

CHAPTER II

THE HISTORICAL BACKGROUND

An understanding of the historical, social and attitudinal background is necessary before any judgement can be made of the present position of the Indian business community in Malaya. The purpose of this chapter is to give the historical background with special emphasis on problems faced in the twentieth century. The social and attitudinal background will be dealt in next chapter.

ORIGINS

The earliest contacts between India and Malaya were through trade, and this was further stimulated by the arrival of Islam to India and Southeast Asia.¹ Many of the Indian families and some of the older mercantile houses in Penang, Malacca and Singapore can probably trace their origin to this period. For example, there is a group of people called Jawi Pekan, an industrious folk associated with Penang's thriving trade, who trace their origin to the original Indo-Malaya unions.² Also, there is another group of people called the Malacca Chetties who are the descendents of ancient South Indian traders who married Malay women and settled in Malacca.³ Although these ancient contacts do not influence present day conditions, they show that the

¹T.E. Smith, Population Growth in Malaya, Royal Institute of International Affairs, London & New York, 1952. p.82.

²Norton Ginsburg and Chester F. Roberts, Malaya, University of Washington Press, Seattle & Donald Moore, Singapore, 1958. p.317.

³Usha Mahajani, The Role of Indian Minorities in Burma and Malaya, Institute of Pacific Relations, Bombay, 1960. p.101.

earliest Indians to be in Malaya were businessmen and not labourers.

Modern Indian immigration to Malaya began only in the nineteenth century after the founding of the British colonies of Penang and Singapore. This led to an influx of Indian merchants to these colonies. One of the earliest Indian businessmen to be mentioned was Narayana Pillai who owned one of the largest textile shop in early Singapore and was also one of the earliest Indian Contractors.⁴ Around 1833 began the mass immigration of Indian labourers to Malaya.

Reasons for Modern Indian Immigration

It would be interesting to note the ^{reasons} from an Indian viewpoint. A booklet prepared for the Government of India in 1950 says the main reason was "___ that Malaya was a land of opportunity for anyone with a spirit of adventure. An underpopulated country with enormous natural resources, it offered vast potentials for development."⁵ It further adds that "overpopulation and the struggle for survival in China and India encouraged emigration to countries which offered scope for remunerative employment. European enterprises are in need of such labour for cultivating the plantations. With the development of the Malayan market and the growth of the urban economy resulting from large-scale rubber cultivation and tin mining the demand for ancillary services, such as those of merchants, traders, petty shopkeepers, moneylenders, etc. increased, and Indians found increasing scope for employment in commercial, professional and clerical occupations."⁶ The booklet seems to lay equal emphasis on the necessity of labourers and businessmen. It is true that there were a few thousand Indian merchants and shopkeepers who had been established in the Straits Settlements for some time and who later migrated to the new

⁴H.F. Pearson, People of Early Singapore, University of London Press, London, 1955.p. 105.

⁵S. Nanjundan, Indians in Malayan Economy, Office of the Economic Adviser to the Government of India, New Delhi, 1950. p. 10.

⁶Ibid.

towns of the Malay States.⁷ But the opening of large European estates and the growing of sugar and coffee and later rubber brought to Malaya such a large number of Indian labourers that the 1931 Census showed the ratio of Indian businessmen⁸ to agricultural labourers as 1:170. Hence, Indians came to Malaya in the twentieth century more to fulfill labour requirements than business needs.

THE PERIOD 1900-1940

Before 1920 not much information¹⁵ available about the Indian business community except for some Parsee merchants engaged in international trade by an American commercial handbook.⁹ As for the Indian labourers, the first rubber boom in 1906 increased their influx to Malaya and by 1921 the Indian community made up 15.1% of the total population of Malaya. The main problems faced during this period were the 1930 depression and the subsequent ban on immigration in 1938.

Problems

The 1930 depression affected both Indian businessmen and Indian labourers. The demand for rubber declined sharply and rubber price fell lower than ever before. For three years from 1931 to 1933 the average price was about ten cents per pound, far below the cost of production even in the most efficient estates.¹⁰ This resulted in the

⁷G. P. Dartford, A Short History of Malaya, Longmans, Green & Co. , London, 1958. pp. 146-147.

⁸Indian businessmen refers to those engaged in commerce, finance, insurance and moneylending.

⁹J. A. Fowler, Netherlands East Indies and British Malaya, U.S. Department of Commerce, Washington, 1923.
p.

