

PEASANT ECONOMY IN MALAYSIA: THE ADVENT OF CAPITALISM AND THE EXPANSION OF MONEY ECONOMY INTO AGRICULTURE IN COLONIAL MALAYA

A Rahman Tang Abdullah & Fazli Abd Hamid

Faculty of Humanities, Art and Heritage, Universiti Malaysia Sabah, Malaysia

ABSTRACT

This paper examines the advent of capitalism in rural economy by using the commercialization of the peasant economy in colonial Malaya period. It reflects the historical development with reference to the increase of money economy within the society who was mostly the peasants. It means that mostly all means of transaction exchanges were increasingly conducted in monetary form. Following this pattern, this phenomenon is applied to the years between 1850 and 1941 in Malaya as it was signified by the transition from traditional to modern orientation in the economic aspects of the Malay society with special attention to peasant community. Such economic changes that were manifested by the increase of money economy can be seen in a labour utilization and the change in land ownership, the commercial orientation in paddy cultivation, agricultural credit facilities and the penetration of commercialism in the Malay society as a whole.

Keyword: Peasant Economy; Capitalism; Money Economy; Malaysia; Colonial Malaya.

ABSTRAK

Makalah ini meneliti kemunculan kapitalisme dalam ekonomi pedesaan dengan menggunakan komersialisasi ekonomi petani pada masa kolonial Malaya. Ini mencerminkan perkembangan historis dengan mengacu pada peningkatan ekonomi uang di masyarakat yang kebanyakan adalah petani. Artinya, kebanyakan sarana pertukaran transaksi semakin banyak dilakukan dalam bentuk moneter. Mengikuti pola ini, fenomena ini diterapkan pada tahun-tahun antara tahun 1850 dan 1941 di Malaya karena ditandai dengan transisi dari orientasi tradisional ke modern dalam aspek ekonomi masyarakat Melayu dengan perhatian khusus pada masyarakat petani. Perubahan ekonomi seperti itu yang dimanifestasikan oleh peningkatan ekonomi uang dapat dilihat pada pemanfaatan tenaga kerja dan perubahan kepemilikan tanah, orientasi komersial dalam penanaman padi, fasilitas kredit pertanian dan penetrasi komersialisme dalam masyarakat Melayu secara keseluruhan.

Kata kunci: ekonomi petani; Kapitalisme; Ekonomi Uang; Malaysia; Malaya Kolonial

INTRODUCTION

Geographically, Malaysia is divided into two major regions i.e., West Malaysia and East Malaysia. The West Malaysia known as Peninsular Malaysia was formerly known as Malaya. While the East Malaysia is composed of Sabah and Sarawak. Malaya became independent in 1957 while Sabah and Sarawak obtained their independence and joined Malaya to form Malaysia in 1963. However, this paper will only focus on the commercialization of the peasant economy in the colonial Malaya period. The main argument in this paper is based on the premise that the peasant economy still occupied the dominant characteristics in Malayan economy during the colonial period until early Post-independence since the majority of the inhabitants still resided in rural areas known as kampong or village. Even during the colonial period, the characteristics of peasant economy still prevailed despite the expansion of the commercial plantation and mining industry dominated by European and Chinese immigrant communities.

Meanwhile in Malayan historical context, it can be observed that the transformation of economy is mostly attributed to the advent of capitalism. Generally, capitalism here is referred to an economic system in which the means of production and distribution are privately owned and the prices are chiefly determined by an open competition in a free market. It also refers to a form or a mode of reproduction of the economic life of humanity. This includes a way of implementing that set of activities, which directly and preferentially concerns the production, circulation, and consumption of produced goods. It also means the increase of money economy within the society including the peasants. In this respect, mostly all means of transactions exchanges were increasingly conducted in a monetary form (Wood, 2006: 7-8; Kocka, 2016:7-8).

Thus, the direct effect on the peasant economy was the penetration of money economy into the village economy in a larger extent than before. This phenome-

non was related to the fundamental concept of economic change which is applied to the change from self-sufficiency or subsistence to commercialism in the domestic economy of the peasant communities (Comniel, 2000: 1-53; Wasino & Hartatik, 2017: 257). Following this pattern, this phenomenon is applied to the years between 1850 and 1941 in Malaya as it was signified by the transition from traditional to modern orientation in the economic aspects of the Malay society with special attention to peasant community.

