

CHAPTER VI

FUTURE PROSPECTS

Lack of commercial statistics prevent the discussion of the future prospects on a statistical basis. The discussion will have to be based on change in the social and attitudinal aspects of Indian business. Facts for such an account will have to be derived from the most up to date material. Since there is a lack of this heavy dependance will have to be placed on press reports and proceedings of the Indian Chambers of Commerce, both in the Federation and Singapore.

PROSPECTS OF CHANGE IN ATTITUDE

The extent to which Indian businessmen have been assimilated into the country is the most important consideration determining their future prospects in Malaya. Indicators of this change will be the changes in transiency of residence, remittances to India and attitude towards the market and the other communities.

Transiency

The transient character of the Indian population is changing favourably especially with the large increase in local born Indians. According to the 1957 Census, the percentage of Indians born in the Federation or Singapore and residing in the Federation increased from 51.6% in 1947 to 65.0% in 1957. From another standpoint, only 34.3% Indians were born in India in 1957, while the corresponding figure for 1947 was around 48.0%. These figures are not very impressive however when compared with the Chinese. In 1957, 75.5% of the Chinese population was local born and only 8.9% was China born.¹ However the trend towards

¹1957 Census, op. cit. pp.15-16.

permanency and stability of residence among Indians does provide greater incentive to participate in business ventures in this country.

Another favourable change is indicated by the attitude towards the 1959 Immigration (Amendment) Ordinance. When proposals were made for amendments there was no violent protest as in the case of the 1953 Ordinance. A spokesman of the Associated Indian Chambers of Commerce had declared that the proposed changes would not seriously affect members of his community on their business trips to India or in bringing shop-assistants for the latter provision was not made much use of by Indians.² Later, another comment declared that the Indians also did not make use to any extent the provision in the 1953 Ordinance of entry into the Federation only for jobs which offered more than \$500 a month. Even the proposed raise of this figure to \$1000 the comment declared would not affect the Indians.³ The 1959 Ordinance was amended to restrict entry of families of local residents; and also entry of persons who can contribute to the expansion of commerce and industry and persons who can provide specialised services not available locally. The principal objectives of the amendment are to safeguard the employment and livelihood of the Malayan citizens and "to bring about a more balanced and assimilated Malayan population without which the foundation of a true nation cannot be laid."⁴

The above changes in attitude towards this Ordinance do increase the prospects of permanent settlement in Malaya. But a look at Figure I shows that there has been a migration deficit since 1959. This is most probably because this Ordinance has to some extent forced Indian businessmen to decide where to stay and operate their ~~business~~ businesses. Hence, although there has been no official protest, the effects of the Ordinance have been adverse on some sections of the Indian community showing that the change in attitude is not widespread. For example, Indians now tend to make full use of any loopholes in the legislation. The Ordinance allows six months as the limit to which any Malayan citizen can stay outside the country. Petty Indian

²The Malay Mail, 25th. November, 1958.

³Ibid., 5th. January, 1959.

⁴The Straits Times, 3rd. November, 1959.

businessmen and shop-assistants become Federal citizens but they have their families in India. So they lead a life of spending half the year in India and the other half in Malaya. The extent to which this is carried on is not easily discernable and provision must be given to the clause in the Ordinance which forbids the immigration of wives to the Federation. However, the fact that this attitude still exists in some Indian businessmen shows that psychologically they have not been fully assimilated into the country and their business objectives are still to some extent guided by this two-way loyalty.