¹⁰Dartford, op. cit. p. 167.

reduction of purchasing power especially among Indian labourers employed in the rubber industry. All this resulted in several problems to Indian businessmen. Those engaged in distributive trade suffered from the deterioration of their market; those engaged in international trade suffered from the universal fall in prices. Many Indian businessmen who were unfortunate to open their businesses in the 1930's encountered heavy losses and had to close down or to make new ventures later.¹¹ The sufferings of the Indian business community were however not so bad as those of their European and Chinese counterparts. The 1931 Census shows that Indians were mainly concerned with commercial activities; the depression on the other hand the plantation and mining industries most. Hence, the obvious conclusion is that it was the European and Chinese planters and miners who were more adversely affected.¹² All, however, did suffer and with the revenue of the Malayan Government reduced to half to what it was in 1927¹³ the recovery period put great strains on these businessmen.

The after effects of the depression lasted up to 1938 when a ban was imposed by India on emigration of unskilled workers to Malaya. This was the result of the depression when large numbers of Indians were repatriated to India like (as the Indians claimed) "sucked out oranges."¹⁴

¹¹Interview with Mr. Kirpalani of Colesium Silk Store. Mr. Kirpalani himself suffered heavy losses when he opened his business in the early 1930's and had to start afresh again. ~~to reach his present position.~~

¹²In 1928 70% of the area under rubber was owned by European companies; in 1937 Europeans owned 1004 rubber estates of 100 acres or more, Chinese owned 1061 estates and Indians owned only 372 estates. See C. Kondapi, Indians @ Overseas: 1938-1949, Indian Council of World Affairs, New Delhi, 1938. p. 309.

¹³Dartford, op. cit. p. 167.

¹⁴V. Thompson and R. Adloff. Minority Problems in South-East Asia, Stanford University Press, Stanford, California, 1955. p.94.

The business community was not directly affected; indirectly it suffered the loss of a potential market.

The Business Position

The economic and business position of the Indians in this period is shown in Table I. Nanjundan, in interpreting this table, says that "Indians not only satisfied the demand for labour but also fulfilled the need for small traders and middlemen in Malaya."¹⁵ He, however admits that the Chinese predominate in the latter field, but claims the Indian share as "substantial." He, further adds, "many an Indian has performed yeoman service by putting oilman's stores in distant villages and at the same time, collecting raw materials and selling manufactured goods. Their enterprise, initiative and low operating costs make it possible for them to perform these services."¹⁶ The table however shows the only business the Indians had a substantial share was in moneylending. In commerce finance and insurance the Chinese had 76.5% of the share while the Indian share was only 18.2%. The Indian position is still weak when compared to the total population in each community. Only around 2.4% of the Indians in Malaya were engaged in commerce, finance, insurance and moneylending while the Chinese percentage was around 3%.¹⁷ Indo-Malaya trade seems to have been flourishing in this period and a large number of Indian businessmen were in the import and export business.¹⁸ An interesting feature is seen in the primary industries where Indian ownership is negligible compared to Indian labour employed; the same feature is seen in mining activities where even Indian labour is unimportant. This feature of being mostly concerned with commercial activities and avoiding industries requiring heavy investment and long-run profit expectations is the basic pattern of Indian business participation in Malaya.

¹⁵Nanjundan, op. cit. p. 40.

¹⁶Ibid.

¹⁷This excludes Chinese ownership and operation of tin mines, rubber estates, secondary industries, etc. Indian participation in these is not significant.

¹⁸Nanjundan, op. cit. p. 40.

TABLE I

DISTRIBUTION OF RACES IN SELECTED OCCUPATIONS IN
THE STRAITS SETTLEMENTS AND THE FEDERATED MALAY
STATES, 1931

Occupation	Malay- sians	Chinese	Indians
1. Fishermen and Rice Planters	112,121	14,747	1,364
2. Rubber Estate Owners, Managers and Assistants	3,566	2,572	74
3. Others in Rubber Cultivation	67,840	118,547	149,488
4. Coconut Estate Owners, Managers and Assistants	1,582	177	10
5. Others in Coconut Cultivation	10,785	2,306	9,363
6. Rearers of Poultry and Livestock	6,523	5,789	2,150
7. Others Engaged in Agriculture Fishing	44,140	33,309	16,226
8. Tin Mine Owners, Managers and Assistants	8	219	1
9. Others in Tin Mining, Quarrying and Smelting	1,315	76,081	6,625
10. Tailors, Dressmakers and Seamstresses	777	9,853	10,115
11. Makers of Food and Drinks	359	5,327	1,337
12. Carpenters, bricklayers, etc.	1,840	30,254	1,605
13. Proprietors and Managers (in Business, Finance and Insurance)	2,181	38,213	9,105
14. Salesmen, Shop Assistants etc.	1,315	37,477	13,336
15. Moneylenders, Pawnbrokers and Money-Changers	3	377	3,892
16. Street Peddlers and Vendors	3,087	45,530	8,109
17. Transport and Communications	12,248	30,877	11,774
18. Personal Service	8,740	64,775	21,042

Source: Adapted from Nanjundan, op. cit. p. 17.