THE ADVENT OF CAPITALISM AND ECONOMIC CHANGE

It is universally found in the Malay peasant community during the pre-Capitalism era that peasant economy refers to a form of subsistence in agriculture. The agricultural production is related to two main elements that is, labour and land. Peasant production was mostly based on the exploitation of family labours and was attached to the farm land. Their economic activities were restricted to the level of subsistence because most of the peasants were not linked to commerce and mercantilism as the channel of money economy during the pre-capitalist era. This is because trade and commerce during that time were not conducted within the particular society which were predominantly peasants. Instead, such activities were conducted for accommodating external economic activities with outside traders (Vaggi & Groenewegen, 2006: 46-55).

Due to its nature as a self-sufficiency, it is insufficient to raise small peasant production to the level of a homogeneous category and a specific form of production which is normally found in commercial orientation. Thus, it is also necessary for the Malay peasants to be exposed to money economy in an explicit manner. They began to have an access to financial sources channeled by the government to agricultural sectors. Theoretically, the breakthrough of the transition can be observed among the Malay peasants in the villages in the early twentieth century. The Malays began to be exposed to money

economy through agricultural activities which could generate money to the peasants although it is still at an elementary stage. This can be seen in paddy cultivation itself, as well as rubber and coconut plantation as smallholders. In principle, the financial income generated from these activities could be saved as surplus as an extra amount. Thus, surplus was to be used as the break new ground to small commercial activities such as peddlers, shopkeepers, Brokers and other petty entrepreneurs. They also began to be exposed to credit facilities and modern institution which was designed to accommodate agricultural sector in the rural areas.

LABOUR UTILISATION

In order to improve the economic condition of the Malay peasants, there must be a starting point for the Malays to convert their non-monetary resource to the monetary return. The basic resources possessed by the peasants were labour which can be translated into human capital. Indeed, this became the conventional means for the lower-class Malays to explore the opportunity in the process of transition which was derived from the change in labour utilization. Traditionally, labour in economic activities was derived from personal or family workforce. It was mostly concentrated on agricultural activities due to their nature as peasantry. Nevertheless, there was also forced labour which as they were forced to render services to the chiefs. This certainly retarded their personal economic achievement as they were also compelled to contribute their labour for 'kerah' or corve labour. This was the possibility for them to succumb under debt slavery due to their inability to pay their debts to the Malay chiefs. Slaves did not receive wages for their work except for basic daily food and clothing from their lords. Eventually, slavery and corvé labour had been abolished by the British (Yegar, 1975:204-215).

Consequently, this measure gave opportunity for the peasants to freely utilize their personal workforce for their own agricultural productivities or serve as wage

labour. Nevertheless, it was discovered that the Malays in the 1880s were not in favour of being employed as a permanent waged labour in plantation and mining sectors. They were more keen to work as short time labourer especially for clearing the jungle for plantation area (*Straits Daily Times*, 6 May 1879; Hill, 1879:2). The Malays were also involved in cutting down trees and collecting jungle substance for the construction of temporary shelter in the mining areas (Sadka, 1968: 325). Their reluctance to commit themselves to waged labour was understandable because they were not prepared to leave their families in order to live in the plantation mining areas where they would be isolated from their villages.

Certainly, there are some reservations on the Malay perception and response to the changing orientation of labour utilization in commercial orientation. Their reluctance to become involved in plantation and mining sectors gave the space for the immigrant labourers to penetrate into those sectors. However, there were also other promising prospect for the Malays to utilize their labour in a more profitable manner in order to pursue their economic means. In those days, land were plenty. Under the new order, land now became valuable because it can be purchased and sold to any party especially European and other immigrant mercantile communities. The initial capital investment for opening up land can be observed in the payment of the labour force. This certainly provided the practical means for the Malay to exchange their labour into money as they received wages for opening up the land for the plantation areas. Furthermore, they were now able to exploit their labour for opening up the jungle land for their own agricultural activities.

THE CHANGE IN LAND OWNERSHIP

It is evident that the most advantageous way for the Malays to pursue their personal economic gain in the new order in those days was the utilization of their personal workforce for opening up the jungle land

for agricultural purposes. This opportunity emerged due to the new concept of land ownership introduced by the colonial authorities. This referred to the concept of private land ownership to individuals and land can be inherited within the family and can be disposed to other individuals or institutions through sale and purchase. It was a standard practice that the new land laws of the states in Malaya in the late nineteenth century that the land ownership can be legally acquired through the permission from the state government to open up the jungle land (Maxwell, 1894; Sadka, 1968:341-345; Abdullah, 21-34).

In the 1870s, it could be construed that the Malays began to perceive land as a commodity to be possessed as a private property but not yet to the full extent of the land transaction in which the ownership of land can be transferred to other party according to the value of land per se. This is because the Malay tradition only appreciated land based on continuous occupation and agricultural exploitation. The value of land was based on the products and revenue generated from the land rather than the land itself. Consequently, it was significant for the people to acquire land as their property for living and small scale agricultural activities since these types of land utilization were not different from the traditional utilization among the people.