Remittances

More light can be thrown on the attitude changes of Indians by cash remittance figures to India. From Table XI it is seen that there has been a real drop in the amount of money remitted to India through postal orders. This drop however cannot be fully attributed to Indians becoming more domiciled in Malaya and investing more here. This is because there are several other ways (both legal and illegal) of remitting money to India. Firstly, there has been an increase in bank remittances; in 1961, the amount of money remitted through banks exceeded six million rupees (\$14 million).⁵ Again at present many Indians, especially businessmen prefer to send money through the 'black market'. For \$100 one could remit up to as much as 225 rupees to India in the 'black market' as compared to the official rate of about 154 rupees.⁶ Again the maximum amount for one money order is 600 rupees, but there is no restriction on the number of orders sent by one person. Finally, Indians still take gold and jewellery to India despite the Defence of India Act which makes possession of gold without declaration illegal.⁷

Such remittances have two effects which dampen Indian business prospects in Malaya. As mentioned before they deplete a large part of the funds which can be successfully invested in the country. More important, however, is the effect they have on the Malayan economy and the balance of payments. It must be noted that the outflow of private

⁵The Malay Mail, 28th. November, 1962

⁶Ibid., 6th. August, 1962.

⁷Ibid. 14th. January, 1963.

TABLE XI

CASH POSTAL REMITTANCES TO INDIA

Year	Amount(\$)
1959	15,519,743
1960	10,707,221
1961	33,900,000 (approx.)
1962 (Jan.-Sept.)	1,700,000 (approx.)

Source: The Malay Mail, 28th. November, 1962.;
The Sunday Mail, 8th. October, 1961.

funds is not all due to foreign investors repatriating ^{their profits} and not reinvesting in Malaya. A significant proportion of the outflow is the result of unassimilated immigrants remitting savings to India and China.⁸ These remittances increase the capital outflow and hence have adverse effects on development and industrialisation. At present there is an increasing need to increase private capital formation in Malaya. Now, 8% of Malaya's Gross National Income goes into capital formation and this is equal to around 3% of net investment.⁹ Therefore, "in order to convert the rate of annual net investment from 5% or less to 12% or more, which is 'what we mean by Industrial Revolution' Malaya will have to save anything from 25% of the G.N.I. in normal years to 35% in boom years."¹⁰ To contribute to this capital formation Indian businessmen must play their part in cutting down their overseas remittances. It is true that other foreigners remit substantial amounts of capital but they have contributed something to the economy by establishing industries and

⁸J.J. Puthucheary, Ownership and Control in the Malayan Economy, Singapore, Eastern Universities Press, 1960. p. 160.

⁹Ibid. p. 161.

¹⁰Ibid. p.

and creating employment opportunities. The relative contribution of Indian businessmen to industrial development and employment is negligible. Hence, if Indian businessmen do not want to incur the displeasure of the Government, they would have to increase their investments in Malaya. At the present trend they seem to be endangering their business prospects in the country.

Other Attitude Changes

Other attitude changes for better business prospects also do not seem to have taken place much. Indian businessmen still fail to comprehend the necessity of unity and co-operation among themselves and businessmen of other races. Only in did the officials of both the Associated Indian Chamber of Commerce and the Malayan Chettiars Chamber of Commerce inform that they were in favour of having one body to represent Indian business interests in Malaya. However, this change was more due to the advice of a visiting Indian banker, who advised that one chamber instead of sectional chambers would serve their interests better, than due to their own initiative.¹¹ The chambers themselves are still middle-class bodies and show no prospects of being used as "rallying points for the entire Indian population because they are concerned with problems somewhat alien to those of the unskilled and semi-skilled majority."¹²

Indian businessmen are also still showing indifference towards the problems of their community and other communities in Malaya. In 1961 an appeal was made by Mr. Ajit Singh (of Gian Singh & Company) to Indian businessmen asking them not to lag behind in contributing to the \$5million National Mosque Fund.¹³ But much cannot be expected from Indian businessmen who are still neglecting their own community. The National Land Finance Co-operative Society organised for the benefit of estate labour (the majority of which is Indian) has been a great success but unfortunately not all Indian businessmen were not giving support to it.¹⁴

¹¹The Malay Mail, 28th. October, 1957.

¹²Ginsburg and Roberts, op. cit. p. 352.

¹³The Straits Times, 24th. May, 1961.

¹⁴The Malay Mail, 9th. November, 1959.

