Trade and commerce have been the dominant economic activities of the Chettiar right from the Sangam age, though they are known to have practised moneylending also as a subsidiary pursuit. However, from the latter half of the nineteenth century onwards, their moneylending business grew to such an extent that they shot into eminence as the leading indigenous banking community of India "with an organisation, cooperation and business methods as remarkable as the European."¹ Their traditional technique of calculation was so swift and to the minutest of fractions² that no western bank could compete with them.³ Their moneylending business dominated only in the overseas countries of South and South-East Asia, and it was here that their Agency System of banking came to be perfected. The countries they migrated to were Ceylon, Burma, the Federated Malay States, Indo-China and the Straits Settlements. The earliest overseas business started first in Ceylon in 1730, followed by Burma in 1780, Malaya in 1800, and Indo-China in 1830.⁴

¹ They used fractions as small as 1/16 (Veesam, Magamai) 1/20 (Ma), 1/320 Munthen, 1/3200 (IMMI), M.P.B.E.C.R. Vol. III, p. 1174.
these Burma became the most important theatre for their business operation. It was in Burma that the concentration of Chettiar activity was highest. The number of Chettiar firms (kadais) in Burma in 1930 was 1650, while in the Federated Malay States it was 700, in Ceylon 450, and in Indo-China 105. The Working Capital of the Chettiars in these places in 1929-30 was as follows:

- Burma: Rs. 75 crores
- Malaya: Rs. 25 crores
- Ceylon: Rs. 14 crores
- Indo-China: Rs. 5 crores

while in their own home province of Madras it was only Rs. 1 crore.

Prior to their role as immigrant financiers in these places, they had had trade contacts with them. A Savarnath Pillai states in his Written Evidence to the Madras Provincial Banking Enquiry Commission in 1929-30, that the Chettiars used to sell in Malaya lungi cloth dyed in the East Coast of the Presidency; similarly they used to sell in Ceylon rice, coriander and pulses, exported from Calcutta and partly from Tanjore.

Outside their own province they were operating in Calcutta also from 1800 onwards. Here also they were engaged in the export and import of rice to Ceylon and Burma. There were about 120 firms, all located in No. 40 Canning Street. They were also engaged in rice milling
trade. Thus the volume of their business in their own Presidency was quite small compared to that of their business overseas.

The most important reasons for the emigration of Chettiar enterprise outside India were:

1. The dominance of the Europeans in trade, industry and finance in India,

2. the inimical policy of the colonial administration to the development of Indian industry, trade and finance.

3. Above all, as Britain's colonies in the South and South-East Asian countries grew, the colonial administration found it more expedient to develop the economies of these colonies for commercial purposes with Indian labour and Indian capital. Thus the Chettiers of the Madras Province and the Tamil labourers were encouraged to emigrate to Burma, Malaya, Singapore, Penang, Ceylon and Siam--the Chettiers to provide credit for the agriculturists of Burma, for the rubber and tea cultivators in Malaya and Ceylon, and the Tamil labourers to sweat in the rice fields, the rubber and tea plantations. Even there the Europeans dominated the export trade and they confined themselves only to Port cities--Rangoon, Singapore, Colombo whereas the Indian immigrant entrepreneurs and labourers penetrated to the interiors extensively. The colonial rule in these economically backward colonies created
secure conditions for the successful operation of the Indian Chettiar financiers. This is most aptly conveyed by the Chettiar poet Paduvar Muthappa Chettiar (1860) -

"Where the English Flag flies there the families of Ilayathankudi also flourishes".

This is how they went to Burma and Malaya, acquainting themselves with newer avenues of profit-making and also acquiring newer kinds of wealth, like plantations and agricultural land. The acquisition of this kind of immovable property in foreign countries proved disastrous to them later, but it did help them to accumulate enough capital to venture into modern industry in South India.

Since their operation and organisation of business follows more or less the same pattern in all these overseas countries, it will suffice for our purpose to review their activities in their most important theatre, Burma. Much of the information here was gathered from the Banking Enquiry Commission Reports of 1930 and confirmed by Chettiaras who were personally contacted.

The Chettiaras were operating in Burma even prior to the British occupation of Arakan in 1826. But this activity was only sporadic individual effort and it was not organised so well. With the annexation of Lower Burma by the British in 1852 and the opening of the Suez Canal in 1869, the Chettiar exodus gathered a great
momentum. Their Calcutta business dwindled as their Burma business increased and it wound up completely in 1925.12

Even in Madras, Chettiar firms were known to be winding up even at a loss so as to divert the money abroad, because it was more profitable.13 The main reason was the establishment of the rule of law in Burma by the British that enabled the Chettiarstr to operate overseas with security. The Chettiarstr were replaced by the Marwaris in South India.14 It would be interesting to speculate on the reasons for their substitution by the Marwaris in their own Presidency. The Tamilian borrower was perhaps a tougher guy than the simple Burmese and only the North Indian lenders, who were not averse to resorting to extra-legal measures for the recovery of the loans, could match them.