There was no tendency yet to utilize land for commercial purposes in an extensive manner through injecting investment for developing the land. In those days, the main forms of capital investment on land were the concept of revenue farm or concession which were practiced by the Europeans and the Chinese immigrant (*Buku Daftar Surat Jual-beli, Pajak Gadai dan Hutang 1284-1301H/1867-1884M*). It was quite elusive for the Malays to accept the practice similar to the Kangchu System in Johor that they had to pay rent or concession for 10 years if they open up the jungle land. This is because those jungle lands were regarded as dead land and the Malays appear to apply rent to living land.

Moreover, they were also not yet

accustomed to pay land tax, premium and quick rent because traditionally, there was no land tax imposed on land belonged to any individual and institution. This is because the Malay tradition acknowledged land based on utilization for agricultural purposes rather than possession in the modern context. The permanent ownership of land was irrelevant because if it were left uninhabited and unutilized by an individual, it became dead land and did not belong to any individual anymore. Moreover, the practice of the purchase of land sale among the Malay Rakyat was very minimal because in those days, jungle land was plenty and easily available to be opened up with the permission from the state authority. Land tax was not yet applicable as long as it was not yet surveyed. Even in the second half of the nineteenth century, most of the surveyed land in Johor were to accommodate the opening up of the Chinese Kangchu areas (Trocki, 1975: 13-50).

Since the issue of land tax was not relevant to the opening up of the land in Johor by the Malays before the 1910, they still perceived that jungle land was freely available and could be explored without any charge. This led to the opening up of the new villages by the Javanese who migrated to Johor particularly Muar district in the 1870s. Nevertheless, it did not mean that the concept of private land ownership was applicable to those occupants of the land in those villages. Those lands were only regarded as merely 'Tanah Kurnia' or conferred land (Surat-surat tauliah Penghulu dalam daerah Muar 1873 – 1874). Here, the private land ownership was not applicable because the land was still subject to the procedure under the Department of Land and Survey. This procedure involved the process of registration and survey for the purposes of the imposition of land tax (Elias, 1980: 6-8). Land tax only became to be fully practiced in the second decade of the twentieth century when the first land enactment was ratified in the state in 1910.

Initially, most of the Malays who accepted the concept of private ownership

in accordance with the Western concept and orientation were the immigrants from Java, Sumatra and Borneo. The Malays in Malaya as a whole were subjected to this modern orientation when the land laws were codified and gazetted. The most crucial land law which had a major impact on the Malays as a whole was the Malay Customary Law of Negeri Sembilan of 1907. These new concept and orientation of private land ownership were then further expanded and exclusively enforced on the Malays with the ratification of the Malay Reserved Land Enactment of 1913 in the Federated Malay States. The exclusive provisions regarding the land ownership by the Malays in the 1913 land law were then applied as the standard form including the amended Johor land law of 1936.

Theoretically, it could be construed that private land ownership was the most acceptable concept for the Malays as it can be acquired through the opening up of the Jungle land. The opening up of the land was normally carried out as '*gotong-royong*' or collective activity among them and did not incur wages expenses. Nevertheless, the Malays were also subject to restriction in this activity because they perceived that land tax as burden if they acquire large areas of land. For instance, the initial charges for the land tax in Johor was 30 cents for the first 2,000 acres and \$5 for the subsequent acre above 2,000 (the provision of Section 9 of The Johore Land Enactment of 1910). However, the farmers were eventually charged \$5 per acre several years after. Consequently, the Malays tended to be smallholders and each individuals only possessed the land not more than two acres (Bauer & Yamey, 1965:107).

It was noticeable that the main problem faced by the Malays was paying the tax for the land after the its opening up and the process of land survey. The amount of outstanding tax to the states authorities of the Federated Malay states continued to accumulate. Those lands subjected to outstanding land tax were faced with the possibility of to be seized or foreclosure by the state government. This

problem arose because they gave less priority to pay land tax. It is understandable that they had to spend their money for other purposes especially for purchasing food, clothes and other consumer goods. However, due to their complacency in paying land tax once in a year, it led to the delay of the payment and the amount of outstanding land tax continued to increase. Eventually, it led to the land alienation among the Malays and this problem was specifically highlighted in the Federal Council in 1933 (Abdullah, 1985: 184-210).

