of the latter's credit policy. Such indebtedness breeds many social evils such as exploitation, social tensions and obligation to shopkeepers with all its attendant restraint on the freedom of buying.

2. Sometimes the villagers who found themselves deeply in debt stopped patronising their creditors' shops and this led frequently to bad feelings and quarrels¹ and financial losses to the shopkeepers.

1. Some shopkeepers in Besarrah complained that some of their customers would stop patronising their shops when they could not pay their debts.