Long before Burma was annexed, the British had realised the value of Lower Burma as a supplier of raw materials and as a potential market for British Manufactured goods.15 With the annexation of Lower Burma in 1852, the colonial administration introduced large changes in the legal and political institutions as well as in the system of land tenure. The Pre-British economy of Burma was subsistence oriented since export of rice was banned by the Burmese kings. Only sufficient paddy was grown for consumption and to barter for cartwheels,
cooking pots or yarn. Other requirements like bamboos and reeds for thatching roofs and making mats, vegetation, firewood were all freely available directly from nature. Paddy cultivation was thus not a whole time occupation. Thus even though the dama-u-gya system allowed the Burmese to acquire usufructuary rights over the land one cleared by oneself, a large part of the delta remained unreclaimed. Alienation of land was unknown and inconceivable. Agricultural indebtedness was also rare. At the worst the Burmese cultivator could only sell his family or himself as slaves to the creditor, but he could not surrender his land. Under the Squather System, and the Lower Burma Land and Revenue Act of 1876 introduced by the British, any one who cleared a patch of land and paid revenue for twelve successive years acquired a permanent, transferable and heritable right over the land. The lifting of the ban on the export of rice and the availability of large amounts of unreclaimed rice land led to an unprecedented colonisation of the Lower Burma's swampy jungles. Large hordes of Burmans from the parched lands of upper Burma came in waves with little else besides their bare clothing. Although these pioneer cultivators needed no resources for the acquisition of land nor for the payment of rent, they required money for food, firewood (for the waste lands were declared as Government land and this had made fishing commercial) for procuring cattle, seeds and
requirements. Moreover the import of British manufactured cotton and other goods created a further need for credit. The opening of the Suez Canal in 1869 only greatly accelerated this by bringing the European market nearer for Burmese rice. Export of rice grew from 160,000 tons in 1865 to 5,00,000 tons in 1869.

By 1880 the price of Paddy had risen to Rs. 80 per hundred baskets from the old level of Rs. 50 to Rs. 55. This growth in the demand for Burmese rice in the world market created a land boom in the delta which in turn led to a terrific need for credit. The Chettiars came to answer this call for credit, for no other source of credit was available. The banks which were all organised on Western lines were not willing to provide this credit. Nor were the Co-operative Credit Societies, nor the land mortgage banks, nor other private moneylenders like the Marwaris and the Moplas. Government agricultural loans which were issued promptly could be given only during droughts and floods since there was no hope of recovery. Wherever the Chettiars went the rates fell. They spread to every district in Lower Burma except those of Tavoy, Mergui, Kyankpu and Sandoway. In the Hanthewadi district they were the only source of credit. Tharrawadi ascribed 99% of the loan to Chettiars.

It is not that there were not enough Burmese lenders. In fact, they were numerically greater with at least one
for nearly 15,000 village tracts. In upper Burma they were more, for the crop loan provided by the Chettiar here was only 15 million rupees as against 120 million in Lower Burma.

The reasons for the success of the Chettiar over the native Burmese lenders derived from the fact that the Burmese lenders were not professionals and therefore had neither the experience nor the training nor organization the Chettiar lenders had. The Chettiar coming from a traditional trading caste of India that specialised in trade and commerce were more proficient. More important than this is the fact India's economy was far more significantly developed even in the pre-British days. Trade, manufacture and catering to an international market was quite extensive and there was considerable amount of monetisation also. Under the Colonial rule trade and commerce and industry developed, although dominated by the Europeans. Compared to India, Burma's economy was primitive. The Burmese kings had not struck a coinage until 1861. Since export of rice was banned by the Burmese kings, the economy was subsistence oriented; production for market and trade were unknown. Burma was in virtual isolation until it was annexed by the British.

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Dawson's Bank was the only exception, but it provided only 3/5 million to delta farmers on good security. H 56.
It is reasonable to agree with the opinion that the Burman lenders were prone to overreach a borrower so as to get possession of his land, since they found it easier to manage land and make it pay than a Chettier did. The Chettiyars lent at a rate less than the Burmese lenders did. Their method and hours of business were convenient to the borrowers, and their integrity and accuracy of their accounts were rated generally high. The Banking Enquiry Commission (1929-30) observed that the Chettiyars were preferred by borrowers and one reason was that they were foreigners without any special axe to grind and transacted their business on purely rational considerations, uninfluenced by race, language or religion of the borrowers.

According to the same commission the qualities of the Chettiyars as financiers were:

1. Their organisation as a financial system;
2. Their mutual confidence;
3. The impression among the public about the honesty and integrity of the Chettiyars;
4. The simplicity and rapidity of their business methods;
5. The magnitude of their business;
6. Their spread over entire Lower Burma so that "the availability of Chettiar loan was as natural as rain in the monsoon";
7. Their dominating position as rural financiers in Lower Burma.
Wherever there were two or three Chettiar firms there was a loose business union arising out of the system of 'Magamai'. Each firm as we saw earlier contributed a regular percentage of their earnings to the maintenance of the temple and other charities. In Rangoon they had their shops in Moghul Street, where several firms were housed in one big building. No firm would seduce the client of another firm. In the absence of the representative of one firm, the agent of the next firm sitting adjacent would deal with the client, and hand over the documents to the concerned agent on his return, and collect the money advanced on his behalf. It used to be said that during the course of the day, firms could borrow cash from others without any written acknowledgement. If a particular transaction was forgotten it would be remembered at the time of counting the cash at the end of the day, when excess of cash was found. The sense of honesty and integrity was reported to be that great. The Banking Enquiry Commission observed, "Their existence as a small alien group with frequent blood relationship and with a common economic interest, descent, language, worship and all caste associations, and divided in all these points from the population around them was sure to generate a feeling of sodality."

