FIERY DRAGONS
NIAS – NORDIC INSTITUTE OF ASIAN STUDIES
Monograph Series

73. Vibeke Børdahl: *The Oral Tradition of Yangzhou Storytelling*
74. Cecilia Nathansen Milwertz: *Accepting Population Control*
75. Sharifah Zaleha Syed Hassan & Sven Cederroth: *Managing Marital Disputes in Malaysia*
76. Antoon Geels: *Subud and the Javanese Mystical Tradition*
77. Kristina Lindell, Jan-Öjvind Swahn & Damrong Tayanin: *Folk Tales from Kammu – VI*
78. Alain Lefebvre: *Kinship, Honour and Money in Rural Pakistan*
79. Christopher E. Goscha: *Thailand and the Southeast Asian Networks of the Vietnamese Revolution, 1885–1954*
80. Helle Bundgaard: *Indian Art Worlds in Contention*
81. Niels Brimnes: *Constructing the Colonial Encounter*
82. Ian Reader: *Religious Violence in Contemporary Japan*
83. Bat-Ochir Bold: *Mongolian Nomadic Society*
84. Shaheen Sardar Ali & Javaid Rehman: *Indigenous Peoples and Ethnic Minorities of Pakistan*
85. Michael D. Barr: *Lee Kuan Yew: The Beliefs Behind the Man*
86. Tessa Carroll: *Language Planning and Language Change in Japan*
87. Minna Säävälä: *Fertility and Familial Power*
88. Mario Rutten: *Rural Capitalists in Asia*
89. Jörgen Hellman: *Performing the Nation*
90. Olof G. Lidin: *Tanegashima – The Arrival of Europe in Japan*
91. Lian H. Sakhong: *In Search of Chin Identity*
92. Margaret Mehl: *Private Academies of Chinese Learning in Meiji Japan*
93. Andrew Hardy: *Red Hills*
94. Susan M. Martin: *The UP Saga*
95. Anna Lindberg: *Modernization and Effeminization in India*
96. Heidi Fjeld: *Commoners and Nobles*
97. Hatla Thelle: *Better to Rely on Ourselves*
98. Alexandre Kent: *Divinity and Diversity*
99. Somchai Phatharathananunth: *Civil Society and Democratization*
100. Nordin Hussin: *Trade and Society in the Straits of Melaka*
101. Anna-Greta Nilsson Hoadley: *Indonesian Literature vs New Order Orthodoxy*
102. Wil O. Dijk: *17th-Century Burma and the Dutch East India Company 1634–1680*
103. Judith Richell: *Disease and Demography in Colonial Burma*
104. Dagfinn Gatu: *Village China at War*
105. Marie Hojlund Roesgaard: *Japanese Education and the Gram School Business*
106. Donald M. Seekins: *Burma and Japan Since 1940*
107. Vineeta Sinha: *A New God in the Diaspora?*
108. Mona Lilja: *Power, Resistance and Women Politicians in Cambodia*
109. Anders Poulsen: *Childbirth and Tradition in Northeast Thailand*
110. R.A. Cramb: *Land and Longhouse*
111. Deborah Sutton: *Other Landscapes*
112. Søren Ivarsson: *Creating Laos*
113. Johan Fischer: *Proper Islamic Consumption*
114. Sean Turnell: *Fiery Dragons*
115. Are Knudsen: *Violence and Belonging*
Fiery Dragons
Banks, Moneylenders and Microfinance in Burma

Sean Turnell
For Peter and Diana Turnell, Lisa Brandt –
and for U San Lin, U Po Sa, Lawrence Dawson, and all
who struggle for freedom and prosperity in Burma
Contents

Preface • xi
Acknowledgements • xiii
Note on Names and Places • xvii
Commonly Used Abbreviations • xix
Timeline of Events in Modern Burma • xxi

1. Introduction • 1
2. The Chettiars • 13
3. Cooperative Credit to the Rescue? • 53
4. One Bank, Two Countries: Imaginings of a Central Bank in Colonial Burma • 74
5. Aristocratic Eagles: The Commercial and Exchange Banks • 104
6. Reconstruction, a Currency Board and the Union ‘Banks’ of Burma • 137
7. Agricultural and Commercial Banking in the Parliamentary Democracy Era • 172
8. The Road to Ruin: Credit and Banking under Military Rule • 223
9. ‘Reform’ under the SLORC/SPDC • 256
10. The Crash • 297
11. Microfinance in Burma • 319