LAND AND PADDY CULTIVATION

Land is certainly associated with agricultural activities. The main aspect which manifested the transition in agricultural activity of the Malays was Padi cultivation. The only state which manifested the credits for the Malays to produce surplus in padi cultivation during the pre-colonial period was Kedah (Nonini [Ed.], 1992:24). However, to the Malays, the paddy production was to fulfill the requirement for the family and the village community. Thus, the tendency to produce surplus did not become the priority although until the first half of the nineteenth century, there were also export of paddy from Terengganu and Kelantan to her neighboring territories (Kim: 96-97). Consequently, the paddy cultivation remained as subsistence in the economic activities of the Malays in the nineteenth and twentieth centuries. Even in the case of Kedah in the late nineteenth and early twentieth centuries, the expansion of paddy cultivation as commercial products was much more associated with the Chinese rather than the Malays (Ahmad, 1984: 19-45).

Here, the change from subsistence to commercial orientation referred large scale production in order to achieve the ends to produce surplus. It is noticeable that the pace of the Malays to transform their scale of production to a larger one in order to fulfill commercial requirement was slower compared to the Chinese. This is because there was no major change in

the practice and orientation in order to expand the production. Most of them still remained as smallholders and their labour resources was limited to family members. The expansion of scale of production needed the development in technological improvement and the increase of land areas of paddy farms 'sawah'. Those aspects of expansion could only be derived from the capital investment in the paddy cultivation itself. In the case of Kedah, the resources of capital investment in paddy cultivation in the late nineteenth century was mainly provided by the Chinese merchants who obtained the concessions in the form of revenue farms from Sultan Abdul Hamid Halim Shah (*Surat menyurat Sultan Abdul Hamid No. 2, 1304-1312'H, 1884-1895 CE.*).

In addition to the capital investment, large-scale paddy farms needed to be accommodated with good irrigation system and large maintenance cost through the cultivation season. The cost of construction and maintenance of modern irrigation systems and dams could only be derived from the state financial assistance. Normally, the private investors were interested in financing those schemes because paddy cultivation was less profitable compared to other commercial plantations especially coffee and rubber later on. In fact, the colonial authorities did not perceive financing irrigation scheme and dams as main priorities although the Malays were basically encouraged to be involved in the paddy cultivation. This is because the British tended to acquire rice supplies imported from Siam and Burma because the price of imported rice was cheaper than the cost of rice production in Malaya as a whole (Ghee, 1977: 39-49).

AGRICULTURAL CREDIT FACILITIES

Certainly, the dependence of agricultural activities on financial matters was so eminent in the transformation from self-sufficient to commercial orientation. In this context, the lack of financial assistance for initial capital expenditure and operational cost were certainly the funda-

mental restricting factors to increase the scale of production beyond self-sufficiency. The most conventional for the financial assistance was subsidy and agricultural credit facilities. For the peasants, they had to depend on the governmental fund, or the capital injection from the Malay chiefs and immigrant mercantile communities who had long been accustomed to money economy. Under this circumstance, it is understandable that they were highly expected governmental funding especially in paddy cultivation. This is because private investors were reluctant to inject capital investment into paddy cultivation since this activity was mostly exposed to the prospect of failure in a cultivation scheme. In fact, paddy cultivation was more risky compared to other agricultural activities because of its nature of highly depending on excessive irrigation and continuous water supplies throughout the process of cultivation. Even in the harvest season, it was exposed to flood which could destroy the paddy (Hill 1983: 550-555).

In the late nineteenth and the early twentieth centuries, there were several initiatives from the state governments to provide small credit schemes only for agricultural purposes to the peasants. In 1884, the Government of Selangor set up a credit scheme for funding agricultural activities in the state. According to the scheme, all district officers were given the grant of \$1,000 per annum for agricultural loan in Selangor. Then in 1895, another scheme was introduced in the Federated Malay States in which the residents were authorized to grant loan to the farmers. According to this scheme, the Residents of Perak and Selangor had authority to endorse the agricultural loan no more than \$1,000 for each case to the farmers. However, the maximum amount of the credit scheme was only \$5,000 per annum. In Negeri Sembilan, the similar scheme only prescribed the credit scheme of \$200 and the maximum amount was \$1,000 per annum (Roff, 1984:1).

It is proved that those agricultural credit schemes were still far from adequate

to accommodate the farmers because the amount was very small and thus not all of them were able to enjoy the credit facilities. Moreover, it is not clear that the credit scheme was exclusively allocated for the Malay farmers. In the early twentieth century, there were the increasing number of the farmers especially of those who involved in the opening up of land for paddy cultivation in Krian after the irrigation system was constructed in the district in 1895 (Ghee, 1976: 56-61). Most of them were the Malays who migrated to Malaya from Java, Sumatera and Borneo. Thus, in 1907, E. W. Birch, the Resident of Perak, had forward the application to the High Commissioner for the establishment of an agricultural Bank with the initial fund of \$25,000. There was also the suggestion that the similar scheme was to be extended to other states (Roff: 2-8).

