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sph A SINGAPORE PRESS HOLDINGS PUBLICATION MCI (P) 031/11/2013 SINGAPORE, WEEKEND OF FRIDAY, MAY 2, 2014

## Singapore's first 'venture capitalists'

How the Chettiar shaped the trading and banking scene here

MALAVIKA NATARAJ

**B**ESIDE the Singapore River, near the Asian Civilisations Museum, sits a man made of bronze, in front of a low table. He has a large ledger open in front of him, a cloth draped over his shoulder, and his arm is raised as if in greeting. Who was this man? And how did he impact the development of Singapore?

The sculpture, aptly named From Chettiar to Financier, was installed in 2002. It is artist Chern Lian Shan's representation of a man from a community that was known for its distinct role in Singapore's development as a trade centre: The Chettiar.

Prior to 1900s, the Chettiar were nearly the only source of capital for entrepreneurs and as the earliest

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First financier... artist Chern Lian Shan's sculpture of an early chettiar near the Asian Civilisations Museum. PHOTO: MALAVIKA NATARAJ

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FROM PAGE 1

financiers, they have often been called the founders of modern banking.

#### Trading background

The Chettiars came from their homeland, which was in the southern region of Tamil Nadu (India), an area broadly known as Chettinad. Interestingly, the Chettiars did not begin as financiers. They began as traders, in the 18th century, trading salt and other commodities along the coastal region of Tamil Nadu, and by the 19th century, the Chettiars were already venturing out of their territory, and going overseas in search of new economic opportunities.

They first migrated to Sri Lanka and Burma, where they continued trading, with financing being only a secondary business. The colonial authorities had no access to remote parts of these countries and were also unwilling to take the risk to lend to the people there, and so encouraged them.

As their reputation as financiers began to grow in Burma, the Chettiars were drawn to new opportunities. Singapore, with its geographical proximity to China and Malaysia, was quickly becoming a natural hub for trade and finance. The Singapore River, especially, was an important thoroughfare, and so it followed that most trading activities occurred around that area. When the Chettiars arrived, they were one of the only communities who had ready capital to invest, and consequently, had no trouble setting up their businesses on the banks of the river, around Market and Chulia Streets.

The Chettiars are often thought to have founded modern banking, because they introduced the concepts of debit, credit, expenditure, profit and loss. They were also perhaps the first in the region to introduce a unified document – the balance sheet – reflecting the financial status of a business. And they used this to evaluate the viability of each of the businesses they were financing. Additionally, they were meticulous in their record keeping.

Dr Subramanian Thinnappan, a Tamil professor with the National University of Singapore, has researched the Chettiars and their migration since his own student days. He co-authored the book Nagar-

athars in Singapore with Mrs Soundara Nayaki Vairavan.

He says: "The Chettiar accounting system was very different from the other (few) banks that existed. Firstly, it was in Tamil, and much of their calculation was done mentally. They were trained that way."

Singapore Management University's Jayarani Tan and Tan Wee Liang have done extensive research on the early Chettiar community. Their research paper titled Informal Banking and Early International Entrepreneurs: The Case of the Chettiars was published in 2012.

In their paper, they say that, although the Chettiars were not micro-financiers in the way that we understand today, they were well known for their informal banking activities in the early part of the 19th century. The Chettiars financed everything from China's opium trade, to rubber, tin, real estate and retail. They also sometimes funded weddings, funerals and even education.

Mr Subbiah Lakshmanan, an accountant and financial controller, has shared a lot of his family's photos and information about the early Chettiar community with the Asian Civilisations Museum. His grandfather Nachappa Chettiar was one of the early financiers, and Mr Subbiah says that their business included many financial services, not just lending.

"They provided working capital loans and investment capital as venture capitalists, syndicated loans for large undertakings, took deposits (with interest) and safekeeping of valuables, organised funds transfers to regional cities like Rangoon, Saigon, Medan, Kuala Lumpur, Chennai and Calcutta. They also issued demand drafts and discounting of demand drafts."

The Chettiars were interested in lending only to entrepreneurs and only if there was a business interest attached. So rather than call them "moneylenders", Mr Subbiah stresses they were more financiers and venture capitalists. "They were 'private financiers', as they were described by the British," he adds.

Many small traders, businessmen

# Singapore's first 'venture capitalists'

or individuals who were unable to secure loans from the Chinese and European banks often turned up at the Chettiars' doors. Borrowing from the Chettiars was a simple, non-bureaucratic process. According to Dr Thinnappan: "It was easier for many businessmen to get the loans from the Chettiars, with IOU notes, and some collateral when the loans were high. The Chettiars also watched the borrowers closely, so they knew who was able to repay their loans, and who had businesses that were worth investing in."

At times, if a substantially large loan amount was required, many Chettiar businessmen would pool their resources and lend the money, thereby sharing the risk of the investment. Interest rates varied, depending on the size of the loan and the party who was being lent the money. The rates of interest were fixed at a temple committee meeting each month and it could range anywhere from between 13 and 15 per cent.