Afterword • 353
Bibliography • 359
Index • 381
TABLES

2.1 Paddy Prices and Land under Cultivation, 1845–1900 • 15
2.2 Paddy Prices, 1926–1939 • 36
2.3 Classification of Land Holdings in the 13 Principal Rice-Growing Districts of Burma • 37
2.4 Chettiar Lending Rates, 1929 • 40
2.5 Indian Bank Rate, 1931–1941 • 42
2.6 Chettiar Borrowing and Lending Rates, 1935–1942 • 42
3.1 The Rise and Fall of Cooperative Credit, 1905–1935 • 64
5.1 Scheduled Banks Operating in Burma in 1941 • 106
6.1 Selected Monetary Indicators, 1948–1952 • 147
6.2 Selected Monetary Indicators, 1950–1962 • 166
7.1 Agricultural Loans and Repayment Rates, 1949–1962 • 195
7.2 GA Loans to Agriculture, 1945–1962 • 200
7.3 Moneylender Credit and Interest Rates, 1953/54 • 203
7.4 State Commercial Bank: Selected Assets and Liabilities, 1955–1962 • 207
7.5 Private Commercial Banks in Burma in March 1963 • 210
7.6 Measures of Commercial Bank Development, 1950–1962 • 214
7.7 Size Classification and Source of Outside Financing to Burmese Industrial Enterprise, 1953/54 • 215
7.8 Credit Programme, Four-Year Plan for the SAB • 218
8.1 The Nationalised Banks • 226
8.2 Allowable Bank Interest Rates, 1964 • 229
8.3 Private Lending and Quasi-Money Creation, 1962–1968 • 230
8.4 UBB Lending to Government/Money Supply, 1962–1966 • 236
8.5 Currency in Circulation, 1963–1964 • 240
8.6 SAB and Village Bank Loans and Repayments, 1958–1967 • 242
8.7 Advance Purchase, Procurement Price/Market Price, 1972–1989 • 245
8.8 MEB Lending to State Enterprises and the Private Sector, 1975–1986 • 251
8.9 Money Supply and Inflation, 1984–1989 • 253
9.1 Burma’s Private and Semi-Private Banks • 260
9.2 Private Bank Loans and Deposits, 1992–2002 • 270
9.3 MADB Seasonal Loans, 2003/04 • 283
9.4 MADB Seasonal Lending, 1999–2004 • 284
9.5 MADB Term Lending, 1998–2003 • 284
9.6 MADB Source of Funds, 1998–2004 • 286
9.7 MADB Profits, Capital and Reserves, 1997–2003 • 287
9.8 CBM Lending to Government, Banks and Inflation, 1989–2002 • 291
9.9 Burma’s Exchange Rates, 1988–2002 • 292
10.1 Private Bank Loans, Deposits and CBM Assistance, 2001–2006 • 310
10.2 CBM Lending to Government, 2001–2006 • 315
11.1 Selected Indicators (DRMO) • 328
11.2 Selected Indicators (DZMO) • 331
11.3 Selected Indicators (CRDI) • 333
11.4 UNDP Microfinance Institutions, Operational and Financial Sustainability, 2005 • 335
Preface

In 2002 Burma’s new private banks were on a roll. From a standing start just a decade earlier they were rapidly growing in number and size, and seemed to be sweeping all before them. At the vanguard of the ‘market reforms’ instigated by Burma’s military regime, the success of the banks seemed to suggest that, after decades of mismanagement, Burma’s economy was at last on track.

It was in 2002 that I first took a serious interest in Burma’s banks. Long an observer of Burma and its economy, a previous incarnation as a central banker led me to write a series of papers in an effort to discover what was going on in Burma’s rapidly expanding banking sector. What I found, however, whilst not exactly surprising, was most troubling. The ‘numbers’ surrounding Burma’s banks were indeed spectacular but, to put it mildly, they did not ‘add up’. A country’s financial sector is driven by all manner of things at any particular point in time, but in the end its health depends upon certain ‘fundamentals’. Such fundamentals did not justify the narrative of astonishing success that Burma’s banks seemed to present. And, as economists are wont to say, what cannot last, will not last. A reckoning did not seem far away.

As it turned out, my timing and assessment were serendipitously prescient since at the end of 2002 Burma suffered a spectacular banking crisis. The crisis was an important and terrible story which was picked up by a number of Burma watchers and commentators. Much of their assessment, however, missed a deeper story within: that this episode was less a discrete ‘event’ than a continuum of crises that reached back to the earliest days of modern Burma – a parallel narrative of the country that shed much light upon the broader picture. It was in order to tell this ‘parallel narrative’ that this book was conceived.
Acknowledgements

In undertaking a project of this scale one necessarily incurs a veritable mountain of debts. Most of these, like the sums owed to the creditors of Burma's collapsed banks, cannot possibly be repaid. Nevertheless, it is hoped a ‘thank you’ here might offer some modest return.

