South Asians in East Africa (1880-1920) with a Particular Focus on Zanzibar: Toward a Historical Explanation of Economic Success of a Middlemen Minority

GIJSBERT OONK*

ABSTRACT

The main object of this article is to falsify the common historical portrait of South Asians in Zanzibar and East Africa. Most studies, a-priori, assume the outstanding business success of the Asian minority in East Africa. In explaining this success, they emphasize common explanations and theories for their economic success, like hard work, having a superior business mind, using their ethnic resources for capital accumulation and knowledge of (international) markets. In this article I attempt to explain the success of South Asians in Zanzibar, East Africa, from a historical point of view. My main argument is that South Asians started with a far more favorable socio-economic position as compared to their African counterparts. They were more than Swahilis, accustomed with a money economy and the concept of interest. In addition, they knew how to read, write and produce account books. Finally, they had access to the rulers, and were able to negotiate profitable terms of trade. Nevertheless, many were not successful at all and went bankrupt. Therefore, the success of South Asians in East Africa may be explained as the outcome of a 'trial and error' process. The successful remained

* History Department [13-48], Erasmus University Rotterdam, PB 1738, 3000 DR, Rotterdam, Netherlands; Email address: Oonk@fhk.eur.nl

in East Africa, whereas others left. India remained a safety net for those who did not make out as well as a source for new recruitment of traders, shopkeepers and clerks.

Introduction[1]

The outstanding business success among South Asians in East Africa is often contrasted with the poor economic performance of Africans. A main argument to explain the performance of Asians in East Africa is that 'outsiders' are in a better position to enact their business context. They use their ethnic resources, such as kinship, business skills, networks and educational experiences to raise capital and management capacity in a far more profitable way than their African counterparts. Therefore, it is suggested that Africans should improve their networking capabilities, level of education and indigenous information flows.[2] Development through education may be an important and useful recommendation for progress of the local African business capacity. Nevertheless, it is my argument that explaining economic success of Asians and Africans in East Africa 'without history' and without emphasizing 'failures' is – unfortunately – a common inaccuracy of economists, sociologists and anthropologists. In other words, the recommendation may be right, however, the analysis is not.

In this article I attempt to explain the success of South Asians in East Africa from a historical point of view.[3] The seeds for its success may be found in the period between 1880 and 1920. My main argument is that from the stretch, South Asians started with a far more favorable socio-economic position as their African counterparts. When they arrived in East Africa, they were accustomed with a money economy and the concept of interest. Many were able to read and write and freely commu-

[1] The research was made possible by the Netherlands Foundation for the Advancement of Tropical Research (WOTRO) in collaboration with the History Department of Erasmus University in Rotterdam, Netherlands. The research is based on archival as well as oral history conducted in the period between 1999-2003, including a year of fieldwork between July 2002 and July 2003. I visited extensively the Tanzania National Archives (hereafter TNA) and the Zanzibar Archives (hereafter ZA). In addition a few references are made to the Kenyan National archives (KNA) and the Public Record Office (PRO) in London, where I saw documents from the Colonial Office (CO) and the Foreign Office (FO).

[2] Stein Kristiansen and Anne Ryen, Enacting their Business Environments: Asian Entrepreneurs in East Africa, *African and Asian Studies* 1 (3) 2002, 165-186.

[3] I prefer the labelling 'South Asians' above the term 'Indians', because it includes migrants whose ancestors originally came from current Pakistan and Bangladesh. Nevertheless, the colonial governments in East Africa, as well as Africans, used the term 'Indians'. In addition, where the South Asians in East Africa were formally organized they identified themselves as 'Indian'. At the same time, they often refer to themselves as Bengalis, Gujaratis, Telugus, or to their specific sub-castes, like Patels, Lohanas, Cutchis.

nicated with local rules, who placed the South Asians in superior socio-economic position. In fact, some British and German colonial officials were very much concerned with the socio-economic disadvantages and backwardness of Africans. In this historical arena three main sources for the success of Asians in East Africa come together. (1) The South Asians traders – and not Swahili people – were attracted by the Arabic and colonial powers to fulfill the demand for credit and trading facilities in Zanzibar and East Africa; (2) they developed, through trial and error, local trading and business acquaintance and business networks, and (3) they developed, partly with money from Asian business families, their own education network in East Africa. The level of education of Asians in East Africa was much higher than that of their African counterparts. Despite of all these advantages, many South Asians failed in East Africa and went back to India or moved to South Africa. In other words, only those who settled and survived were successful and remained in East Africa. Those are the ones who are now seen as the big South Asian pioneers within the family histories. However, I argue that they often started as second sons. That is, they were sent by the head of the family to explore the possibilities in East Africa. Only when they had a proven secure economic and social position would they invite the other family members to join them. If not, they would return to India. India remained a safety net for those who did not make as well as a source for new recruitment of clerks. In other words, those who remained in East Africa were by definition successful.

In this article I argue that there is a need to study entrepreneurial success as a 'local historical bottom-up' process: Local and historical, in the sense of a well defined geographical and historical area, i.e. Zanzibar and East Africa between 1880-1920, the region and period when the pioneers of South Asian businesses started and flourished; and 'Bottom-up' in the sense that I choose to take the perspective of the 'agent', the one who innovates, takes or avoids risks, changes, adapts, mixes, integrates or assimilates. By taking this perspective we may gather a view of how the 'range of choices' is defined by the entrepreneurial actors themselves. This may provide us with insights in the economic agenda of individuals as well as groups.