Of all the indigenous banking communities only the Chettiyars had an organisation in the form of an association
called the Burma Nathukottai Chettiars Association which was inaugurated in 1923. Its members were not individuals but firms. 38

Kinds of Chettiar business

Although the main business of the Chettiars was lending money, and they tried to avoid speculation, they were ready to lend money to any enterprise which offered security and profit. 39 Agriculture, as we saw, was the dominating field. But outside Rangoon, some firms lent to whole-sale and retail shopkeepers, and to some extent to artisans. In Upper Burma loans to agriculture were only one-fourth of the total loans, but in Lower Burma it was three-fourths. Next to lending, issue of and discounting of 'hundis' for remittances was the most important. Some large firms like the 'Bank of Chettinad' (as the firm of Rajah Sir Annamalai Chettiar was called) accepted documents and valuables for safe deposit, and dealt in gold also. Largely because of default in repayments of loans, the Chettiars became owners of lands, shops, factories, saw mills, rice mills, etc. The only big Chettiar firm that began to do other business on a large scale was the Bank of Chettinad. They floated a company called the Burma Commercial Corporation and began wholesale and retail trade in cement, hardware and grain, insurance agency and other kinds of mercantile agency business. 40
Chettiar firms and their Business Practices

All Chettiar firms were partnerships except the Bank of Chettinad, which became a company in 1929, registered under the Companies Act. The partners were usually related through marriage, for it was more usual for sons to set up separate firms either on the death of the father, or as soon as they were old enough to get individual business.

A Chettiar banking house was called 'Kittangi'. These were clusters of business firms under one roof. Such a system not only helped to reduce the overhead costs of the business firm but also serve as a protection for a small group working successfully in a foreign land. The Chettiar Kittangi was always a stone building and never a wooden house for obvious reasons. The Chettiar Kittangis were concentrated in the Moghul Street in Rangoon. The first to be established as the 'Ararai', so called because it consisted of six big parallel rooms on the ground floor of a three-storeyed building. The first floor housed the temple for Dandayutha Pani (Murugan) and the second floor, the living quarters of the employees of the firm. This Ararai was also popularly known as the 'Chettiar Exchange', because for every Chettiar arriving in Rangoon, the first port of call was the temple on the first floor. Secondly,

This term is used in Common Chettiar parlance even today though the firms in Madurai, Madras are not as big as they were in Burma.
all their business and communal meetings every month were held there with 'Dandayuthapani' as the Chairman. In a double row, in each of the six rooms were ten places on the floor, at which the Chettiars sat on a mat before a small desk holding pens, ink and with writing space. An iron safe or a wooden box 18" x 10" x 9" stood along the wall. This was all a Chettiar firm or business required for its activities. Each firm occupied one space. The 'Ararai' contained another set of similar spaces in a hall behind these rooms. Besides the 'Ararai', there was another building in the same street and very close by the firm with a set of twenty-three rooms similarly partitioned. About fourteen or fifteen large firms had separate flats in the same Moghul street where two rooms were set apart as 'Kittangis'. All the staff lived close by, and most of them lived in the rooms above the business rooms.

The official business hours of Chettiar firms were from 9 a.m. to 8 p.m., with a lunch break. But it was well known that they obliged customers at any hour of the day or night. The firms were open on all days of the year except on religious festival days like 'Thai Poosam' or 'Adivel'. Their intense religiosity did not come in the way of their profit making.

Besides these Kittangis in Rangoon, there were branches of many of the firms in out-stations and in villages with
a railway station called 'Ulkadais' and 'Rail Kadais' respectively. Generally every place at which a firm carried on business was a separate agency. Thus a firm may have as many as five or ten agencies in Burma in different places and all of these ten agencies were directly related to the parent firm in Chettinad. Out-stations thus were not encouraged. Only 1,105 business firms had 187 out-stations altogether, and of these 117 belonged to 337 business houses in Rangoon.43

Every firm worked under a business name formed from the initial letters of the personal names of the partners, e.g. if Annamalai, Chidambaram and Mutthiah were partners, the firm would be known as A.Ct.M. firm, Ct. being the conventional initials for Chidambaram. 44 A Chettiar could enter into as many partnerships as he liked with different Chettiars. Following the above example, Annamalai could be a partner with different people,

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43 Among the Tamilians, there is no such thing as surname, or family name, as there is among the Marwaris, Punjabis, Maharashtrians, etc. Everyone has only a personal name preceded by the initial letters of the name of the village and the name of the person's father. For example in the name T.S. Krishnan T stands for 'Thirumangalakudi' and S for Subramaniam.