The above facts show that at present the problem of transiency of residence does not exist to any great extent as it did in the past. Remittances to India are also showing signs of decline and frequent advices from visiting businessmen from India are fostering some unity among local businessmen. But these changes are not that all favourable for either the transition is too slow or that there are compensatory loopholes. Indian businessmen must become fully assimilated into the country both physically and psychologically. As Silcock and Aziz say, "breaking the psychological ties with outside countries is essential if there is to be any solution to the problems of Malaya."¹⁵ For this the cutting down of remittances further will show a progressive step. Following the advice of Mr. Gopala Reddy, the then Indian Minister of State and Civil Expenditure, Indian businessmen must 'plough' back the money they make into Malayan industries and other enterprises and not send their profits to India.¹⁶ This policy if followed continually will lead to a series of favourable changes in the future.

PROSPECTS IN INDUSTRY

The necessity of diversification in their businesses was realised by Indians as early as 1953, when a spokesman of the Selangor Indian Chamber of Commerce said, "Indians generally confined themselves to town trades__ (they) should extend their activities to other trades as planting, mining, factories, mills, buildings, timber and entertainment."¹⁷ A survey of Indian businesses would most probably show that this advice given ten years ago has gone unheeded by Indian businessmen.

In this diversification, the best^{prospect} for Indian businessmen today lies in the field of industrialisation. However the extent to which they would participate in this depends firstly, on the incentives offered by the Government and secondly, on the examples set out by industrial investors from

¹⁵Silcock and Aziz, op. cit. p. 343.

¹⁶The Malay Mail, 9th. October, 1959.

¹⁷The Straits Times, 31st. March, 1953.

India.

Government Incentives

In recent years there has been considerable ^{encouragement} by the Government by way of tax reliefs, the granting of pioneer status and the giving of guarantees regarding the security of local and foreign capital. The effect of these measures are most noticeable in Malaya and Singapore. Industrial sites have been or are being established, the most notable being that at Retaling Jaya near Kuala Lumpur and at Jurong in Singapore. Other industrial sites are being developed at Penang, Ipoh and Johore Bahru. They are an essential part of the country's diversification and economic development programme. Among the new industries already established through such Government encouragement are oil refineries, tyre factories, cigarette factories, chemical plants, textile mills and a variety of factories making consumer goods.

Under the Pioneer Industries Ordinance, companies may be granted relief from income tax for a period up to five years. A Tariff Advisory Committee has been established to consider applications for tariff protection and assistance by way of total or partial exemption from duties of raw materials imported for manufacturing purposes. As a result of this policy there were 90 'pioneer' companies in operation in Malaya at the end of 1962.¹⁸ All this shows that the Government has fulfilled its function of providing the necessary incentives for businessmen to participate in industry. It would be interesting to see to what extent Indian businessmen have taken advantage of these incentives and brightened their future prospects.

Foreign Indian Investors

Indian businessmen from India responded well to the Pioneer Industries enactment. The press was told that Indian industrialists were planning to take advantage of the Government's tax holiday scheme under the Pioneer Industries Ordinance. Also, many representatives of industrial firms and economists who had visited Malaya to get first hand information were "favourably impressed" according to local Indian business circles.¹⁹ One of the visitors, Mr. Muttiah of the Indian Overseas Bank, had commented that "the climate for setting up secondary industries in Malaya

¹⁸Malaysia in Brief, Dept. of Information, Malaysia, 1963.

¹⁹The Straits Times, 29th. October, 1958.

was ideal."²⁰ The industries they hoped to concentrate their attention on were mainly textiles and light engineering tools. It was also believed that the giant Tata industrial firm which manufactures a wide range of products from perfume to aeroplanes was interested in extending its activities to Malaya.²¹ Such statements were later confirmed by the Indian Chambers of Commerce and the Indian High Commission.²² However nothing concrete has come out of these inquiries, and no positive steps have been taken yet. Only recently the Godraj and Boyce Company of India, which manufactures steel furniture, had been granted pioneer status by the Government.²³ But it must be noted that visits and investigations carried out six years ago have still not resulted in one single industry in the Federation. Hence, these examples are not very inspiring to local Indian businessmen.