This article is organized in six parts. After this introduction there follows a brief presentation of theories of middlemen minorities and their success, with particular emphasis on the situation in East Africa. Thereafter, in the third section, the history of migration between South Asia and East Africa is highlighted. Its main emphasis is on the circular character of this migration and the development of settlement of South Asians in East Africa. This part underlines the importance of the Arabic and colonial rulers in creating the conditions for South Asians to settle. Subsequently, in the fourth section, the focus is on how the South Asians developed their businesses in Zanzibar and later the interior. Here, I stress the dynamics of 'trial and error' in the business of South Asians in East Africa. In the fifth section, it is shown that those communities who were successful were able to save money for more community building by developing their own education. In the final, concluding, section I argue that a small successful proportion of the Asian communities remained in East Africa. They were relatively highly educated [compared to Swahilis] and economically independent. By then, their 'ethnic resources' were being exploited as far as possible, and their success could not be matched by the Swahili people. This is not due to differences in the exploitation of the community resources, but simply by the fact that they had a different start. Africans started with a cultural and economic deprivation in comparison with the South Asian migrants.

Classical Explanations for the Success of South Asians in East Africa

The social sciences have developed a plethora of explanations in describing the success – and to a far lesser extent the failure – of individual entrepreneurs as well as various business communities in history. Most of these explanations, one way or the other, emphasize socio-economic advantages of outsider minorities as explanation for their economic virtue. What these explanations have in common is that they do not include the point of departure of migrants, the class background, their educational background, former experiences and – with some exception – the way they were received by the local rulers. The most well known explanations and theories include: the concept of the stranger (Simmel); the spirit of capitalism (Weber); the innovator and the imitator (Schumpeter and Hoselitz); the collaborator (Gallagher and Robinson, in Louis) and the middlemen minorities (Bonacich and Dobbin).[4] Despite these long and varied theoretical traditions, we are still unable to explain the why and how some families among *middlemen minorities* are successful, whereas

[4] Bonacich, E. 'A Theory of Middlemen Minorities,' *American Sociological* Review, 1973 38, Oct., 583-594. Dobbin, C, *Asian Entrepreneurial Minorities. Conjoint Communities in the Making of the World Economy, 1570-1940*, 1996 Curzon Richmond; Hoselitz, B. 'Entrepreneurs of Lebanon: the Role of Business Leaders in a Developing Economy,' in *Business History Review* 1963 37 (3), 300; Louis, R.W. *Imperialism. The Robinson and Gallagher Controversy*, 1976 New York. Schumpeter, J.A. *The Theory of Economic Development.* 1959 Cambridge. Simmel, G., 'The Stranger', in K.H. Wolff (ed.), *The Sociology of George Simmel*, New York 1950, 402-408. Weber, M. *The Protestant Ethic and the Spirit of Capitalism*, 1978 George Allen & Unwin London.

others fail.[5] But some of these answers may be found in the differences in the point of departure.

Simmel argued that migrant traders who decided to settle in their host societies are 'strangers'. In the works of Simmel, the stranger is contrasted with a wanderer, who comes today and goes tomorrow. The stranger, however, comes today and stays tomorrow. He is locally known, though remains an outsider. This might help him in developing their business. On the one hand he may fill economic niches which local business communities were not allowed to fill, like selling liquor. On the other hand they develop a more detached attitude toward the local markets which may help them to set prices at a more profitable rate.[6] Weber argued that there is a strong relation between the religious background of entrepreneurs and their capitalistic entrepreneurial ethic. He shows that particular in the Protestant religion people developed an ethic where hard work, (re)investing, long term perspectives and rationally calculating risks became a primary aim of the business community.[7] Bonacich and Dobbin build upon the work of Weber and Simmel by arguing that it was especially minorities who became successful entrepreneurs. Because of their minority status (and as a consequence, the suffering of all kinds of discrimination, like not being allowed to own land, not allowed to do certain jobs etc.) they develop a stronger motivation to show that they can become successful.[8] In addition to this, Gallagher and Robinson argue, that because of their minority status some local business communities were suitable middlemen to support the colonial empires abroad. Because of the fact that these businessmen belong to non-majority groups many colonial governments supported these groups as their local suppliers, translators, informants etc. In this way these groups are often seen as 'collaborators' in the Marxist as well as nationalist historiographies.[9] The business success of South Asians in East Africa has elements in common with the aliens' achievement elsewhere in the world. Factors highlighted in this literature include access to capital, knowledge of

---

[5] Middlemen minorities often lived on the borders of two worlds. Sometimes they are referred to as 'marginal middlemen'. They were often excluded from public posts, landownership or occupying positions in the colonial economy. Marginal in this context, is indicative both for their position on the *fringe* and of their *exclusion*. As a result, they sought an economic niche for themselves.

[6] Simmel, G., 'The Stranger', in K.H. Wolff (ed.), *The Sociology of George Simmel*, New York 1950, 402-408.

[7] Weber, M. *The Protestant Ethic and the Spirit of Capitalism*, 1978 George Allen & Unwin London.

[8] Bonacich, E. 'A Theory of Middlemen Minorities,' *American Sociological*, Review 1973, 38, Oct., 583-594. Dobbin, C, *Asian Entrepreneurial Minorities*, 1-19 and 197-211.

[9] Louis, R.W. *Imperialism. The Robinson and Gallagher Controversy*, 1976 New York.

markets, community support and a superior (as compared with local groups) 'business mind'.[10] This explanation only gains significance in a particular historical setting. They cannot explain why some members of the same group were not successful at all and were not gifted with a 'superior business mind. In this paper, I show that community support has its price and is no guarantee for success. Credit is not unconditionally given, as family members may be the first to file bankruptcy. In other words, obtaining the benefits of a community membership depended upon proper conduct in the past, while the short run gain from cheating today was less than the long run benefit an honest coalition member could obtain.[11] Therefore, detailed empirical historical studies are needed to deconstruct the myths along superior business groups.