Before the Japanese occupation in 1941 some Indian businessmen, especially Chettiar moneylenders, managed to escape to India leaving their businesses in the hands of agents.¹⁹ The other businessmen and particularly labourers who were in Malaya suffered so greatly that in the post-war period large numbers sought repatriation to India. Hence, it is not surprising that the 1947 Census enumerated around 531,000 Indians representing a decrease of about 40,000 as compared to 1931 and a proportional decrease of 15.1% to 10.8% of total population.²⁰ Figure I shows that there was a migration deficit of Indians in Malaya lasting up to 1949.

Post-War Problems

The lower middle class Indian businessmen had suffered considerable deprivation since the war. The Occupation period with its shortage of retail goods and low purchasing power produced a crisis for these small entrepreneurs²¹ who encountered several other problems in the restoration phase. Indian traders faced discrimination, Chettiar businessmen suffered under post-war debtor ordinances²² and from connection with Communist terrorists, and all faced problems under the new tax and immigration ordinances.

(I) Problems of Indian Traders

Business interests of Indian traders in Malaya, which had steadily increased over a seventeen year period preceeding World War II received setbacks during the six months of British Military Administration that followed the Japanese Surrender. The problems were voiced by R. Jumbhoy, the then president of the Singapore Indian Chamber of Commerce. He complained the regulations imposed by the military

¹⁹Ginsburg and Roberts, op. cit. p. 342.

²⁰1957 Population Census of the Federation of Malaya, Report No. 14, Department of Statistics, Kuala Lumpur, 1960. p.3.

²¹Ginsburg and Roberts, op. cit. p. 351.

²²The history of the Chettiars and the effects of the post-war debtor ordinances on them will be discussed in Chapter IV.

authorities that operated in such a way as to favour unduly prewar British firms. For example, regarding tin he contrasted the freedom enjoyed by local exporters before the war with the monopoly of tin exports given just after it to the Tin Buying Unit set up by the British Military Administration. Although India had been allotted a quota of Malaya's tin output under the world control scheme, Malaya's Indian tin exporters who had handled such shipments in the prewar days were now unable to resume operations, for all the tin shipped to India was sent through the British Straits Trading Company and the Eastern Smelting Company. Coconut oil was another commodity that had been shipped to India in large quantities before the war and could no longer be handled by local Indian merchants. Turning to imports, Jumbhoy stated that although the government forbade the re-export of textiles received from India it permitted the re-export of a fourth of textiles received from Hong Kong. Moreover, Chinese traders, he charged, were evading the ban and exporting Indian goods along with those from Hong Kong.²³

In 1947 Jumbhoy returned to the charge, claiming to find little improvement in the situation even though civil administration had replaced the military in April 1946. Controls on export of certain commodities had been relaxed, but they were still maintained with respect to shipments to India. He asserted that no uniform policy was being pursued, that shipping space for India was inadequate, that should and could give fair treatment to all firms and cease allowing monopolies by British houses. He finally complained that the Chinese evaded regulations while the "Indians remained law-abiding and were further handicapped by having their capital frozen."²⁴

Despite these problems Indian businessmen began to improve their position in the following years. By 1951 Indo-Malayan trade had reached a record value of \$522 million, Malaya exporting to India goods valued at \$116 million and importing \$206 million worth from that country. Although the trade balance was favourable to India, Malayan exports to India had also risen considerably. In May that year, the

²³Thompson and Adloff, op. cit. p. 109-110; The Straits Times, 3rd. March, 1946.

²⁴The Straits Times, 13th. May, 1947.

fourth Indian bank in Malaya was established to deal with the growing value of Indian business in Malaya.²⁵

(2) Other Problems

In 1950 there was a protest raised against clause 3I (I) of the Income Tax Ordinance, 1947. This clause denied the choice of electing the year of assessment of tax to the planters and miners because they were given rehabilitation grants for losses suffered during the Occupation period. Mr. Abdullah of the Selangor Indian Chamber of Commerce protested against this clause because it was applied to all businessmen; he added that many Indian businessmen earned 95% or more of their income from business and only 5% or less from mines or estates and yet they were deprived of both rehabilitation grants and the right to choose the year of assessment of tax.²⁶

In the post-war period there was also the problem of the growing dominance of organised labour by Chinese Communists. Although Indian labour was affected more by Communism, Indian businessmen also suffered to some extent. In 1949 thirty Indian bankers (Chettiar) were arrested for alleged payment of protection money to the Communist terrorists.²⁷ According to some of the arrested persons were allowed to be repatriated to India and others were released.²⁸ Also, many of the Chettiar were anxious to liquidate their interests in Malaya and get back to India.²⁹ This reflects the pressure put on these businessmen by Communist terrorists.