Thus, in 1908, an agricultural fund was established in the Federated Malay States. The purpose of the fund was to provide loan for agricultural purposes only including constructing drainage system for irrigation, buying buffalo and other farming tools, building house on the farm land and developing the land in general. The loan could also be granted for the purposes to recover the agricultural land which had been put on mortgage to the money lenders. The interest rate was 4-6 per cent. However, it was discovered that the establishment of the fund was not so effective in giving benefit and solving the problems faced by the farmers. According to the Perak Treasurer, from all farmers who were expected to apply the loan from the fund, the applicants were only half or less than half of them. This is because they were discouraged by the loan application procedures and the amount which could be approved by the district officer was only \$100. This amount was regarded as too low for the value of the mortgage. In principle, the amount of the loan could be granted based on 50 per cent of the value of the mortgage which should be the agricultural land. However, the amount of the loan to be approved was normally based on 30 per cent of the value of the mort-

gage. Despite of this restrictive terms and conditions of the loan, most of those borrowers were late in repaying their principal loan as well as loan interest (the Report and Proceedings of the Committee appointed by the Chief Secretary, Federated Malay States, to Consider why the System of Small Loans to Native Agriculturists had Failed in Perak, July 1911).

Then in 1911, another agricultural fund was established in the Federated Malay States. Although all the provisions relating to the purposes of the fund were quite similar with the 1908 fund, it also contained additional provisions relating to mortgage. According to the rules, the district officer was given authority to endorse the loans from this fund for agricultural purposes and the loan could not be given to an individual who was not a farmer. The amount of the loan could not exceed 50 per cent of the sale value of the mortgage which could be the designated farm land or any land or property as in the town area and not the abandoned farm land. Basically, the amount of the loan was \$250 for a farmer but it could be extended to \$500 for more than one loan. For a farmer who wished to acquire the loan for more than \$1,000, it should be approved by the Chief Secretary of the Federated Malay States. The duration of the loan was not more than 3 years and the monthly interest rate was 1-2 per cent. If there were outstanding payment of loan installment due to the decline or damage to the agricultural products or project, the extension of the duration for the loan could be granted on the Residents' discretion (*Agricultural Loan Fund Rules, 24 November 1911*).

However, it can be observed that the existence of the schemes and fund did not present positive reflection on the farmers. This is because most of them succumbed into the more problematic financial difficulties. The most identical problem was indebtedness as they borrowed from the moneylenders especially Chettiars who imposed the high interest rate on the loan. This is because loans were easily available from those chettiars who were willing to

give a larger amount than the loan from agricultural fund. This phenomenon led to the land foreclosures by the Chettiers because most of the farmers had put their land as mortgages on the loan. Consequently, due to the failure of the farmers to pay the debts, a particular land was seized by the Chettiers. Then, in order to recover their money, the Chettiers tended to sell the land to any buyers who were probably non-Malays. This led to land alienation from the Malays. Consequently, there was the decrease of the the land owned by the Malays. This led to the action taken by the Federated Malay States authority to limit land alienation among the Malays by the promulgation of Malay Reserved Land Enactment of 1913 (Abdullah, 1985: 51-73).

Meanwhile, the government of the Federated Malay States was committed to grant the agricultural loans to the farmers in order to encourage them to cultivate paddy as a food commodity. In 1917, the total agricultural loan was granted by the Federated Malay States was \$119,356. It was estimated that 90 per cent of the total amount (\$107,421) loan was allocated for paddy cultivation. Other agricultural loan was granted for the plantation of coconut and animal husbandry. Even despite of the increase of the loan grant made available to the peasants, they continued to borrow from the Chettiar although the interest rate was excessive. This is due to the problem that most of their land did not have value to be used for mortgage to the government loans (*Report on the Advisability of Establishing Agricultural Banks or Co-operative Societies in the Federated Malay States, General Committee of F.M.S. Chamber of Commerce*).

THE MALAYS AND COMMERCIALISM

It is obvious that the existence of credit facilities in agricultural activities especially paddy cultivation was closely related to money economy and commercial orientation. However, the commercial orientation in agricultural activities was not referred to paddy as the Malay daily food

consumption but the plantation to fulfill world market demand. It is proved that paddy cultivation in Malaya was not intended to become the sector to produce world market demand. It was merely intended to increase the paddy production in order to reduce the dependence on the rice imported from other countries. Thus, under this circumstance, it is reasonable to contemplate that the Malays were required to become involved in the plantation of coconut, tapioca, tobacco, pepper, gambier, coffee and rubber although most of the Malays become smallholders due to the small scale of their activities. In the early days of colonial authorities, there was no vast involvement of the Malays in commercial sectors.