The main object of this article is to falsify the common historical portrait of South Asians in Zanzibar and East Africa. In general, this portrait is described with some heroic odour of entrepreneurial success, hard work, long hours of labour, and a far-sighted business vision. They outplayed Swahili, Arab, and European businessmen with their indigenous credit facilities and the support of family and community members. These studies show that Indian businessmen came with little or no money to Zanzibar and eventually emerged as influential traders and money-lenders. They often started to work for a family or community member and, being adapted to the new environment, opened their own shop or business. Many of them became independent and self-determined businessmen who financed the slave and ivory trade, who lent money to the Arab owners of the clove plantations and who organized the import and export business with India and China. Additionally, they served as middlemen between the British, German, and American traders and the Swahili producers.[12]

---

[10] P. Kilby, The Role of Alien Entrepreneurs in Economic Development, *American Economic Review Papers and Proceedings*, 1983, 73, 107-11. T. Sowell, *Race and Culture: A World View*, New York 1994.

[11] Cipolla pointed out that the contractual problems associated with agency relation could be resolved neither by the legal system nor with the anonymous market. These problems arose from the fact that the agent who traded using someone else's capital could easily have disappeared with the capital or cheated in business conduct in far-off markets where none of his associates had any control. Cipolla, C.M. *Before the Industrial Revolution* (2nd edition) New York, 1980, p. 198.

[12] Mehta, M., Gujurati Business Communities in East African Diaspora. Major Historical Trends, *Economic and Political Weekly*, May 19 2001, 1738-1747. Patel, Z. *Challenge to Colonialism. The Struggle of Alibhai Mulla Jeevanjee for Equal Rights in Kenya*, Nairobi 1997. See, for example, R.J. Bocock, 'The Ismailis in Tanzania: A Weberian Analysis British,' *Journal of Sociology*, 22 (4) 1971, 365-380; A.T. Matson, 'Sewa Haji: A Note,' *Tanganyika Notes and Records*, 1966 (65), 91-93; R. Gregory, India and East Africa: A History of

Unquestionably, many of today's wealthy and flourishing Indian families in East Africa have at least some pioneering ancestors who perfectly fit the description above. Indeed, we must admire the often inexperienced young boys for their strength, their perseverance, and their ability to adapt and survive in the new world they entered. These early adventurers and pioneers paved the way for traders who came after them. Therefore, their names are remembered, their biographies are written and their stories are remembered. Nevertheless, these success stories paint a very one sided picture and do not refer to the less fortunate, the ones who did not make it.

Many Indian traders who came to Zanzibar in the late nineteenth century and started their own businesses failed within ten years. Some of them started to work as an employee in someone else's shop in Zanzibar, most, however, returned to India. Their stories are almost forgotten or lost in the numerous accounts of successful self-made businessmen from India in East-Africa. In general, we know very little about migrant traders and bankers 'who did not make it' and why they didn't make it. This would be accurate for migrant traders in European history, but even more for non-western history due to the lack of written sources.

By focusing on 'failure studies' rather than 'success stories', and focusing on individual life stories rather than 'community references', I gathered a wealth of information about the dynamic histories beyond the classical theories and assumptions of the success of South Asians in East Africa. These examples show that Indian businesses went bankrupt and failed. In addition, the ethnic networks had their own price. Capital and knowledge of markets were not free within the network. They could be earned if one had a 'good name'. More often than not, the ethnic networks main function was a place to earn a 'good name'. Members of the network were often the first creditors, but also the first ones to file a bankruptcy.

Race Relations within the British Empire, 1890-1939, Oxford 1971; R. Gregory, *South Asians in East Africa. An Economic and Social History, 1890-1980*, Boulder: Westview Press, 1993. R.R. Ramchandani, *Uganda Asians. The end of an Enterprise*, Bombay United Asians Publications, Bombay 1976. Carmen Voigt-Graf, *Asian Communities in Tanzania. A Journey Through Past and Present Times*, Hamburg 1998. S. Walji, *A History of the Ismaili Community in Tanzania*, Ph.D. thesis. University of Wisconsin 1974. S. Chandaria, *Chandaria Family: An Introduction to the Foundation Stones of the Unique Integrated Modus Vivendum of the Family*, Geneva 1985; Nanji Kalidas Mehta, *Dream Half Expressed: An Autobiography*, Bombay 1966: Dana April Seidenberg, *Mercantile Adventures. The World of East African Asian, 1750-1985*, New Age International 1996.

Circular Migration and the Process of Settlement

In 1832, Sultan Seyyid Said from Oman moved his capital to Zanzibar and the Arabs spread their political and economic influence on the Island (as well as Pemba) and the interior of the East African coast with coastal places like Bagamoyo, Mombasa, Malindi and Kilwa. Realizing the extent of the Sultan's influence, the Germans and British decided at the important Berlin Conference (1884) to give him a special status on his territories. Therefore, the partition of Africa offered the Sultan a claim to the islands of Zanzibar and Pemba and a coastal strip. The domination of Germans coupled with the abolition of slave trade weakened the Sultan's empire and bit by bit he lost more land to the new European colonizers. The British and Germans came into some agreement with the Sultan to sell his possession on the mainland and by the end of the 19th century very little remained in his control.