44 The Chettiars have a singular convention of referring to each other by the initials, or sometimes the initial letters of the first two syllables of the name, Palani will be 'Pazhana' and in English it is P.L. Chidambaram will be 'Chi na Tha na' and in English it is Ct. or C.T.
This kind of partnership networks not only helped in minimising the extent of risks but it also increased the sodality among the Chettiars. There was also the advantage in getting a person's income from several sources treated independently by the Income Tax offices and separately exempt from Super Tax. The Agent had the right to use the firm's name before his name. This then became the business address of the proprietor or the principal of the firm. If Agent Ramanathan was managing A.M.PL. firm, then the parent firm A.M.PL. in Chettinad was called 'Oor Vilasam' and the overseas firm called as A M PL Ramanathan, was the Tholai Vilasam.

Generally, on the death of a partner, the partnership was dissolved and new firms were formed.

The profits of each business carried on by an agent were divided only when the agent changed, i.e. at the end of three years. The greater part of the income earned by partners was earned as six-monthly interests on the larger part of the money they subscribed to the capital. Any money which a partner drew apart from this six-monthly interest due to him was registered as a loan to him and interest was charged on it. This applied to all cases including those where the partners were only father and sons.

* Tholai in Tamil means distant and Vilasam means address.
The capital supplied by the proprietors to the agency was called "Adathikanekku Agency Acct." This consisted of two parts, the smaller part called 'Mudal Panam', i.e., 'own capital' and the other called 'Sontha Thavanai Panam', i.e., 'borrowed capital'. The six monthly interest was paid on 'Sontha Thavanai Panam'. The account of own capital was called "Adathi Kanakku", and that of borrowed capital 'Nadappu Kanakku'.

**Staff and Management of a Chettiar Business Firm**

Every Chettiar firm or Agency usually had the following staff:

1. Melall - agent
2. Aduthal - First Assistant
3. Field Assistant
4. Legal Assistant
5. Cashier
6. Errand boy
7. Cook

Generally all the first six posts were filled from the Chettiar community. The cook was from the Mukkulathoor community of Tamil Nadu. None of them brought their wives and family with them. The family remained in Chettinad, as per the community rules. Most Chettiarss in business firms began life as 'errand boys' at the age of 10-15 and progressed in 10-15 years to the status of an agent. Thus the agents were thoroughly trained in their profes-
sion, having served a period of apprenticeship. Chettiars from the proprietor's family were also said to receive training for six years and they received no special treatment from the agents. Thus the proprietors also got to be familiar with the business. 45

Every firm was managed by an agent who was appointed by the principal in India, generally for a term of three years. The total emoluments ranged from Rs. 6000 to Rs. 15000 for the entire period of three years. But his expenses on food, clothing, lodging, medicine, amusement and recreation were all paid by the firm so that the emoluments were completely saved for his family. One half of this salary was either paid to the agent's wife or credited to the current account of the agent in the agency book where it earned interest. Usually this was done within a month of the agent joining his post. The balance of the salary was paid at home on the return of the agent on the expiry of the contract period. In addition, a bonus generally about 10 per cent of the net profits of the firm was also paid. Of course, the principal exacted a strict account of all the transactions of the agent during the period. The agent had first to meet the principal in India with all his luggage before he could go home. This was a sort of check to see if the agent had traded with the funds of the firm for his private benefit. After spending usually two and a half years at home on
leave (during which he would get no salary) he was usually sent again to the same firm or to any other place or even to Malaya if the principal had his business there.

An agent was given full power of authority to carry on the business as he liked, subject to instructions of the principal from India. It is a tribute to the remarkable business acumen and honesty of the Chettiar agent that without any kind of English education, he conducted profitably the affairs of a branch office of a bank, so may a Chettiar agency house be described. Just a month or so before the expiry of the term, the new agent would arrive and both of them would examine the realisability of the loans. Since bad debts would be excluded from the total assets for the purpose of determining the bonus, the outgoing agent was particular to realise all doubtful debts or increase the rate of interest to the satisfaction of the new agent. There was a general agreement between both the agents because of the tradition of fairness among the Chettiars. Besides, the new agent might be the present agent's predecessor and was likely to succeed the new agent at the next turn. Thus two agents were generally in charge of a firm for a fairly long period.

**Own Vs Borrowed Capital**

Of the total working capital of Rs. 75 crores of the Chettiars in Burma, two-thirds was supplied by the proprietors themselves. Of the remainder more than one
half was obtained as deposit from other Chettiar sources and only the rest was derived from non-Chettiar sources. These sources which provided only about Rs. 10 crores of the working capital, were obtained as follows:

<table>
<thead>
<tr>
<th>Rupees in Crores</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances from Burma Banks</td>
<td>30</td>
</tr>
<tr>
<td>Deposits in Rangoon</td>
<td>50</td>
</tr>
<tr>
<td>Other deposits in Burma</td>
<td>7</td>
</tr>
<tr>
<td>Advances from Madras</td>
<td>13</td>
</tr>
<tr>
<td>Deposits in Madras</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>102</strong></td>
</tr>
</tbody>
</table>