The only significant expression of their participation in commercial activities was related to rubber cultivation as the Malays began to realize that rubber plantation was more profitable than paddy cultivation in the beginning of the twentieth century. In fact, the prospect of rubber to become the main mechanism for the Malays to generate wealth was raised in the *Utusan Melayu* in 1908. It was predicted that the Malays would become smallholders as they were able to acquire the land through private ownership (Roff, 1984: 22). Nevertheless, the colonial authorities imposed constraint on the Malays by exercising discrimination on them in order to discourage them to become involved as smallholders. The British did not grant the private ownership to the smallholders in rubber plantation in order to preserve the interests of the European capitalist investors (Nonini [Ed.], 1992: 66-69). In fact, it was officially stated that there were less efforts to be channeled for padi cultivation because it received rivalry from other plantations especially rubber which was perceived as more profitable than the former one (*Report on the Advisability of Establishing Agricultural Banks or Co-operative Societies in the Federated Malay States, General Committee of F.M.S. Chamber of Commerce, 1918*).

On one hand, this action certainly retarded as the process of transformation

of the Malay peasants to commercial economic orientation which gave the prospect of surplus and profits which was necessary in associating them in money economy in a conducive circumstance. Nevertheless, it is the actual circumstance that the progress in economic achievement of the Malays as a whole was highly dependent on their pace to adapt themselves and become involved in commercial economic activities although they were exposed to high risks. The main feature in commercial orientation is money as a capital investment for business and agricultural sectors. In agricultural context, the initial practice of commercialism can be seen in the aspect of farm revenue which involved mortgage and concession in the beginning of the operation.

However, the majority of the Malays was not accustomed to these concept and practice in commercialism. From the lower class perspective, it is proved that the Malay peasants did not have advantages in order to have access to financial facilities for the purpose of initial capital investment compared to the Malay aristocrats. The only viable source of initial capital in those days was derived from governmental credit scheme. In fact, as it has been mentioned before that the Malay aristocrats continued to establish joint venture with the immigrant Chinese in business and plantation concessions after the advent of colonial administration. The Malay peasants were not only faced with fundamental economic difficulties but also the question arose from the religious norm. In the early twentieth century, the most outstanding religious difference of opinion which was applied to the governmental loan and cooperative society was the issue of interest known as *riba'* (Roff, 1984: 143-191).

Unfortunately, the Malays who were widely implicated in the prohibition of *Riba'* in Islam was the Malay peasants and petty shopkeepers and traders who were borrowing from the government and cooperative societies. The issue of *Riba'* was firstly related to the establishment of rural cooperative societies as the means to

resolve debt problem among the Malays especially the peasants. It was referred to the payment and income associated with interest derived from the cooperative societies loans. In fact, even in the case of saving, the Malays in general were not encouraged to save their money in the banking institutions. This is based on the assumption that it would not only generate *Riba'* or bank interest but also gave the loan to the bank to generate interest for the bank. Even there was contrasting argument on this matter, it was difficult for the Malays to accept the view that the interest imposed on or derived from the loan was not *Riba'* and thus it was Halal or permissible in Islam (Cavendish, 1922).

Meanwhile, in those days, it can be observed that Economic perspective in Islam was not applied to Islamic institutions such as Baitul-Mal, Zakat and Waqf. It is understandable the bureaucratic establishment of those institutions was still at formative stage and thus in reality, those institutions had not yet been able to be exclusively associated with economic functions in the society. The institution of Zakat as the Islamic obligatory dues was more closely related to social and religious responsibilities. It focused on the collection and the distribution of Zakat to the poor as a whole. This is merely regarded as the minimal function in terms of addressing financial difficulties in the Malay societies because it was not relevant at all with the economic improvement of the community especially the debt problem. Waqf in terms of property and finance was only applied to religious institutions, such as mosques, religious schools or madrasah and cemeteries (Yegar, 1979: 205-233; Hooker, 1984:131-164; Hooker [ed.], 1988: 196-182, 205-222).

In a broader context, it is important to form a constructive view in order to examine the extent of the failure and success of the Malays in economic achievement. In those days, the Malays of both upper and lower classes were still finding the formula in order to adapt themselves in the new economic orientation of capitalism and commercialism. The Malays in

general needed the knowledge and expertise to manage their economic affairs, especially in money matters as well as they had to continuously give their commitment to pursue economic progress. However, it was proved that even the Malay aristocrats did not have expert in managing their money matters although they had been directly involved in commercial economy and were still dependent on the joint venture with the Chinese. It is the common knowledge that the Chinese progress and dynamism in economic affairs were manifested by the fact that they not only formed joint ventures, but also competed with the European (Brown, 1994: 77-172). According to Leo Suryadinata who has extensively conducted the studies on the Chinese in Southeast Asia, the main factor for the success of the Chinese immigrant here was their knowledge in handling money in business (Suryadinata, 2007: 29-49). Certainly, there is reservation if this view is to be applied to the Malays. However, the question here is that although the Malays realized that and intended to become involved in commercial activities, they were still likely exposed to the risk of failure.