#### Life in the kittinggi

The Chettiars operated their businesses out of kittinggis, which were long narrow buildings, divided into several rooms of roughly 100 sq ft each. It was exclusively male and was used as both working and living quarters. Living and working together preserved their communal distinctiveness and also blurred the lines between work and community. Each kittinggi functioned as a self-sufficient community, with an in-house cook, a regularly visiting barber and laundry man. Gambling and alcohol were not permitted and no women were allowed to stay in the kittinggi.

Mr Subbiah Lakshmanan, who grew up in such a kittinggi, remembers his time

there very fondly. "It was a simple life; our needs were simple. As young boys in the quarters, we were constantly engaged by what was going on around us. We had to take responsibility for ourselves and we were often sent off to do errands for the businessmen."

"We felt very important doing those little tasks. And although our mothers were not there, we never felt lonely. There was always someone around and we knew which uncle to go to for sweets or ice cream!"

A typical day at the kittinggi began early, and the men worked until lunchtime. After the heat of the afternoon had passed, they met clients, and did the administrative work. Once the day's work was done, the Chettiar businessmen spent their evenings praying at the temple, playing cards and board games or light sports, like badminton.

Occasionally, they treated themselves to a Tamil movie at the movie theatres in North Bridge Road, or spent the evening on the beach, near what is today the Esplanade. "The first 'Little India' in Singapore was not on Serangoon Road. It was around Market Street and Chulia Street, which is the area around Raffles Place today. There were Indian sari shops, spice grinders, and Indian eating places like Banana Leaf. And many business houses like Syed Mohammed Rice Traders, Jumabhoys, Nomanbhoy's, Second Chance, Mohamed Mustafa, and P. Govindasamay Pillai all started there," says Mr Subbiah.

The Chettiar businessmen didn't have the distraction of family, whom they had left in their homeland, so their leisure activities were simple. But, aside from the joys of communal living, life in the kittinggi meant discipline. The younger male members of the family were interned into the business, drawing on the superior wisdom of the older members of the kittinggi.

Dr K. Vellayappan, a well-known paediatrician who consults at Mount Alvernia Hospital and at a clinic in Ang Mo Kio, also grew up in a kittinggi. He says his experience of living there has stood him in good stead.

"My father brought me to Singapore when I was just nine years old. Living in the kittinggi, we learnt a lot



Days of yore... (above) the chettiars at work; (below) Dr K. Vellayappan, who grew up in a kittinggi, with the teak furniture used by the chettiars that he loaned to the Asian Civilisations Museum; and (below left) a table and stool used by the chettiars. PHOTOS: THE STRAITS TIMES



We started out as errand boys, running around getting things, buying stamps or getting papers stamped. We worked hard, and it really moulded our character," he recalls.

For any young boy who joined kittinggi life, there was also a clear career path laid out. He would typically begin as an office boy and progress to becoming a clerk. By his mid-20s, if he were seen to have an aptitude for the business, would rise to the level of a kootali or agent and then progress to becoming a pangaali or partner, after which he himself became the owner, the mudalaali. Through this method,

the Chettiars also learnt how to preserve their own best practices. And, interestingly, there was no nepotism. Every boy was treated fairly and with discipline, regardless of whether they were family or not.

#### Preserving a religious heritage

For the deeply religious Chettiars, the temple was an important part of daily life. They built and maintained their own temples, the most noteworthy of which are the Sri Thendayuthapani Temple on Tank Road and the Sri Lay-an Sithi Vinayagar Temple in Keong Saik Road.

The temples were primarily places of worship, but they also served as a platform for social interaction and building strong business networks. A group of trustworthy men were elected to run the temples and were also in charge of the temple funds. Businessman Annamalai Chettiar was one such example. He generally organised the celebrations for the festival of Thaipusam, dedicated to Lord Muruga, in Singapore.

Employers to employees  
During the 1930s and 1940s when the economic depression hit, the commodity market declined. The Chettiars took over the assets that had been pledged as collateral on the loans that could no longer be paid.

"They had no real roots in the society and they were a small group. In Burma and Vietnam, many were forced to return to their homeland, after World War II, when the assets they possessed lost value. But in Singapore and Malaya, many came back in the 1970s, when their assets became more saleable, sold off their properties, and then went back to India," says Mr Subbiah Lakshmanan.

Before the 1950s, there were about 300-400 businesses spread across seven kittinggis, but the number had dwindled to just 50 businesses by the end of the 1970s. When the economic conditions became unstable, some men sent their sons away to be educated. Dr Vellayappan was one such example. "I was sent to school, and did well, so my father was keen that I continue my education. I became a doctor, but many others I grew up with

continued to stay in the business," he says.

The sons and grandsons of many Chettiars that had left in the '60s and '70s returned in the '80s and '90s – educated and seeking employment in financial services and other businesses. By this time, 90 per cent of the families whose ancestors were once Singapore's earliest financiers had now turned to outside employment.

In the last few decades, many of the Chettiar community have moved away from business and turned professional, becoming employees rather than employers. The Chettiars took over the assets that had been pledged as collateral on the loans that could no longer be paid.

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