I must begin, however, by acknowledging my sources within Burma who, for their safety, cannot be thanked by name. That individual public thanks are not possible in the normal way for such people grieves me, for without their help (and in granting this, their courage, commitment and patriotism), an undertaking like this would not be possible. Of course, to those familiar with Burma this incongruity is a familiar one, and is a sad little vignette of the greater tragedy that is Burma today.

But there are many people outside Burma who I can and must thank for the myriad ways in which they have assisted the telling of the story in these pages. In alphabetical order these kind creditors include David Arnott, Bernard Attard, Aung Din, Debbie Aung Din, Maureen Aung-Thwin, Christian Baron, Swapna Bhattacharya, Anne Booth, Ian Brown, Michael Charnley, Priscilla Clapp, Stefan Collignon, John Conroy, Liz Curach, David Dapice, Freda Dawson, Rajeev Deshpande, Michael Dobbie, Jon Fernquest, Marianne Gizycki, Tyrell Haberkorn, Geoff Harcourt, David Henley, Jonathan Hulland, Andrew Huxley, Nimali Jayasinghe, Carrie Keju, Kyi May Kaung, Curtis Lambrecht, Lin Lin Aung, Tze May Loo, Craig Macmillan, Maung Maung Myint, Mya Than, Myint Cho, Dietmar Rothermund, Sai Oo, San San Hnin Tun, Monique Skidmore, David Steinberg, Andrew Selth, Magdalena Sokalska, Alison Tate, Tin Maung Maung Than, Tinzar Lwyn, Jeremy Woodrum, Glenn Worley, and Zaw Oo. Of course, almost certainly I have forgotten someone central, and for this I can only beg forgiveness.

I must especially thank my publishers at NIAS Press in Copenhagen over and above that which is simply ‘pro-forma’. The very idea for this book was initially theirs, the product of an opportune meeting at the 2002 Burma
Studies Conference in Gothenberg, Sweden, with the then Commissioning Editor, Janice Leon. Janice has since moved to the other side of the world altogether to live in New Zealand – but my gratitude to her is boundless. Since Janice's departure this project has been in the very capable hands of Gerald Jackson, Karen Mikkelsen, and Leena Höskuldsson. Many, many thanks to them for their patience, and much else besides.

In undertaking the research for this book I have necessarily made use of a score of archives and libraries around the world. The restrictions on access imposed by Burma’s current government to its own records, and the somewhat haphazard way it collects and preserves them, necessitates for studies such as this the use of collections from all corners of the globe. From these I was able to access a vast array of documents – not just personal papers and specific bank records and the like, but Burmese government reports whose existence is sometimes confined to one or two crumbling physical copies. We can hope that one day a more stable and prosperous Burma can bring them all together under one roof. In the meantime, however, in researching this book I had the privilege of consulting the following archives, libraries and collections: the Oriental and India Office Collections, the British Library; the Archives of the Bank of England; the National Archives of the United Kingdom, Kew; the Centre of South Asian Studies, University of Cambridge; the National Archives of Australia, Canberra; the National Archives of India, New Delhi; the Institute of Southeast Asian Studies, Singapore; the Library of Congress, Washington DC; the Kroch Library, Cornell University; the Bodleian Library, University of Oxford; the University Library, University of Cambridge; the Central Library, University of Calcutta; the archives of the Reserve Bank of Australia, Sydney; Macquarie University Library; the Matheson Library, Monash University; the collections of the School of Oriental and African Studies, University of London; the New York Public Library.

Much of this book was written whilst I was a visiting fellow at the Southeast Asia Program (SEAP), Cornell University. The people at SEAP, and especially its Associate Director, Nancy Loncto, could not have been more generous or helpful. The warm friendship of this genuine community of scholars is something I shall treasure always. Lengthy sojourns were also spent at the Department of Economics, Queens College, City University of New York, whose hospitality was similarly munificent. Otherwise, the rest of this book was written at my home base at the Economics Department at
Macquarie University in Sydney. My deepest thanks to all of my colleagues there.

Perhaps the single greatest pleasure of my work on Burma has been the close collaboration I have enjoyed with my fellow founders of Burma Economic Watch, and two of my dearest friends, Alison Vicary and Wylie Bradford. Their intellectual acuity is matched only by their moral courage, and they inspire me daily.

Leanne Ussher has had a most profound impact on this book, and upon its author. Her manifest kindnesses, intellectual insights and general joie de vie has sustained me in more ways than she knows.