Another problem faced by the Indians³⁰ a further restriction on immigration. In March, 1946, the Indians in Malaya appealed to the Indian Government to persuade the Malayan Government to relax the post-war restrictions on Indian immigration of shop assistants, clerks and artisans.³⁰ This is because before 1941 there was a trend toward increased proportion of such immigrants. In 1940, for example, of the

²⁵Thompson and Adloff, op. cit. p. IIO-III.

²⁶The Malay Mail, 13th. March, 1950.

²⁷Thompson and Adloff, op. cit. p. 97.

²⁸Kondapi, op. cit. p. 304.

²⁹Ibid.

³⁰Ginsburg and Roberts, op. cit. p. 339.

15,320 Indian deck passengers to enter Malaya, only 1,312 were estate workers; the rest were tradesmen, shopkeepers and clerical workers.³¹ Further appeal was lodged in 1947. Despite these appeals the Immigration Ordinance was passed in 1953. The main provision of this Ordinance was that immigrants were required to be in possession of guarantees of positions in Malaya paying a minimal monthly salary of \$1500 and re-entry would be granted freely only to aliens who could show proof that they had lived for seven years of the preceding ten years in Malaya.³² The protests raised by Indian businessmen against this show that this Ordinance affected them adversely, especially in bringing shop assistants, although there was a denial of this five years later when further restrictions were proposed.³³

The Business Position

Table II summarises the economic and business position of the Indians, Chinese and Malaysians in the intermediate post-war period. This table is not comparable to Table I because the latter includes Singapore. The pattern is however similar and in no branch of industry did the Indians hold a dominant position. Their percentage in commercial and financial occupations was 14.81% while that of the Malaysians was 17.02% and the Chinese 68.17%. The decline in the Indian percentage in the Federation is chiefly because most Indians engaged in trade and commerce resided in Singapore. In terms of total population 4.2% Indians were engaged in commerce finance while the corresponding Chinese percentage was 5.5%. It must be noted again that this excludes tin mine and rubber estate ownership where Chinese interests are substantial.

CONCLUSION

This brief survey of the position and problems of the Indian business community in the twentieth century has shown that in less than sixty years Indian businessmen have suffered under one important depression and one major war.

³¹Ibid.

³²Thompson and Adloff, op. cit. p. 96.

³³The Malay Mail, 25th. November, 1958.

TABLE II

DISTRIBUTION OF RACES IN THE FEDERATION
OF MALAYA BY SELECTED OCCUPATIONS, 1947

Occupation	Malay- sians	Chinese	Indians
I. Agriculture (including plantation industries)	646,861	332,973	178,178
2. Mining and Quarrying	4,436	30,824	4,343
3. Metal Work	2,365	19,622	2,502
4. Electrical Apparatus Making and Fitting	1,520	1,936	1,360
5. Textile Making	3,822	483	19
6. Textile Goods (including articles of dress)	2,254	10,948	1,381
7. Food, Drinks and Tobacco	6,426	11,984	2,786
8. Wood and Furniture Making	21,982	24,038	646
9. Building, Bricklaying, Stone and Slate	2,116	5,435	666
10. Transport and Communications	25,837	23,819	17,024
11. Commercial and Financial Occupations	25,804	103,404	22,459
12. Professional Occupations	13,357	12,775	5,324
13. Entertainments and Sport	1,362	2,177	459
14. Personal Service	9,560	54,024	17,479

Source: Adapted from Federation of Malaya,
Annual Report, 1949. p.8.

Furthermore, they have been subjected ^{to} four years of Japanese Occupation and faced several problems in the post-war period. Hence, if Indian businessmen had complained in the 1950's that their businesses faced hardships due to the above problems there can be some justification to it. But the Chinese businessmen in Malaya too had suffered under similar circumstances; however their business position has relatively improved. Again at present, after a decade of relative calm conditions, the Indian business position has not shown much sign of improvement. If historical factors cannot give a solution to this question, then there must be

relatively improved. Again, at present, after a period of relative calm conditions the Indian business position has not shown much signs of improvement. If historical factors cannot give a solution to this question, then there must be some social, political and attitudinal factors which provide the solution. These will be dealt with in the next chapter.