The political economy of Zanzibar in the 19th century is often described as triangle relation between Arab and European rulers and businessmen, South Asians and Swahilis. At the top were the Western firms, rational, highly capitalized and often organized on the joint-stock principle. The Arabs owned plantations and produced cloves and spices. Some were involved in the caravan trade to collect ivory from the mainland. In many cases, the activities of the Arabs were financed by Indian moneylenders who did not own land or went into the interior themselves in the early nineteenth century. In East Africa, the middlemen were the South Asian family firms who acted as intermediates. At the bottom were the Swahilis who were often described as 'ignorant', 'living day by day' and – in the end – incapable of rational economic behaviour in terms of investments and reinvestments in profitable businesses. The reality, however, was more complex than this simple triangle model. Especially regarding South Asians, who were found at the top and bottom of the society.[13]

In 1920, the status of the East Africa Protectorate was changed to that of Kenya, Tanzanian (former German East Africa, and became British Protectorate after the First World War) and Uganda Colony and the coastal strip leased from the sultan of Zanzibar became the Kenya Protectorate. In the previous year the white settlers had been permitted for the first time to elect members to the Legislative Council, and the

[13] W.G. Clarence-Smith, "Indian and Arab entrepreneurs in Eastern Africa, 1800-1914." In H. Bonin, M Cahen. (eds.) *Négoce blanc en Afrique Noire; l'évolution du commerce à longue distance en Afrique Noire, du 18^e au 20^e siècles*, 335-349. Paris: Société Française d'Histoire d'Outremer.

Indians began to call for equal treatment. Within these macro political events, a silent revolution took place. The contacts between South Asians and Arabs and Swahili intensified. And eventually, many South Asians settled in Zanzibar and East Africa.

In the nineteenth century trade between South Asia and East Africa was constrained by the rhythm of the monsoons. From November to March the well-known beautiful dhows sailed from West India to East Africa, and from April to October the return journey was made. The trade in cotton textiles, ivory, and spices was profitable, but dangerous. Many traders did not return home safely. The rough sea, pirates, and various diseases claimed the lives of many traders and early adventurers. It was only in the late nineteenth century that some South Asian traders started to settle in Zanzibar and on the East African Coast. These early South Asian settlers are nowadays seen as the pioneers of many South Asian family business houses in East Africa. However, in those days, East Africa was just a new opportunity for West Indian farmers and traders.[14] Around 1875 Sir Bartle Frere emphasized:

> They never take their families to Africa; the head of the house of business always remains in India, and their books are balanced periodically in India. The house in Africa is merely a branch house, though many of those people will assure you, and they give very good evidence of the fact, that they have had branches in Africa for 300 years, and possibly for much more.[15]

In other words, it was often not the head of the family who made the first exploration in East Africa. Neither was it the eldest son. Even when they had made several profitable journeys to and from India, many South Asians – especially Hindus – would not settle in East Africa. The unmarried Hindu men generally went back to India to marry, and their wives stayed behind from the beginning with the men making frequent trips back and forth. Otherwise, the women came to the East African Coast for a few years, returning to India for childbirth, where they generally remained for ten to twenty years until their children had finished their education.[16] They believed that women would be better cared for

---

[14] Many of the early settlers had a background in agriculture. However, it is likely that migrants from the Indian rural areas underwent an 'initiation period in the Indian ports', where they – under the guidance of family and community members – learned something of overseas trade. See, A. Sheriff, *Commercial Empire*, p. 127.

[15] Bartle Frere, Extracts from the evidence taken before the select Committee of the House of Commons, CO 1887. See also Richard Burton, *Zanzibar City*, London 1872, 329-335.

[16] The inter-relationship between social ties and business is clearly seen from various family histories. The eminent Muslim firm of the Karimjees was established in Zanzibar in the early 1800s as general importers and export merchants. The founding father of

if they stayed behind in their own extended households in India. Owing to the economic and social uncertainty in East Africa, most Hindu women remained behind in India to look after their parents-in-law, children, and property, and to supervise their children's education.[17]

The Sultan of Zanzibar, Seyyid Bargash, must have been aware of this as he encouraged Hindus to bring their wives to his realm. In the early 1880s he is reported to have sent his private vessel to welcome the first Hindu woman in Zanzibar and gave her a reward of Shs 250/-. As a pledge of his good intentions, he promised to turn Zanzibar's Old Fort into a residence for the wives of merchants and offered to equip it with water pipes fitted with silver taps to ensure that Hindu women need never appear in public.[18] This occurred precisely at the time the Hindu community in Gujarat revolted successfully against Brahmin priests and religious customs which were cramping their mercantile activities and making overseas commerce difficult.[19] All these activities paved the way for Hindu migrants and settlers in the late nineteenth and early twentieth century.

---

the Karimjee family was Jivanjee Buddhaboy. He had three sons: Pirbhoy Jivanjee; Karimjee Jivanjee and, Esmailjee Jivanjee. They carried on their father's business under the name of Pirbhai Jivanjee till 1861. By then the brothers separated. Karimjee Jivanji started his own business while the other two brothers worked jointly. Karimji Jivanji was followed by Alibhai Karimjee Jivanjee. In the late 1800s he went to India for the marriage of his only son, Alibhai. As he had separated from the family business and because of the considerable sum he had to pay toward the marriage, he invested in buying goods in India to bring them to Zanzibar to trade. The sailing ship in which he was returning on the way to Zanzibar after the marriage of his son ran into a storm on the way and the whole cargo had to be jettisoned. Karimjee Jivanjee thus landed on shores of the Zanzibar with his investments lost, no capital of his own and debt to others. Source: family archive Dar es Salaam.

[17] Diverging concepts of purity and impurity made it rare for Hindu merchants to take their wives out of India, while Muslim merchants generally traveled with their families, especially to Muslim countries. Little is known about the Hindu taboo on crossing the seas. There is evidence that Hindus have been crossing the seas without compunction for many centuries, but the kind of ritual penances which had to be performed on their return are obscure. In some communities, such as that of the Gujarati Vanias of Porbandar during Gandhi's time, we know that these rituals took place, but we lack information on other communities. One hypothesis that seems plausible is that the generalized taboo on the voyage of women represented a kind of substitution. The fact that the woman of the household did not travel beyond the seas seems to have been sufficient to ensure the continuing purity of the household. However, questions remain about what happened when Hindus decided to take their wives and children to East Africa. C. Markovits, *The Global World of Indian Merchants*, Cambridge 2000, 27; Nagar, 'The South Asian Diaspora', 62-80.

