European firms and their Chinese intermediaries

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The comprador in the bank

The exchange banks faced a problem that their charters could not solve. Their staff were Europeans who did not speak the dialects of their potential customers, could not read Chinese account books and had no means of judging the reputation of a Chinese merchant. Each bank therefore employed a local intermediary known as the comprador, from the Portuguese word for buyer, through whom it lent to Chinese merchants and traders.[1] The comprador introduced customers, vouched for their creditworthiness, recruited and supervised the Chinese staff and often guaranteed the bank against losses on the accounts he had introduced.

The comprador system carried the weaknesses of any network. In Singapore, the compradors of the banks came mainly from the Cantonese dialect group and preferred to deal with other Cantonese. Because Cantonese held the comprador positions at the Singapore branch of the Hongkong and Shanghai Bank, Teochew and Hokkien merchants found it difficult to use the bank's services.[2] The dialect

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divisions that Chapter V of Part A described thus reproduced themselves inside the European banks. That fact helps to explain why the Hokkien and Teochew communities later founded banks of their own.

Brokers and middlemen in the agency houses

The agency houses relied on Chinese intermediaries in the same way. Hisasue observes that such demand as existed for trade finance among Chinese merchants was met mainly by compradors or brokers who collected local products, such as tin or spices, for foreign trading firms. These brokers had easier access to the foreign banks and could arrange short-term loans guaranteed by the trading firms.[3] The guarantee of the European house thus became the bridge across which bank credit reached the Chinese produce trade.

Individual careers illustrate the arrangement. Tan Kim Seng, born in Malacca in 1805, founded Kim Seng & Co. in 1840. He acted as a middleman in the trading of Boustead & Co. and was a friend of Edward Boustead.[4] In 1857 he became the first Asian member of the Municipal Commission and gave 13,000 dollars towards the first public waterworks of Singapore. Chia Ann Siang joined Boustead & Co. in 1848 and worked for the firm for forty-two years.[5] Tan Kim Tian, born in Malacca in 1832, came to Singapore in 1847 and joined the firm later known as Paterson, Simons & Co., where the partner William Paterson arranged for him to attend an English school. In 1865 he founded a steamship company with his son Tan Beng Wan.[6]

These careers followed a common pattern. A young Chinese man, often Straits-born and literate in English, entered a European firm, learned its methods, built his own network of customers and eventually set up on his own account, frequently in a field the European firm had shown him. The European houses gained access to Chinese suppliers and buyers, while their Chinese associates gained capital, contacts and commercial knowledge. The relationship was hierarchical, since the European partners controlled the firm and its connections to Europe. It was also a school of commerce from which a generation of Chinese entrepreneurs graduated.

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Bookkeeping barter and the limits of the foreign bank

Most Chinese merchants made little direct use of the foreign banks during the nineteenth century. Since their business rested on trust within kinship and dialect groups, they settled accounts among themselves through a system that the economic historian W. G. Huff has called bookkeeping barter. Each party kept a book that was balanced almost evenly, with actual settlement required only twice a year.[7] The system economised on cash and on bank credit. It also kept Chinese commerce largely outside the documentary world of the exchange banks.

Differences of outlook reinforced the separation. The foreign banks assessed credit in terms of financial assets, whereas Chinese merchants regarded credit as a matter of personal reputation, including ability and social influence. To the Chinese, the Western banking system appeared inflexible, while the banks regarded long-term loans to Chinese borrowers as a high risk. The comprador and the broker existed precisely to bridge this gap. Their guarantees translated personal reputation into a form of security that a European bank could accept.

The chettiars

Where neither the community nor the foreign banks could supply funds, merchants turned to the chettiars, South Indian moneylenders who formed the most prominent professional lenders of the colony. The chettiars borrowed from European banks on demand notes and lent the money onwards at higher rates. The borrower signed a promissory note for a sum larger than the amount he actually received. Unpaid interest was added to the principal at a higher rate.[8] The chettiars therefore extended the reach of the exchange banks to borrowers whom the banks would never have accepted directly. They stood in a chain of credit that ran from the London money market through the exchange banks to small traders in the bazaars and villages of the peninsula.