Banks in Burma advanced three kinds of loans to the Chettiar, viz. loans, cash credit and overdrafts. Loans were advances made on promissory notes signed by borrower and another Chettiar firm. The promissory note to the borrowing firm was really signed by the second firm to pay and this was discounted by borrowing firm with the bank. Overdrafts were granted against Government securities or promissory notes, with title deeds of house property in Rangoon as collateral security. The Central Bank and the Imperial Bank among Indian banks, and Lloyds Bank, Chartered Bank, National Bank of India, Netherlands Bank, Mercantile Bank and Allahabad Bank among the exchange banks were the main banks doing Chettiar business. When the Indian Overseas Bank was established, it extended its business in Burma and, since it was itself a Chettiar Bank (floated by M.CT.Chidambaram Chettiar, son of M.CT.
Muthiah Chettiar), a lot of business was transferred from the exchange banks to the Indian Overseas Bank. The Indian Bank was the last to enter and with the fall of Burma, the Indian Bank came to be the chief financiers of the Chettiars offering the facility of discounting the loans the Chettiars had made on the security of gold jewellery. The Chettiars’ own investment on such loans diminished and in addition there was the safe custody facility for their jewels.

The Chettiars borrowed money from banks in Madras also. But such loans did not amount to more than Rs.130 lakhs in 1930. Only the Imperial Bank and the Indian Bank were the important lenders. The interest at Madras was less by one percent than in Rangoon, still the Chettiars preferred to have the greater part of their borrowing from Banks in Rangoon in order to have a greater amount of ready liquidity.

**Deposits from non-Chettiars**

About Rs. 5.7 crores were deposited by non-Chettiars with the Chettiar firms in Burma. Most of it was confined to Rangoon, Moulmein, Bassein and Mandalay. Deposits in Rangoon amounted to Rs. 5 crores. About 8 per cent of the total of Rs. 75 crores of Chettiars’ working capital came from such deposits. Lawyers, traders and some people in the services deposited money with the Chettiars because of the higher rate of interest ranging from 5 to 11 per
per cent. The Chettiars accepted both fixed deposits and deposits on current account. Pass books were also issued. But there was a restriction on the kind of cheques for drawing money from the current account. Cheques had to be presented to the Chettiar firm first and they would be marked for payment the next day. They were called "Kanda Marunal Hundi" which means "payment on the day after". This practice was adopted to avoid stamp duty on cheques and also with a view to minimising the amount of ready cash to be kept for making such payment. The Bank of Chettinad was accepted as a member of the Clearing House. In the case of other Chettiar firms, Commercial banks discounted such cheques and got them paid by collecting them from the Chettiar firms through messengers.

Deposits by Chettiars

The Rangoon Chettiar firms received about Rs. 10.11 crores from the Chettiar community, mostly from relatives - money paid to women at the time of marriage, salary and bonus payable to an agent, or moneys invested with Chettiar firms by other Chettiars not desiring to do business according to the Banking Commission 1929-1952. Originally such deposits were all on Fixed Deposit Account called 'Thavanai Panam' in Chettiar language. Deposits were accepted for a term of two months. Such deposits were usually renewed at the end of two months, interest being added to capital. Such renewals usually went on
for years. There was a prevailing rate of interest called 'Thavanai rate' fixed by the Rangoon Chettiars Association. A promissory note payable on demand was given to the depositor with the wording: "I promise to pay ____________, bearing interest equal to one-anna less than the Thavanai rate prevailing in Rangoon." Though payable on demand it was understood among the Chettiars that these deposits were payable only on the expiry of two months. The Chettiars never went to court to secure payment of Thavanai Panam.

Another system of deposit from a Chettiar was the "Veyan Vatti" system. These were fixed deposits at a fluctuating rate of interest expressed as so many annas per month percent in excess of the Thavanai rate of interest. Such deposits were received for 3, 6, or 12 months and the rate of interest would increase if the Thavanai rate increased. The borrower issued a promissory note payable on demand at a specified rate, but the lender received in addition a memo from the borrower stating: "I have agreed with you this day to pay after six months with Veyan Vatti the sum of Rs. ____________, which, I have borrowed from you by demand promissory note dated this day." Thus the Chettiars had three kinds of interest rates:

1. Nadappu Vatti, i.e. the rate on current account.
This was the basic rate for most of the transactions of the Chettiars. This was the rate for call money deposits among Chettiar firms, the rate credited to proprietor's capital. This rate was to be fixed by the Association at 9 p.m. on the sixteenth day of every Tamil month in the temple in Mogul Street, Rangoon. 55

2. Thavanai Rate was fixed every Sunday. It was with reference to this rate that the interest rate on Fixed Deposits from the Chettiars was fixed. 56

3. Veyan Vatti, was a rate a little higher than the Thavanai rate.

The rate of interest ranged from 10% to 18%, depending on the season, the kind of security offered, the place (whether Rangoon or the Delta Area, or upper Burma) and also the competition. The rates charged by the Chettiars were generally less than those charged by local money lenders. 57 Wherever the Chettiars started to do business, the rates of interest always fell. 58 This was noticed by the Banking Commission which gave an illustration. When the Chettiars came to Myingyan District the local Burmese moneylenders were charging 24 to 30%. As soon as the Chettiars settled there, the Burmese lenders greatly reduce their rates and the Chettiars withdrew. Interest was reckoned at so many annas for Rs. 100 per month, part of a month treated as one month. As the months were always Tamil months, the Burmese borrowers could not
easily follow the calculations. This often resulted in charging a much higher rate than what appeared in the document. Thus on a loan advanced on the 20th of the month of Thai (14th January-13th February) and repaid on 2nd of Panguni (14th March to 13th April) interest would be collected for three months, though the actual period of loan was 42 days.