[18] Contemporary sources on the position (and absence) of Hindu women in East Africa include: Burton, *Zanzibar: City Island and Coast*, 329-35; Pearce, *Zanzibar*, 257. Unfortunately we do not know the name of the first Hindu woman in Zanzibar. See also: M. Honey, *A History of Indian Merchant Capital*, 74.

[19] Sheriff, *The Rise of a Commercial Empire*, 354.

In an earlier state, another Arabic ruler attracted South Asians to settle in Zanzibar. Sultan Seyyid Said from Oman believed that Hindus – and South Asian merchants in general – were more enterprising than his own fellow subjects. Therefore he encouraged them to follow him and make Zanzibar the new Capital of his empire in 1832. In the words of the British traveller W.G. Palgrave:

> Saeed knew that, whatever might be the energy and enterprise of his own born subjects, their commercial transactions would never attain real importance except by the co-operation and under the lead of Indian merchants, and accordingly used every means in his power to allure the Banians of Cutch, Guzerat [sic], and the Concan to Muscat, and by absolute toleration, special immunities, and constant patronage rendered the port a half-Hindoo [sic] colony. Nor had ever a government more useful, more steady-working, and more inoffensive protégés than the Banians proved themselves to Oman: interfering with no one, seeking nothing beyond their direct line of business, unobtrusive, courteous, and above all far more skilled in the mysteries of the ledger and the counter than ever Arab was or will be, they made the good fortune of Muscat and were its favorable genius.[20]

When Seyyid Said moved his capital from Oman to Zanzibar in 1832 he brought with him South Asian traders from the Persian Gulf to run his commercial and financial affairs. He encouraged them through a variety of incentives including guarantees of religious tolerance, a minimum of 5% duty on imports and removal of restrictions on South Asian land ownership. The earlier policy to treat South Asians as foreign traders was reversed and they were granted equal privileges with Arab traders, including permission to trade on the Mrima Coast. This area stretching from Tangata to Kilwa became an economic reverse under the control of the Sultan of Zanzibar. By the 1840's South Asians were also allowed to acquire property and own clove plantations on Zanzibar.[21] In addition he appointed the Hindu Bhatia Jairam Sewji as chief custom collectors in Zanzibar who served – with the exception of some brief periods – for almost 70 years in this position. This firm helped recruit hundreds of other Bhatias from India and set them up in business within the Zanzibar commercial empire. Besides acting frequently as customs collectors along the coast, Bhatias were also moneylenders and traders.[22]

[20] W.G. Palgrave, *Narrative of a year's Journey through Central and Eastern Arabia*, London 1865, ii. 369-70.

[21] Sheriff, The Rise of a Commercial Empire: An Aspect of the Economic History of Zanzibar, 1770-1873. Ph.D. thesis, University of London, 1971, 348-49.

[22] Frere termed Bhatias as 'probably the most important by wealth and influence' CO, Memo by Sir Bartle Frere, Correspondence 1856, p. 100.

As noted by Burton, most custom collectors along the East African Coast were Hindu Bhatias:

> Ladha Dama [sic] farms the customs at Zanzibar, at Pemba Island his nephew Pisu has the same charge: Mombasah [sic] is in the hands of Lahmidas, and some 40 of his co-religionists; Pangani is directed by Trikandas and contains twenty Bhatias, including those of Mbweni; even the pauper Sa'adani had its Banyan; Ramji, an active and intelligent trader, presides at Bagamoyo, and the customs of Kilwa are collected by Kishnidas. I need hardly say that almost all of them are connected by blood as well as trade.[23]

But the Bhatias fortunes were very closely tied to the Sultan. In 1879, the new Sultan Sayyid Bargash became dissatisfied with Sewji's firm and, for several years, gave control of the customs to the Ismaili Tharia Topan. After the partition in 1890 when the British and the Germans seized control over the customs, the Bhatias economic power declined and the proportion of Bhatias compared with the other communities decreased.

These sources show on the one hand the economic importance of the Hindu community for the Arab rulers in Zanzibar and the Coastal areas.[24] The Hindus were welcomed by rulers, like Seyyid Said, who favoured and pampered them with all kinds of small and big gestures like tax reductions and Government protection. However, they had to pay a price. The farming of the customs in Zanzibar amounts to more than $100,000 in the 1820's to more than $200,000 in the 1850's.[25]

These favours were not available for Swahilis. They were almost ignorant with the money-economy, they could not produce account books and keep records of tax obligations and last but not least, they could never afford the prices for which the customs was farmed. In other words, when the South Asians started to settle, they already had a big advantage in comparison with Swahilis. Initially, East Africa was an extra

[23] Burton, *Zanzibar 1*, 328-329.

[24] See also the example in the second part of this paper of Sultan Seyyid Bargash who in the early 1880s encouraged Hindu women to settle in Zanzibar, p***.

[25] *Zanzibar Agency Administration Report to Secretary of State* 1879, PRO/FO 84/1399, 119. Jairam Sewji's income was derived from the fact that all the exports must pass through the Customs House where his labourers transported the trade goods and he charged for this labour. Moreover, his position as the financial advisor to the Sultan helped him to further consolidate his business in Zanzibar. The rapid commercial growth at Zanzibar is also reflected in the rental increase in the customs farming. The farming of the Customs House in Zanzibar is well described by Abdul Waheed Naseem in his unpublished D-Phil: *Nature and the Extent of the Indian Enterprise Along the East African Coast And Subsequent in the Development of Kenya 1840-1905*. Submitted at St. John's University New York 1975, 38-51.

economic option for South Asians. The process of circular migration and slow settlement indicates that only those who were successful remained in East Africa and eventually settled with their wives and families. Despite the economic attractions and the cautious process of settlement, many South Asians failed in East Africa and went back to India.