Prospects of Local Indian Participation

The necessary conditions for industrialisation have already been set by the Government. The prospects for local Indians depends on the extent to which they take advantage of these conditions and not in following the slow steps of businessmen from India. However, local Indian participation seems to have followed the similar trend of their counterparts from India. In 1958 there was some enthusiastic²⁴ to the provisions of the Pioneer Industries Bill. An official of the Selangor Indian Chamber of Commerce had declared that Indian businessmen in Kuala Lumpur were as keen on launching into industry like their Singapore counterparts. They felt that the provisions of the Bill were favourable and planned to make full use of them. He further added that "it had generally been felt among Indian businessmen that they should take an active part in the Federation's industry and commerce. They could venture into industry in co-operation with the local businessmen or with the aid of foreign capital and technical 'know how'."²⁴ He however, concluded that no positive steps had been taken and that such matters required detailed planning and investigations which would take time. There was a similar comment

²⁰Ibid.

²¹Ibid.

²²The Malay Mail, 3rd. September, 1959.

²³The Sunday Times, 9th. June, 1964.

²⁴The Malay Mail, 22nd. September, 1958.

by S.O.K. Ubaidullah who said, "our members are definitely very keen to start new secondary industries__ but it takes some time before this will materialise."²⁵

Since the above comments no further developments are discernable. Indian businessmen should realise that the 'time factor' excuse does not hold valid in the modern dynamic business world, especially in a developing country like Malaya. Competition in retailing and wholesaling is becoming intense; and trade with India is showing signs of decline. But industrialisation is developing at a rapid phase both in the Federation and Singapore. This is where their future prospects lie. It would be appropriate to conclude this section with an extract of the annual speech by Mr. Abdul Razak of the Singapore Indian Chamber of Commerce. His advice states:

"__ I must encourage my colleagues and members that the time has come to take stock of where the future lies. If this is done, there is only one direction in which our ideas can develop and that is to begin to show a practical interest in the industrialisation programme advocated by the Government, a programme essential not only for our own well being but also for the national economy to survive the strain of demands met by an increasing population out of proportion to the natural resources."²⁶

ATTITUDE TOWARDS THE MALAYS

The prospects of Indian businessmen in Malaya also depend to some extent on how they adjust their attitude towards the other races in the country. Here, the most important aspect to consider would be the Government's attempt to encourage the Malays to participate in business and industry. To discover the Indian attitude here is a difficult task and no mass opinion can be obtained; but announcements made by prominent Indian businessmen can give some indication

²⁵The Straits Times, 29th. October, 1958.

²⁶Annual Report of The Singapore Indian Chamber of Commerce, 1960. p. 7.

of what the attitude is.

The Attitude

In 1959 Mr. S.O.K. Ubaidullah of the Indian Chamber of Commerce showed full agreement to the Government's policy of giving priority to the Malays in tenders for Government contracts while the Associated Chinese Chamber of Commerce refused to make any comment.²⁷ It should however be noted that Indians do not participate much in construction business.²⁸ In a later speech Mr. Ubaidullah attempted to give some reasons as to why Indians should help Malay businessmen. According to him, there would be dissatisfaction among the Malays if they were not given the opportunity. He warned them that if they looked at what was happening in Indonesia, Burma and Ceylon they would have some idea of what could also take place in Malaya.²⁹ In 1963 when reservations were of quotas in licences were made in the transport industry for the Malays, the Malacca Indian Chamber of Commerce fully supported the idea.³⁰ But Indian participation in the transport industry is negligible.³¹ Hence, the fact that special privileges to Malays have not affected Indian businessmen much must be taken into account. All this is however based on a few expressions by Indian business leaders. There is no method of finding out the attitude of the whole Indian business community unless changes are made which affects their interests greatly.