The Chettiars also never allowed reduction in the rate of interest for prompt payment or because the prevailing rate of interest came down. But the borrowers did not mind this, because getting a new loan, though possible at a lower rate of interest, would entail the expenses on a new mortgage.

Chettiars' Book-Keeping and Procedure

For every loan, whether secured or not, the borrower was required to execute a promissory note. The borrower was also to meet the lawyer's expenses and stamp duty. A charge was also collected for the form of promissory note printed and supplied by the Chettiar. Part payment was accepted, but no receipt was issued. The borrower could see the books of the Chettiar and his own account where the repayment was recorded. The borrower could at any time inspect his accounts, though it was not of much use to him since the Chettiar books were in Tamil and the clients were mostly Burmese. Generally it was well understood that while the document made the loan repayable on
demand, repayment was not expected, so long as the interest was regularly paid. In the case of loans to agriculturists whose need for credit was perennial, this practice to a certain extent limited each Chettiar to a select clientele. But such clientele was properly chosen and regarded as quite dependable. But the Chettiars were always willing to accept part payment and also periodical instalments. As regards loans to traders, the time for repayment was fixed at the time of the loan and the Chettiars were particular about the borrower sticking to the time schedule.

Hours of Business

The Chettiars had no fixed hours of doing business and had no official holidays except for their important festivals of Panguni Uttaram (March-April) and Thai poosam (January). This was a matter of great convenience to borrowers.

The accounts were kept in Tamil and according to the single entry system. That is, accounts were kept only for persons and property; expenses were all ascertained from cash books and the profits for the period ascertained by the net addition to the assets during the period. The principal books of accounts were 'Kurippu' (the day book) and Peredu (the ledger). Daily transactions including cash received and paid were entered in the Kurippu. A rough cash book called 'Chittai' was also kept and their
totals were daily carried into the Kurippu. Other subsidiary books were sometimes kept, like 'Bakki' book (book of balances), where for each customer the day's totals of debits and credits were recorded showing the balance at any time.

A balance sheet called 'Ainthogai' was prepared at the expiry of every month.

Despite the fact that the economic development of Burma would have been much delayed, but for the contribution of the Chettiar Capital, it was ironical, that they were compelled to withdraw from Burma after 1940 leaving behind a major portion of their assets frozen as immovable property, agricultural land, that was nationalised without compensation by the Burmese Government. The Bank of Chettinad, (The Rajah of Chettinad's firm) owned over 85,000 acres and, most of the Chettiar land holding being more than 1000 acres, they were not eligible for compensation. The Nattukottai Chettiar Association estimated that 250,000 acres of land belonging to Chettiars had been nationalised and that only Rs. 1,50,000 had been received as compensation in 1956. This was not a sudden calamity that overtook them completely by surprise. It had its antecedents in the rapid political and economic changes wrought by the imposition of a highly monetised market-oriented economy on a peaceful people oriented to a subsistence economy by the Colonial rule in Burma.
This sudden linking of a backward economy to a global market economy, while it did generate a tremendous development of the rich survey delta, also subjected it to the effects of the crises in the global market. Successive crises—the 1890 and 1907 world monetary crises and the world depression of the 1930's—induced a chain reaction which resulted in a number of landholders losing their lands to the Chettiars, because they could not repay their loans to them. The Chettiars in turn were pressed by the European banks which called for repayment of their loans. A number of small and a few big Chettiar firms collapsed. The situation only deteriorated until the 1930 depression precipitated a crisis. Agricultural indebtedness had reached a high of £45 millions of which four-fifths was owed to the Chettiars. Because of the crashing down of prices of paddy and of land, the Chettiars were saddled with land they could not even dispose of. Table on next page will reveal how and when the Chettiars came to possess large amount of landholdings.

At the time of their withdrawal from Burma the Chettiar land holdings that were nationalised amounted Rs. 250,000 acres of which the Bank of Chettinad (the Rajah of Chettinad's firm) alone possessed 85,000 acres. The Banking Committee's views that the Chettiars reluctantly acquired land through foreclosure seems to apply
# Classification of Occupiers of Agricultural Land in the 13 principal rice-growing districts of Lower Burma

(In thousands of acres)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total occupied area</th>
<th>Area occupied by non-Agriculturists</th>
<th>Area occupied by Chettiers</th>
<th>Percentage of area occupied by Chettiers to area occupied by non-Agriculturists</th>
<th>Percentage of area occupied by Chettiers 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>9,409</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>

*Pegu, Tharrawaddy, Hanthawaddy, Insein, Prome, Bassein, Henzada, Myanngumye, Manubin, Pyapon, Thaton, Amherst and Toungoo.*
more only to the post-depression period, for as the table shows their percentage of land buildings increased tremendously within a period of eight years from 6% in 1930 to about 25% for 1938.