Credit and Reputation: South Asian Business in East Africa

Many South Asian traders who came to Zanzibar in the late nineteenth century and started their own businesses failed within ten years. Some of them started to work as an employee in someone else's shop in Zanzibar, most, however, returned to India. Their stories are almost forgotten or lost in the numerous accounts of successful self-made businessmen from India in East-Africa. In general, we know very little about migrant traders and moneylenders 'who did not make it' and why they didn't make it. This would be accurate for migrant traders in European history, but even more for non-western history, due to the lack of written sources.

In cases where bankruptcies were claimed and registered in the court, a wealth of information was available about the causes of bankruptcy and the reasons for the winding up of the firm. This information is rare, especially for late 19th century Africa. In many parts of the continent, such courts did not exist at all. In some other cases, the French or British magistrates acted as informal mediators between the members of local trading communities. In those cases, where more formal courts were established, few files were saved from the climate, wars, mismanagement, and so on. An exceptional case is that of the Zanzibar Archives, where the records of many court cases in the period between 1875 and 1912 were saved.[26] They include 1,627 bankruptcy cases of South Asian and Arab traders and businessmen, the main business communities in those days.[27]

The court cases of Zanzibar reveal a wealth of information, including the lifespan and nature of a business, the causes of bankruptcy, the relations with business partners, family, and community members, creditors, and the size of the firm. In most cases, the bankrupt defendant

[26] The British Consul Hamerton successfully claimed the position of 'arbitrator' in the cases of the British Indians in Zanzibar in the second half of the nineteenth century. This eventually developed into a more official role of the British in the legal affairs of their 'Indian subjects'. See Abdul Waheed Naseem, *Nature and Extent of the Indian Enterprise*, 43.

[27] In this article, individual traders or registered companies became bankrupt if they could not pay their debts after one of their creditors filed a bankruptcy case in the Zanzibar court.

was asked about the reasons for his losses and debts. Therefore, we get an insight into the personal opinions of the affected businessmen. In addition, a so-called Trustee advised the court of whether he believed the statements of the defendant, and also advised the judge. This makes it possible to verify the defendant's statements, or at least to compare them with more neutral accounts. Many cases include the Arabic, Gujarati, as well as English documents, which show the physical evidence behind the oral statements. These 'failure stories' display a picture which differs greatly from that of the success of South Asian traders in East Africa. It supports a more 'trial and error' scheme of the birth, growth, and fall of businesses. By definition, the successful businesses survived the struggle for life.[28]

A rough estimate indicates that half of the South Asian defendants, i.e., South Asian business owners, in Zanzibar between 1875 and 1912 claimed to have started their own businesses with no money, or 'little money'.[29] This is supported by oral evidence of my own in 2002-3 and that of Martha Honey in the 1970s.[30] However, they had access to capital through their community networks. The Trustee Report related to the Bankruptcy of Mohammed Rashid Dewraji states, 'The Insolvent began business in Sumvant year 1961 [1903 AD, G.O.] without any

[28] This analogy is taken from A. Marshall in his almost forgotten masterpiece, *Principles of Economics. An Introductory Volume*, 1890, pp. 315-316. 'But here we may read a lesson from the young trees of the forest as they struggle upwards through the benumbing shade of their older rivals. Many succumb on the way, and only a few survive; those few become stronger with every year, they get a larger share of light and air with every increase of their height, and at last in their turn they tower above their neighbours and seem as though they would grow on forever, and forever become stronger as they grow. But they do not. One tree will last longer in full vigour and attain a greater size than another; but sooner or later age tells on them all. Though the taller ones have a better access to light and air than their rivals, they gradually lose vitality; and one after another they give place to others, which though of less material strength have on their side the vigour of youth. (. . .) in almost every trade there is a constant rise and fall of large businesses, at any one moment some firms being in the ascending phase and others in the declining.' I used this analogy in my Ph.D to describe the rise and fall of Indian Cotton Mills in Ahmedabad and Bombay. See, G. Oonk, Ondernemers in Ontwikkeling. Fabrieken en fabrikanten in de Indiase katoenindustrie, 1850-1930. Hilversum 1998. [Entrepreneurs in Development. Mills and Millowners in the Indian Cotton Textile Industries, 1850-1930.]

[29] ZA HC-2 files.

[30] Honey 63-66. Oonk. Admittedly, initially I didn't believe the oral testimonies where the story of the growth from rags to riches is told over and over again. It reminded me too much of the 19th century text of Samuel Smiles, *Self Help* [1859], where the idea of 'self made men' was promoted. In a number of classical historical studies this idea is countered. The number of successful traders and industrialists who began without capital or connections of any kind was a minute fraction of the whole. See H. Perking, *The origins of modern English Society*. London, 1969; F. Crouzet, *The First Industrialists. The Problems of Origins*, Cambridge 1985.

capital of his own, but having influential relatives and connections he managed to get on and obtained credit.'[31] This typical example supports the statements made by Rigby and Kirk [FN . . .]. Access to credit from better-off relatives or entrepreneurial wholesalers seems to have been an important condition for starting businesses. Fathers, maternal uncles, and 'community members' were most-mentioned suppliers of credit. Some started with quite substantial loans. Ali Sachoo started his business in 1882 with a loan from his father of Rs. 8.000. Most of them were less well off, and had to start with something between Rs. 200 and Rs. 800.[32] Others worked as shopkeepers or clerks for wholesalers [mostly, but not always within the family or community] and started their own business elsewhere in Zanzibar, or one of the other islands, or in the port cities of the mainland. They usually left with their goods, which they had to repay in 90 days.[33]