Thus, in order to achieve economic progress, the Malays had to engage in the activity that could generate income but were less exposed to risks. The younger generation was now exposed to other sources of income which derived from the introduction of the modern educational system and the establishment of civil service which generated salary and allowance on continuous and permanent basis. This new opportunity certainly brought major impact on the peasant community to acquire the potentials for vertical economic mobilization in the colonial period. It led to the emergence of the middle class among the people although it was still at elementary stage and was a gradual process. Those who were classified into middle class in those days were teachers, civil servants, journalists and traders (Milner, 1995: 89-113).

In principle, the elementary economic mobilization to middle class was

regarded as having impact on the transformation in the peasantry communities in both social and economic perspectives in the early twentieth century. The emergence of middle class certainly reflected the progressive and dynamic dimension in the society especially the peasant communities in the villages. The higher status for an individual could be accomplished through the higher level of education. With higher qualification, an individual could attain higher position because the new system and orientation recognized the position and status based on achievement rather than inheritance or family background. In reality, it was still quite difficult for the individuals from the peasantry background to attain high status. This is because even based on achievement, the Malay aristocrats still had the advantages over the people to hold the prestigious posts such as magistrates, district officers and assistant district officers. It can also be observed that there were marginal participation of the Malays in professional occupation such as lawyers, accountants and medical doctors. Most of the Malays who were associated with those occupations were the mixed blood individuals of the Muslim immigrant descendants, especially the Arab Saiyids. For instance, the legal profession was referred to Syed Umar al-Sagoff & Co. and Syed Mohamed al-Habshee who became the advocates in Johor. They also had license as assistant property evaluator in Johor Bahru (*Singapore and Straits Directory* 1910: 40; *Singapore and Straits Directory* 1912: 48).

CONCLUSION

In general, it can be concluded that in the late nineteenth and the early twentieth centuries, the Malay peasant communities in Malaya had undergone the process of economic change resulted from the advent of capitalism. During this period, the economic change is always referred to the transformation from traditional to modern orientation. This phenomenon is manifested by the changes from subsistence to commercialism which was enhanced by

economic system based on capitalism, the adoption of the concept and practice of specialization and the use of intensive labour in economic productivity.

It can be identified that the process of economic transformation in the Malay society as a whole was mostly dependent on the availability of the financial sources derived from subsidy and agricultural credit facilities. The Malay peasants had to depend on governmental fund, or the capital injection from the Malay chiefs and immigrant mercantile communities who had long been accustomed to money economy. Under this circumstance, it is understandable that they highly expected governmental fundings, especially in paddy cultivation which was proven to be less profitable compared to other commercial crops such as rubber pepper, gambier and tapioca. In fact, paddy cultivation was more risky compared to other agricultural activities because of its nature of highly depending on excessive irrigation and continuous water supplies throughout the process of cultivation.

The most practical means for the Malays to benefit from the economic change in the nineteenth and early twentieth centuries were the adoption of private land ownership. It was achieved through opening jungle land for agricultural activities. However, the economic achievement of the Malays was only restricted to small holdings due to the small size of land possession. Another mean of changes was derived from the conversion of non-monetary labour or forced labour to waged labour under the capitalist orientation.

