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A dying trade

Stories by REVATHI MURUGAPPAN

Before financial institutions and Ah Longs came into the picture, the Chettiar moneylenders reigned supreme. But over the decades, they have faded into the background.

Once upon a time, moneylenders, decked in white dhotis and cotton tops, operated from a *kitenggi* (business premises in a shophouse). Sitting cross-legged on the floor, behind a low desk made of hardwood, the Chettiar moneylenders would wait for clients with ledger books in hand and a smile on the lips.

Inside the desk were stacks of cash, pen, paper and more accounting books. Everyone was a worthy client and no one was turned away.



A Chettiar moneylender working at a low desk in a kitenggi.

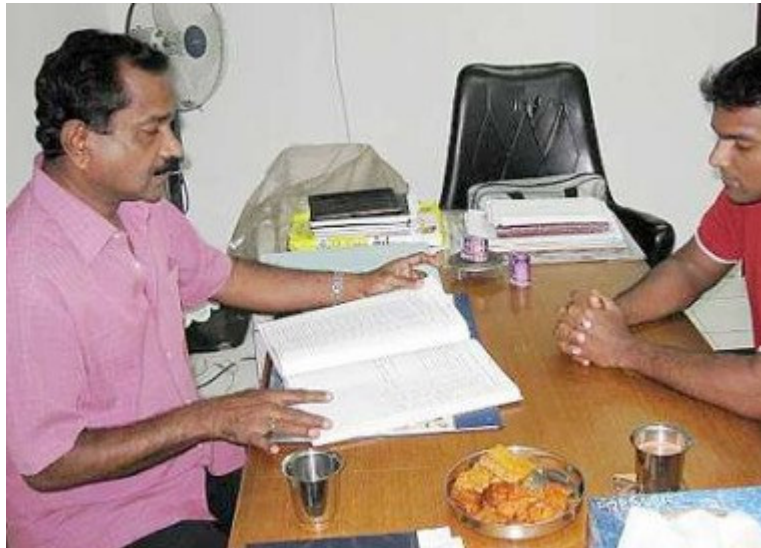
Typically, the Chettiars were traders, and those who arrived in Malaysia during the pre-war days were usually moneylenders. They reigned supreme in business but have over the years faded away, what with the emergence of banks, financial institutions, Ah Longs (loan sharks) and credit cards that offer cash advances.

Presently, there are more than 3,400 licensed moneylenders nationwide, but it's believed that only a handful comprise Chettiars. In Malaysia, individuals wanting to apply for a new moneylending licence must have RM1mil in paid-up capital. The interest rate is fixed at 18% per annum for unsecured loans (without collateral) and 12% for secured loans.

Banks offer a better interest rate but require clients to show documents to prove job stability and ability to pay back. It's a lengthy procedure with lots of paperwork. With loan sharks and licensed moneylenders, however, the red tape is significantly reduced.

The only remaining licensed Chettiar moneylender in Klang is Ganesan Nagappan, who is continuing his late father's business, which was set up in 1964.

"Our business is based on trust and risk," says the 52-year-old who has been in the business for more than 30 years. He now operates from home, and the family kitenggi is only used for religious events.



Ganesan works from home now as the family kitenggi is used for religious events.

"When someone approaches us for money, we have to assess his character first. We talk to him and determine whether he is capable of returning the money. Sometimes, we will conduct checks on his business or house to see if he's genuine."

If Ganesan has doubts about the client, he gently tells him the funds are unavailable. If he doesn't, then he'll issue an IOU and MOU which both parties must sign.

"I'll send the client a lawyer's notice if I think he's trying to cheat. I don't report it to the police because our style is based on goodwill. If he doesn't pay, we continue sending legal notices for two years before summoning them to appear in court. If the client files for bankruptcy, then I have to consider it a bad debt.

"We don't threaten anyone because they might counter-threaten us! The Chettiar community likes to protect their families, so we prefer to keep quiet."

The payback time period can be negotiated, although, generally, the minimum time is a month and the maximum, one year. For regular clients, he might waive the collateral requirement. People usually seek loans because they are in financial distress or want to run small businesses but have no capital. They include stall keepers, fruit sellers, textile shop owners, or those who need funds for medical expenses, weddings or kid's education.

lucrative business.”

When new laws were enacted after 1957, the government only issued moneylending licences to Malaysian citizens. Hence, a lot of the Chettiar moneylenders who weren't citizens found themselves in a spot.

“They had to have agents to act on their behalf and over time, some of them returned to India because they couldn't maintain their business anymore,” he says.

The rest ventured into other businesses, namely buying property and renting out the premises. Many of the next generation became professionals like accountants, architects and doctors. The existing Chettiar moneylenders are finding it difficult to sustain their trade.

“The Chettiars have lost faith in the business so that could explain why the numbers are dwindling. The moneylending industry is polluted by others who offer all kinds of services,” reckons R. C. Veeraseelan, president of the Malaysian Moneylenders Association, an organisation that safeguards the welfare of moneylenders.

Unlike their illegal counterparts, the Chettiar moneylenders have no bodyguards, no bill collectors, don't live in grilled surroundings and rarely have disputes with their clients. Rather, Veeraseelan says, they are well-respected in society.



A Chettiar moneylender wearing the famous white dhoti and cotton top.

“If we can practise what Chettiars have done previously, maybe we can eliminate the illegal industry. They act purely on good faith and, a lot of the time, they don't even require a guarantor. Chettiars call it micro-credit but I call it community loan.”

Initially, moneylending licences were issued by the high court, then the Ministry of Housing and Local Government took over, and after that the state governments. However, when various problems surfaced, the ministry took over the reins again.

The Moneylenders Act, 1951 was amended by the Moneylenders (Amendment) Act, 2003. Prior to the amendments, moneylenders were defined as “persons who carry on, advertise, announce or hold themselves out in any way as carrying on the business of moneylending . . .”

The Amendment Act has, however, significantly expanded the definition of “moneylenders” to any persons (companies or individuals) who lend sums of money to borrowers in consideration of larger sums being repaid to them.

Licensed moneylenders give priority to government servants, public-listed companies and stable companies, and loans are usually approved in less than 24 hours. People whose loans are rejected are usually those in the low-income bracket.



R. C. Veeraseelan, Malaysian Licensed Moneylenders Association president. — Filepic, LOW LAY PHON/The Star and REVATHI MURUGAPPAN

“These are the petty traders who have nowhere to go to seek funds. Our risk analysis shows that 20% of them wind up businesses and are written off as bad debts. We cannot cater to them because the risk is too high. So they resort to Ah Longs, who even provide home delivery,” Veeraseelan says.

He feels the ministry should come up with “new products” because the moneylenders’ interest rates have not been revised since 1951.

“It’s still the same, and survival in the business is not so easy anymore.”

T. Annamalai, 55, from Malacca surrendered his moneylending licence in 2001 because the going got tough and he lost a substantial amount from defaults.

“Society is changing. People are dishonest and don’t seem to have a conscience to pay back anymore,” he says.

“As people’s needs increase, they want more luxury. A lot of men borrow money without their wife’s knowledge and prefer going to Ah Longs because it is easy. I know of a few cases where clients needed money to support their mistresses.”

When the loan sharks chased after them with threats, borrowers would then resort to scrounging from Chettiaris to pay the Ah Longs.

“We don’t use strong arm tactics so they play hide-and-seek with us. Ultimately, we cannot recover the money and have to find other means to derive income,” Annamalai says.

Annamalai was born in India but came here when he was four. His grandfather was a moneylender, as was his father who inherited the business and passed it on to him. Now, it has died a natural death.

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