Nevertheless, a small minority of the South Asian migrants came with substantial money to Zanzibar and others inherited their wealth from their predecessors in Zanzibar. Rahim Lillani started his business in Zanzibar in 1888 with three brothers with a capital of Rs 20,000. They invested in real estate and land in Zanzibar, Bagamoyo, and Dar es Salaam. In 1908, they went bankrupt owing to a lost legal case in Bagamoyo (German East Africa, at that time).[34] The Ismaili Gulamhusein Baloo Koorji was born with a silver spoon in his mouth. In 1891, he inherited from his father in Zanzibar a house worth Rs20,000 and also property and cash valued at $ 20,000.[35] This exceptional case shows that not everyone was a self-made man. In addition, this case exemplifies that even the well-established big trading companies went bankrupt.

Gaining knowledge by working for family and community members as well as gaining credit through the same network was the most important source Asian migrants had. In most examples, houses and land was not mortgaged for credit as it was beyond the means of ordinary small traders. Therefore, the most important 'security' was a person's 'good name'. A 'good name' was gained by repaying debts in time, being known among credit worthy people, and being an honest and trustworthy businessman in general. If a family's reputation was lost it would be very difficult to obtain new credits. Therefore, it is not surprising that

[31] ZA HC 2/131, No 15/1908.

[32] See e.g. ZA HC 2/69 [Naser Noormahomed]; Hc 2/97 [Ali Sachooz]; HC 2/110 [Abdul Dawoodji].

[33] ZA HC 2/131 [Framji Cowasji]; HC 2/148 [Hasham Gulamhusein].

[34] ZA HC 2/145. It is not clear why they lost the case in Bagamoyo.

[35] ZA HC 2/197.

family members would take the responsibility for the debts of fathers, brothers, or in-laws, even if they were not legally obliged to do so. In these cases, keeping up the family name was of high priority in order to attract new or future investors.

In most cases, members of the family and community of insolvents were the main creditors. The records of the court cases show appendices with the names of the major creditors. More than eighty percent belonged to the same community as the insolvent. The Hindu trader Rattamsi Remtoola started his trading business in the 1880s. He traded in Zanzibar for 27 years, and according to the trustee, had built a 'good name'. In 1911, however, he lost some money in the clove and Kanga business. All his creditors, except one, were Hindus.[36] The same is true for the Khoja Hasham Nasser Doongari, who claimed that he lost Rs 1200 in goods after a theft. His twenty-five creditors, of whom twenty-two were Khojas, lost confidence in him and claimed bankruptcy. In other words, community members were among the first to lend goods or money, but they were also the first to claim their money and possessions back.[37] This throws some fresh light on the ethnic business networks where the mutual help of each other seem to be emphasized. The evidence presented here does not dispute that, but stresses that loans were not given for free and had to be paid back. In other words, ethnic credit networks were not charity organizations, but business opportunities. At the same time we find evidence that community members were not necessarily more reliable than other people. This is shown in the case of Damji Jagjivan, who dealt in opium and Ganja. He was given a good sample of Ganja by Virji Samji. After he bought 65 bags of Ganja from him, he found that the delivered goods contained Ganja of a very inferior quality. Ironically, Virji was among his main creditors.[38] Community networks are important, but not perfect. The network's main function may have been the continuous and intense scrutiny of each other's economic position, prosperity, honesty, and relations.

The importance of maintaining the reputation of the family, in order to show integrity to potential creditors, is clearly seen in the case of Naser Noormohamed. He started his own business in 1903. He was involved in importing and exporting with China. He was able to start his own business – read to obtain credit – only after he agreed to take over his father's debts, which he did. The trustee report of his case reads

[36] The Hindus formed a very small community in Zanzibar at that time. The subdivisions in castes or language groups were not made in the general statistics.
[37] Cases found in ZA HC 2/207 and HC 2/208.
[38] ZA HC 2/218.

as follows: 'The business was a paying one, but unfortunately the insolvent had undertaken also to pay his father's debt, which he did to the extent of Rs 2100.' Thus, his business was 'a paying one', but not good enough to enable him to pay his own debts and those of his father.[39] The importance of the reputation of the family's name causing him to take the responsibility for his father's debt, without being legally obliged to do so, clearly shows the importance of keeping up a 'good family name'.[40]

If an entrepreneur's reputation had not yet spread beyond the direct family network he could not obtain any credit from community members, but from his family only. Quite a few insolvents stated that they started their businesses with some capital borrowed from their fathers or brothers and in-laws. But if they were unable to pay them back, their bankruptcy was filed. Ali Sachoo, for example, started trading in cloves in the early 1880s with quite a substantial capital of Rs 8,000 from his father, but could not pay him back. His father, among other creditors, accused him of losing money because of speculation with dealings in clove. He suggested that his second son advised Ali to speculate. Ali denied this. According to him, 'It was not my fault that I lost. Prices went down.'[41] Another example is Hamir Jetha. He started dealings in leaves in 1899. He got his trade on credit. After some misfortune, he borrowed the relatively small amount of Rs 700 from his father-in-law to pay his creditors. Unfortunately, he was not able to repay his creditors and his father-in-law in time, and a petition against him was filed in 1908.[42] In these cases, a petition was filed for insolvents by the creditors in order to ensure that they would get at least some of their money back. The insolvents were forced to sell their properties, including the jewellery of their wives.

Occasionally, an insolvent would admit that his business was financed by a more prosperous brother or father. In these cases, we wonder why

[39] ZA HC 2/69. In another case, Abdoolhussein Dawoodji claimed that when he started his business in the 1880s he had to work for four years to pay his father's debts. See HC 2/110. The Khoja Gulam Husein Jamal took over his father's business, including his debts. See HC 2/190.