REFERENCES

- Abdullah, Ahmad Nazri. 1985. *Melayu Dan Tanah*. Selangor: Media Intelek.
- Agricultural Loan Fund Rules, 24 November 1911*. Kuala Lumpur: Government Printing Office, Malaysian Archive.
- Ahmad, Sharom. 1984. *Tradition and change in a Malay state : a study of the economic and political development of Kedah, 1878-1923*. Kuala Lumpur: Council of the M.B.R.A.S.
- Bauer, P. T. and B. S. Yamey. 1965. *The Economics of Under-Developed Countries*. Cambridge: Cambridge University Press.
- Brown, Rajeswary Ampalavanar. 1994. *Capital and Entrepreneurship in Southeast Asia*. Hampshire and London: Macmillan Press Ltd.
- Buku Daftar Surat Jual-beli, Pajak Gadai dan Hutang 1284-1301H/1867-1884M*, the Johor Archive.
- Cavendish, A. 1922. *Co-operation as Subject for Study in Malaya*. Pinang Gazette Press, Penang Branch of the National Archive of Malaysia hereafter known as Penang Archive.
- Comninel, George C. 2000. "English Feudalism and the Origins of Capitalism." *The Journal of Peasant Studies*, 27(4): 1-53.
- Elias, Mohd. Hj. 1980. *Tawarikh Datu Bentara Luar*. Berkeley: University of California Press.
- Ghee, Lim Teck. 1976. *Origins of A Colonial Economy: Land and Agriculture in Perak 1874-1897*. Pulau Pinang: Universiti Sains Malaysia.
- Ghee, Lim Teck. 1977. *Peasants and their agricultural economy in colonial Malaya, 1874-1941*. Kuala Lumpur: Oxford University Press.
- Hill, Ronald D. 1983. "The History of Rice Cultivation in Melaka." In Kernial Singh Sandhu & Paul Wheatley (Eds.). *The Transformation of a Malay Capital, c1400-1980*. Kuala Lumpur: Oxford University Press. Pp. 335-367
- Hill, Titos Heslop. 1879. "Reports on Johor." Singapore: The Johor Branch of the National Archive of Malaysia, Johor Baharu, hereafter referred as the Johor Archive.
- Hooker, M.B. (Ed.). 1988. *Islam in Southeast Asia*, Second impression. Leiden: E.J. Brill.
- Hooker, M.B. 1984. *Islamic Law in South-East Asia*. Singapore: Oxford University Press.
- Kocka, Jürgen. 2016. *Capitalism: A Short History*. New Jersey: Princeton University Press.
- Maxwell, W.E. 1894. *Memorandum on the Introduction of Land Code in the Native States in the Malaya Peninsula*. Singapore
- Milner, A. C. 1995. *The Invention of Politics in Colonial Malaya: Contesting Nationalism and the Expansion of the Public Sphere*.

- Cambridge: Cambridge University Press.
- Nonini, Donald M (Ed). 1992. *British Colonial Rule and the Resistance of the Malay Peasantry, 1900-1957*. New Heaven: Yale University Southeast Asia Studies.
- Report and Proceedings of the Committee appointed by the Chief Secretary, Federated Malay States, to Consider why the System of Small Loans to Native Agriculturalists had Failed in Perak, July 1911*. Kuala Lumpur: Government Printing Office, 1912, National Archive of Malaysia hereafter known as Malaysian Archive.
- Report on the Advisability of Establishing Agricultural Banks or Co-operative Societies in the Federated Malay States, General Committee of F.M.S. Chamber of Commerce*. 1918. Malaysian Archive.
- Roff, William R. 1984. *Kerjasama Dan Koperasi Di Semenanjung 1910-1941: Petikan dari bahan-bahan terbitan sezaman*. Kuala Lumpur: Penerbit Universiti Malaya.
- Sadka, E. 1968. *The Protected Malay States 1874-1895*. Kuala Lumpur: University of Malaya Press.
- Singapore and Straits Directory* 1910.
- Singapore and Straits Directory* 1912.
- Straits Daily Times*, 6 May, 1879.
- Surat menyurat Sultan Abdul Hamid No. 2, 1304-1312'H (1884-1895 CE.)*, Arkib Negara Malaysia Cawangan Kedah, Alor Merah, Kedah, Hereafter known as The Kedah Archive.
- Surat-surat tauliah Penghulu dalam daerah Muar 1873 – 1874, J/MB 3*, The Johor Archive.
- Suryadinata, Leo. 2007. *Understanding the Ethnic Chinese in Southeast Asia*. Singapore: Institute of Southeast Asian Studies (ISEAS).
- The Johore Land Enactment of 1910*, the Johor Archive
- Trocki, C. A. 1975. "The Johor Archives and the Kangchu System." *JMBRAS*, 48 (1): 13-50.
- Vaggi Gianni and Peter Groenewegen. 2006. *A Concise History of Economic Thought from Mercantilism to Monetarism*. Houndmills and New York: Palgrave MacMillan.
- Wasino & Endah Sri Hartatik. 2017. "Peasant Economy under the Plantation Capitalism (the Study of Peasant Agricultural Plantation in Jawa at the Nineteenth Century to the Beginning of Twentieth Century)." *Man in India*, 97 (5): 253-271.
- Wood, Ellen Meiksins. 2002. *The Origin of Capitalism: A Longer View*. London and New York: Verso.
- Yegar, Moshe. 1975. "The Abolition of Servitude in British Malaya: An Historical Analysis." *Israel Yearbook on Human Rights*, Vol. 5.
- Yegar, Moshe. 1979. *Islam and Islamic Institution in British Malaya*. Jerusalem: Hebrew University Press