The Ability

The attitude of Indian business leaders appears to be commendable. But no consideration seems to have been given to the ability of Indian businessmen to help the Malays. The Indian business community itself is small; its business interests limited; and, from past experience, it has neglected

²⁷The Malay Mail, 26th. March, 1959.

²⁸Percentage distribution of self-employed persons in building and construction: Malays, 13.2%; Chinese, 78.2%; and Indians 1.3%; and others 1.3%. 1957 Census, op.cit. p. 116

²⁹The Malay Mail, 9th. November, 1959.

³⁰The Straits Times, 17th. July, 1963

³¹Percentage distribution of self-employed persons in the transport industry: Malays, 45.3%; Chinese, 45.6%; Indians 8.0%; and Others, 1.1%. 1957 Census, op.cit. p. 141.

it's own community. Furthermore, the Government which is in a much better position has made attempts to create a Malay middle-class for business purposes without much success. For example, the Government's policy is to lay special emphasis on pioneer industries, especially foreign owned ones, in the they can be controlled easily, ordered to employ a quota of Malays and to reserve part of the capital issue to Malay investors when they materialise.³² There is also an exclusive Malay investment trust set up to encourage investment by Malays. These attempts, however, have not been very successful. When such Government attempts are discouraging Indian businessmen cannot do much for they are neither in the position nor have the ability to provide much help. Their own business position is relatively weak, and if they want to help themselves and others the best way is through co-operation. An attempt must be made to discourage the development of local private enterprises on "lopsided communal lines."³³

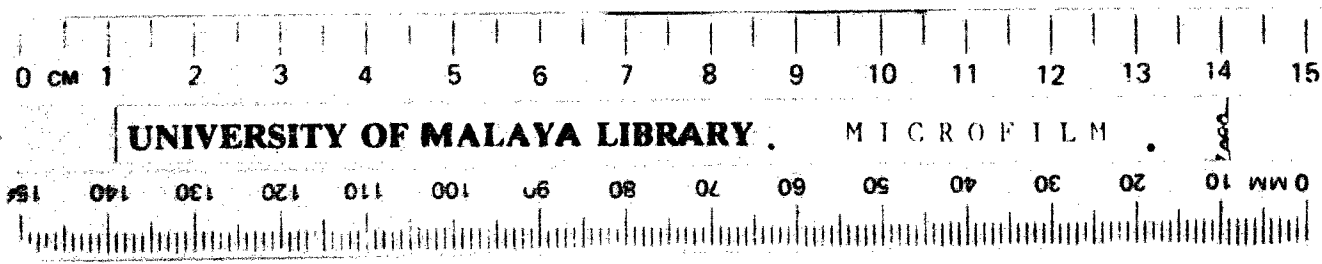
CONCLUSION

The Malayan economy is rapidly changing. Indian businessmen must develop foresight and keep abreast of this change. The problems they faced in the past have been eliminated to some extent. There has also been sufficient time for them to become fully assimilated into the country. Their future lies in diversifying their business interests for the few areas they are in face strong competition. They must study their market and develop good consumer relations. Examples set by their Chinese and other foreign counterparts as well as methods used by the Government to help Malay businessmen must be examined carefully. What is more important, they must realise their present position. Generally speaking, they are conservative businessmen caught up by a period of radical transition. Any lacking behind will be disastrous. As Mr. T.A.P. Abdul Rahman of the Perak Indian Chamber of Commerce warns, " _ _ let us discard our old ways and take on new methods _ _ we must not forget that the present position

³²E.L. Wheelwright, "Industrialisation in Malaya," in T.H. Silcock and E.K. Fisk (ed.) The Political Economy of Independent Malaya, Eastern Universities Press, Ltd., Singapore, 1963. p. 236.

³³Puthucheary, op. cit. p. 180.

of the Indian business community in this country is deteriorating and if it is allowed to go on unchecked I am sure it will not be long before we die a natural death."³⁶



³⁶The Straits Times, 6th. May, 1964.