The growing impoverishment of Burma helped the nationalist and separationist movements to whip up a mass fury deliberately against the alien Chettiars who were made the scape goat no doubt for all the evils. This led to the Chettiars being portrayed as 'Public Enemy No. 1' by the journalists and cartoonists. The Burmese newspaper (Thurya, dated 19th February 1930) accused the Chettiars of having seized lands deliberately and in the district of Maubin specially it said the Chettiars had taken over 30,000 acres of paddy in each of the three previous years, amounting to 6% of the total area of paddy land in the district taken over each year. The newspaper also called upon the Government to check this process of land alienation. The Nattukottai Chettiars Association denied the charge in a letter to the newspaper dated 7th March 1930 saying they had no desire to own paddy land. They also stated that the lands that had come into their possession accrued to them as consequence of the temporary depression in 1890 due to the default of borrowers, and that they had sold off their lands when the land values appreciated. They also stated that the prospect of separation of Burma from India would only prevent them
from transferring their fluid capital into immovable assets. They also threatened to close down their business, which had been so helpful to the Burmese people of their good relations that had existed so far were to be impaired. The majority of opinion of the Banking Committee consisting of four Burmese members and one British member agreed with the newspaper's allegation. The Chairman and Mr. Dawson forming the minority view agreed with the Chettiars.

That the feeling of the Burmese political leaders was against the Chettiars is further evidenced in the answer of a Burmese officer to the questionnaire. "Truly and pointedly speaking, the Chettiars' banks are fiery dragons that parch every land that had the misfortune of coming under their wicked creeping. They are a hardhearted lot that will wring out every drop of blood from the victims without compensation, for the sake of their own interests. Forty years ago, out of 10 villagers in the country, 9 had lands; now it is just the reverse and the one that has got anything has the same tied up in the hands of the Chettiars tightly...the swindling, cheating, deception and oppression in the country, are well known and they are responsible for the improvement of the country." Overstatement as this definitely is--for even in the answers to the questionnaire one can find that the general public opinion regarding Chettiar lenders was
quite favourable—it is representative of the mounting hostility against the Indians in general and the Chettiars in particular, which culminated in the Rangoon riots in 1930, the Burma Rebellion of 1931 and sent shivers down among the Indian minorities. The Nationalist and Separationist movement went on unabated till in 1937 Burma was separated, but things became worse because of the World War II and the Japanese occupation of Rangoon in 1941. The cumulative effects of these historical and political forces that were really beyond the control of the Chettiars made it extremely difficult for them to continue their operation and many of them left and the estimated loss is Rs. 75 crores.

Their experience in Malaya and Ceylon was not that disastrous. They were able to repatriate a greater portion of their capital and several have opted for the Malayan Citizenship and are continuing their occupation of moneylending and plantation cultivation. In 1941 their total assets were estimated at $270,000,000 and they own about 175,000 acres of rubber estates.

Chettiar Entrepreneurship (Enterprise) in India till 1930

The overwhelming success the Chettiars achieved in their moneylending business outside India has so greatly eclipsed their enterprise in other fields, that in all the existing literature on this community, until recently only two aspects have been highlighted. They are: (1) The
Chettiars' almost innate acumen for moneylending and the adaptability of their traditional social organisation to the pursuit of wealth. (2) Their intense religiosity as manifested in their impressive contributions to the construction, renovation and maintenance of temples both in India and overseas.

The fact that Chettiars were at no time confined only to moneylending and that they had always combined it with diverse economic activities, including modern industry, though stressed by individual Chettiars, in personal interviews somehow has not received the emphasis it deserves even in their community journals. The neglect of this aspect of the diversified nature of their economic activity even during the early years of this century has given rise to erroneous impressions regarding the nature of their entry into modern industry in the post-independence period in India. The most important of this is that the Chettiars' entry into modern industry was the direct result of the virtual collapse and bankruptcy of their traditional moneylending business in overseas countries and that it therefore started only after 1940, involving a complete break with their traditional business. Even those who have held the successful role of the Chettiars' as immigrant entrepreneurs in Burma and other South East Asian countries as illustrative of a case where the Indian religious values and traditional social orga-
nisation have not only not been militantly inimical but positively conducive to the pursuit of wealth and profit, have been forced to a paradoxical position when they come to the post-1940 period of the Chettiar enterprise. Shoji Ito for example is led to say that while their traditional social institutions were greatly geared to their traditional economic activity, they nevertheless retarded their entry into the modern sector of the economy.

The main reason for this erroneous impression lies in the ignoring of the hard historical fact of the colonial rule in India, and the monopolistic control the Europeans had over modern industry, trade and finance. The colonial policy was inimical to the development of Indian industry and trade. Remittances to British India were liable to taxation as business profits and this restricted the diversion of Chettiar capital from their overseas business into India.