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From intermediary to competitor

The comprador system and the agency house brokerage were transitional arrangements. As Straits Chinese merchants acquired English education, capital and experience of corporate forms, they began to found their own banks, insurance companies and shipping lines. The Kwong Yik Bank of 1903, the Hokkien banks of the following decades and the merger of three Hokkien banks in 1932 grew from the networks that the intermediaries had built.[9] Chapter III of this part examines this development. Hisasue notes that the early Chinese banks played a role similar to that of the bank comprador, serving a wider circle of customers. Their deposit share in Singapore and Malaya nonetheless remained below 25 per cent of the total in the late 1930s.[10] The exchange banks thus kept their dominance in foreign trade and exchange until the end of the colonial period.

Notes

1. Ong Eng Chuan, "Money Lending: A Short History", *BiblioAsia*, April 2007: each bank hired a local middleman known as the compradore (Portuguese for "buyer"); "The banks lent money to Chinese merchants and traders through the comprador"; the comprador handled Chinese accounts and hired local staff; Wikipedia, "Comprador" (accessed November 2026): the term is "a Portuguese word that means buyer". ↩
2. Ryoichi Hisasue, "Chinese Banking Business in Singapore", p. 15: "these compradors mainly came from the Cantonese dialect group and preferred to deal with other Cantonese"; since Cantonese dominated the comprador positions of the Singapore branch of the Hong Kong and Shanghai Banking Corporation, merchants from other groups "such as the Teochew or Hokkien, found it difficult to access the services the bank offered". ↩
3. Ryoichi Hisasue, "Chinese Banking Business in Singapore", p. 14: demand for trade finance "was met mainly by the compradors or brokers that collected local products, such as tin or spices, for foreign trading firms"; they "could arrange short-term loans with credit guaranteed by foreign trading firms". ↩

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4. Wikipedia, "Edward Boustead" (accessed November 2026): Tan Kim Seng "acted as a middleman" in Boustead's trading and was a good friend of his; Wikipedia, "Tan Kim Seng" (accessed November 2026): born in Malacca on 18 November 1805; founded Kim Seng and Company in 1840; died on 14 March 1864; appointed the Municipal Commission's first Asian member in 1857; donated $13,000 toward Singapore's first public waterworks in 1857. ↩

5. Wikipedia, "Boustead Singapore" (accessed November 2026): Chia Ann Siang joined the firm in 1848 and worked there for 42 years; Tan Kim Seng was a middleman in its trading. ↩

6. Wikipedia, "Tan Kim Tian" (accessed November 2026): born in Malacca in 1832; came to Singapore in 1847; joined Paterson Simons, where William Paterson arranged for him to attend English school; worked in the Produce Department; co-founded the Tan Kim Tian and Son Steamship Company with his son Tan Beng Wan in 1865; died in 1882. ↩

7. Ryoichi Hisasue, "Chinese Banking Business in Singapore", p. 14, citing W. G. Huff, "Bookkeeping Barter, Money, Credit, and Singapore's International Rice Trade, 1870–1939", *Explorations in Economic History*, vol. 26, 1989, pp. 161–189: settlement between trade partners used book-keeping barter, "in which each book is balanced almost evenly and actual settlement is only required twice a year"; pp. 14–15: foreign banks "viewed credit solely in terms of financial assets, whereas the Chinese viewed credit as based on personal reputation"; the Chinese "considered the Western banking system inflexible". ↩

8. Ong Eng Chuan, "Money Lending: A Short History", *BiblioAsia*, April 2007: "the chettiars were the most prominent professional moneylenders"; they borrowed from European banks on demand notes and lent at higher rates; the amount received was less than the sum stated on the promissory note; unpaid loans were rolled into the principal; Hisasue, "Chinese Banking Business in Singapore", p. 15: Chinese often borrowed at high interest rates from the Chettiar. ↩

9. Ryoichi Hisasue, "Chinese Banking Business in Singapore", pp. 15–21: Kwong Yik Bank "established in 1903 by Wong Ah-Fook" and Cantonese colleagues;

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the crisis of the Depression "led to the merger of Singapore's three Hokkien banks in 1932". ↩

10. Ryoichi Hisasue, "Chinese Banking Business in Singapore", pp. 16–21: early Chinese banks "played a similar role to the bank comprador but served a wider" circle; n. 30: "In the late 1930s, the deposit share in Chinese banks in Singapore and Malaya was less than 25% of the total". ↩

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