Finally, I would like to thank my family. To my sister Lisa, my brother-in-law Michael, and nephews Timothy and Mitchell, thank you for your love and for making me laugh. My debts to my parents, Peter and Diana Turnell, are of such a magnitude that the IMF should be called in. It is to them that this book is humbly dedicated.
**A Note on Names and Places**

Place names in Burma are subject to substantial volatility, the most obvious source for which has been Burma’s contemporary military government and its efforts to expunge any vestiges of colonialism. This expedient, which joins the inconsistencies and inaccuracies to begin with in the rendering of many Burmese place names into English, can present long-period narratives such as this book with considerable terminological difficulties. In the face of these difficulties, however, we deal with the question of changing names in a straightforward and relatively uncontroversial way. Simply, places are named in the book according to how they were popularly known and accepted at the time of the episodes examined. Thus, for instance, ‘Moulmein’ is employed through the colonial and early post-independence years, but ‘Mawlamaing’ for more recent times. The same goes for such places as Akyab (Sittwe), Magwe (Magway), Pagan (Bagan), and so on. Where a change of name has not become generally accepted, within or outside Burma (such as ‘Yangon’ for ‘Rangoon’ for instance), we stick with the earlier standard. Either way, clarity and a desire to avoid unnecessary distraction is the principle followed.

Consistent with this assumption too (but more controversially), we have chosen to refer to the country itself throughout as ‘Burma’ rather than ‘Myanmar’. The latter is the name chosen by Burma’s current military regime, and it is the name accepted by the United Nations. However, for many people (in and outside Burma), it is a name tainted by its regime associations and by an alleged privileging of Burma’s dominant ethnic group. This last consideration is an important one with respect to the choice made here, but it is equally matched by the fact too that, for the vast majority of the time period covered here, ‘Burma’ was the (largely) uncontested label. These are deep waters, of course, but in making this choice we believe we have chosen the least-worst, and least diverting, alternative.
Burmese personal names are likewise often a source of confusion to those unfamiliar with the country and its people. This is especially the case with the Burmese custom of preceding personal names with traditional honorifics. In this volume the most prevalent of these is the title ‘U’ (essentially ‘uncle’ or ‘mister’, a designation of esteem to an older man, or a man of standing), and its female equivalent ‘Daw’. In order to avoid any confusion on this score the practice adopted here is to normally only use such honorifics at the first reference to a person, and to omit them thereafter. There are, however, exceptions to this ‘rule’ when, as is not uncommon, an honorific is integral to the popular name of the individual concerned. Famously this includes (of particular relevance here), Burma’s venerable post-independence premier, ‘U Nu’.
### Commonly Used Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFPFL</td>
<td>Anti-Fascist People's Freedom League</td>
</tr>
<tr>
<td>AWB</td>
<td>Asia Wealth Bank</td>
</tr>
<tr>
<td>BCB</td>
<td>Burma Currency Board</td>
</tr>
<tr>
<td>BoE</td>
<td>Bank of England</td>
</tr>
<tr>
<td>BPBE</td>
<td>Burma Provincial Banking Enquiry</td>
</tr>
<tr>
<td>BSPP</td>
<td>Burma Socialist Programme Party</td>
</tr>
<tr>
<td>CBM</td>
<td>Central Bank of Myanmar</td>
</tr>
<tr>
<td>CRDI</td>
<td>Credit for Rural Development Institution</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agriculture Organisation of the United Nations</td>
</tr>
<tr>
<td>DRMO</td>
<td>Delta Region Microfinance Organisation</td>
</tr>
<tr>
<td>DZMO</td>
<td>Dry Zone Microfinance Organisation</td>
</tr>
<tr>
<td>FATF</td>
<td>Financial Action Taskforce</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>KTA</td>
<td>Knappen, Tippetts, and Abbott Engineering Company</td>
</tr>
<tr>
<td>MADB</td>
<td>Myanmar Agricultural Development Bank</td>
</tr>
<tr>
<td>MEB</td>
<td>Myanmar Economic Bank</td>
</tr>
<tr>
<td>MFTB</td>
<td>Myanmar Foreign Trade Bank</td>
</tr>
<tr>
<td>MICB</td>
<td>Myanmar Industrial and Commercial Bank</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>PBUB</td>
<td>People's Bank of the Union of Burma</td>
</tr>
<tr>
<td>Rs</td>
<td>Burmese Rupees</td>
</tr>
<tr>
<td>SAB</td>
<td>State Agricultural Bank</td>
</tr>
<tr>
<td>SAMB</td>
<td>State Agricultural Marketing Board</td>
</tr>
</tbody>
</table>
**Fiery Dragons**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCB</td>
<td>State Commercial Bank</td>
</tr>
<tr>
<td>SLORC</td>
<td>State Law and Order Restoration Council</td>
</tr>
<tr>
<td>SPDC</td>
<td>State Peace and Development Council</td>
</tr>
<tr>
<td>UBB</td>
<td>Union Bank of Burma</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
</tbody>
</table>