Viewed in this historical perspective of the severe restrictions on the growth of Indian industry under the colonial rule, the Chettiar contribution to the development of modern industry in India will seem highly commendable and also dispel the erroneous conceptions regarding the incompatibility of India's religious values and traditional social organisation to modern industrial organisation.
That moneylending had not been the only business the Chettiar practised is evident even from the Banking Enquiry Commission reports. Of course, the subsidiary economic activities they undertook were not the result of deliberate planning but largely acquired as the consequent of their moneylending business. They took up all the allied fields of economic enterprise, their money-lending familiarised them with. In all the districts of Lower Burma, where they were operating as bankers, they were also reported to be owning land, and collecting rents, owning and working rice mills and timber mills, storing and trading in paddy. In fact with Chettiar known to be receiving 50 per cent of their loans in kind, it is not surprising that their community journal 'Oolian' published rice quotations regularly. Thus, neither their tradition nor the fear of the caste ritual of pollution deter them from diversifying their economic activity. Just as their traditional experience in trade and their contact with the European shipping lines, while doing business in Calcutta in the nineteenth century equipped them to venture out as successful immigrant entrepreneurs along with the colonial administration to the British South East Asian colonies, the experience they acquired through their entrepreneurial engagement in these countries and the wealth they amassed there through it, also prepared them for a successful
venture in modern industry too. The wealth of the community rose from Rs. 10 crores in 1896 to Rs. 80 crores in 1930.\textsuperscript{74}

True, in their own home province of Madras, the Chettiars have not been the dominant source of credit. There were in 1930 only 243 Chettiar banks operating in the Presidency with a volume of business amounting to Rs. 11 crores.\textsuperscript{76} And these were only in towns and cities and their 'rail kadais' were only in places accessible by rail.\textsuperscript{77} This was because of the great exodus of Chettiar capital to Burma from the time Burma became a Province of British India and the opening of the Suez.

The fact that the whole community is rated high for wealth did not mean it was equitably distributed. There was a big gap between the rich proprietor families and the families who worked for them in various capacities.\textsuperscript{78} With money flowing in easily, earned by their paid agents, and not having to personally sweat for it, the rich proprietor families thus were free to devote their time and

\textsuperscript{74} The Chettiars also came by three windfalls indirectly through their moneylending.

(1) The oil shares they were forced with, worth Rs. 3 lakhs in 1908 appreciated to Rs. 1 crore in 1915 enhancing their wealth tremendously.

(2) Similarly the rubber depression and boom fetched the entire community a fortune.

(3) Many Chettiars from the villages of Nerkuppai and Kandramanikham were known to have amassed well over Rs. 10 lakhs during the wartime rice control in Ceylon.\textsuperscript{75}
money to explore newer avenues of making profit, and to equip themselves for industrial venture. In 1930 there were already the following Chettiar enterprises in industry in the Madras Province:

(1) Three electric corporations formed as joint stock companies for the supply of power in Devakottai Karaikudi and Kanadukathan.

(2) Two textile mills at Madura, one of which was already in production and the other just started.

(3) Textile mills at Kallal in the Malabar district at Coimbatore, started by the late Dewan Bahadur P. Somasundaram Chettiar.

(4) Paper factory at Punalur in the Travancore State.

(5) Rice mills in Tanjore district. Many were started by the Chettiaras doing business in Ceylon.

(6) A tile factory near Pondicherry.

(7) Brass vessels factories in Sivaganga, Karaikudi.

(8) The Thachanallur Sugar Factory and Distillery belonging to the A.R.A.R. S.M. family that went insolvent in 1925.79

We shall close this chapter by mentioning the leading families who were also pioneers in modern industry in this period. These are the families of the zamindar of Devakottai, A.L.A.R. Somasundaram Chettiar, the A.R.A.R. family, also from Devakottai and also the Dewan Bahadur P. Soma Sundaran Chettiar's family called P.S.S.family.
The AL. AR. firm had extensive business in Burma, Malaya and were engaged in rice trade in Calcutta also. They were the first Chettiar family to venture into Textile Industry right from its inception in Madras Province. They founded the Malabar Spinning and Weaving Mill Co., Ltd. in Calicut in 1888 jointly with a Namboodri family from Travancore. In 1902 AL. AR. Somasundaram Chettiar took over the Managing Agency of the mill from the two North Indian firms. After his death his son Sathappa Chettiar managed it. Rao Bahadur P. Somasundaram Chettiar also managed the mill for some time. After some initial difficulties the mill was paying 50% dividend to its shareholders by 1920. They also founded another mill in partnership with Rao Bahadur P. Soma Sundaram Chettiar in 1910 called Kaleeswara Mills. Besides founding new mills, the Chettiars also acquired defunct mills and started working them, even in the early decade of this century. This is how the Koilpatti Mills was acquired by them. The Koilpatti Mill was acquired by two Nattukottai Chettiar bankers in 1908 from 'some Mohammadans' through a court sale for Rs. seven lakhs. After a year and a half, it was started under a new name, Kamakshi Mills. But in 1911 it was floated as a new mill called Chidambara Vinayagar Mills with a paid up capital of Rs. 7,00,000. The Chettiars

The names of the Chettiars who bought the mill was from Thackers India Directory, 1915, p. 23 as RM. M.ST. Vairavan Chettiar and M.LM. Ramanathan Chettiar.
share of the capital was two-thirds. The AL.AR. firm also acquired Sugar Mills in Tinneveli district and they owned many rice mills in Tanjore district.

The business career of these two leading families was cut short by the world slump that produced a crisis in Chettiar enterprise when 400 out of the 1650 firms operating in Burma collapsed, and went into insolvency. However small as it was, it proves that the major deterrents to the Chettiar participation in the development of Indian industry during the colonial rule definitely did not stem from India's religious values or her so-called traditionalism, but were rooted in the historical, economic and political environment of the period.
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