[40] I have written elsewhere about this phenomenon, especially related to the cotton industry in India. See, G. Oonk, 'Motor or Millstone. The Managing Agency System in Bombay and Ahmedabad, 1850-1930,' *The Indian Economic and Social History Review*, 38 (4) 2001, 419-452, especially 443-446.

[41] ZA HC2/97. Unfortunately, in this case, we do not know who filed the petition for bankruptcy.

[42] ZA HC 2/110 and HC 2/101. Interestingly, he did not borrow money from his in-laws in the first place, but only after he couldn't pay his creditors. Thus, in this case, the direct family members were not the predominant way of access to capital.

a loss-making unskilful trader was supported by his family at all. Alli Mohammed Shariff openly confessed that he was a failed businessman. He was always in debt. He stated: 'My brother was really financing me. When my brother sent money, I paid what money might be due to anyone. (. . .) I knew I was buying on definite credit from merchants here.'[43] Such cases were exceptional. More often, family members refused to spend extra money on loss making relatives. In 1908, the father of the insolvent Mehrali Shamji wrote a sarcastic letter in which he made clear that he would stop providing funds in his son's business as he stated:

> You wrote me during Diwali [Indian festival, G.O.] that you had in all Rs 15,000 against which your debt amounted to Rs 5,500, and the balance was to your own credit. But on the contrary, you have now formed a debt of Rs 9,000, so have you lost? Or is it that you have spent so much in your daughters marriage that you had to turn in such a debt? People go abroad for business, and you have in five years run up a debt of Rs 9,000, which is equal to Rs 2,000 per year. (. . .) You write that God has given you and will give and you have God's favour, then what is the reason you have suffered loss?[44]

In these cases it is clear that even the family bond was no guarantee of unlimited financial assistance. The assistants of businessman's father, brother and the father-in-law had to be earned.

In exceptional cases, the business owner had to go beyond his direct family and community in order to obtain credit. In such cases it was more common for creditors to ask for some kind of security. However, if other creditors [family and community members] became aware of the fact that outsiders had given credit based on a particular security, the path to the court was short. Most of the other creditors would demand securities as well, or they would claim their money back. This would often end in the business owner's insolvency, because he would not be able to pay the majority of his creditors back immediately. This happened, for example, to the Parsi hotel owner Dosabhoy Rustomji. In 1902, he had a shortage of cash and he borrowed some money from the Muslim Ally Far, who demanded the hotel furniture as a security. After the Parsi creditors had heard that the furniture was assigned to Ally Far, they immediately went to court to file Rustomji's bankruptcy.

[43] ZA HC 2/81. In fact, this case shows that there was an end to this practice of 'free support' for family members. Because of the close credit relations with his brother, other creditors claimed that Shariff was in fact working for his brother, or at least in partnership with him. They tried to claim their debts from his brother. This was not proven in court.

[44] ZA HC 2/130.

The Trustee in the case stated – after seeing the accounts and hearing the creditors – that Parsi would not have had any financial problems if one of his fellow community members had given him credit.[45] Such cases reinforced the 'community-oriented' credit system. Most South Asian traders in Zanzibar must have been aware that borrowing money from outsiders in return for securities would damage their reputation within the community. Therefore, they must have been very reluctant to do so.

In some cases of fraud, family and community relations were used to minimize the losses due to the bankruptcy. In the case of Husein Khali, the Trustee must have gone through quite a bit of detailed work to find out that his account books were fraudulently kept. Some family members claimed loans, securities, and goods in order to get a larger share of the dividend from the insolvent. This included the false claim of his father-in-law that he had given a loan with the security of the house of Husein Khali. It turned out that there was no loan and the house did not belong to Husein Khali. Furthermore, his wife had lent her ornaments to Husein Khali, to enable him to raise some more money. After some negotiation and pressure by the Trustee, she accepted a much lower price for her ornaments than initially claimed. A shop-boy, who was related to Husein Khali, declared that he had not received his monthly wage for four months, but in fact his contract had started only two months before the bankruptcy was filed. In other words, Husein Khali illegally tried to save his money from his creditors. After weeks of arguments with evidence and counter-evidence, the Trustee managed to save an important part of the insolvent's assets for the legitimate creditors.[46]

Trial and Error in Business Undertakings

Many, if not most, South Asian traders and businessmen who arrived in Zanzibar in the late nineteenth century were people who were trying to make a living. They were not entrepreneurs with a rational far-sighted business view, or innovators, or people with the gift of a 'business mind'. The inaccuracy of such heroic qualifications, so often attributed to successful business communities is demonstrated by the bankruptcy court cases of the Zanzibar archives. Many started to work for family or community members before starting their own business. Others shifted from one business to another and back, and many did not survive in businesses at all. Therefore, the process of a community emerging as a successful business community has to be seen as the outcome of a

[45] ZA HC 2/65.
[46] ZA HC 2/136.

number of 'trial and error' processes. In these processes, only a few families survived in the long run.

The process of 'trial and error' in business and trade is nicely described in the life history of the shoemaker Hurji Mala. Hurji looked after the family business in India, while his brother explored possibilities in Zanzibar. The family business was declared bankrupt in Jamnaggar, India in 1898. In his personal statement, Hurji acknowledged that he and his brother owed their creditors in India Rs. 10,000. They sold their house in Jamnagar and paid less than twenty-five percent of the debts. At that time, his brother was doing 'some business' in Zanzibar, and Hurji decided to join him. He stayed for two months in his brother's house and then settled as a shoemaker in Zanzibar. By then, the family business was officially dissolved.

Hurji stated that he started with Rs 200, which was in the form of leather, shoemaker's tools, and no liabilities. In the year 1899, his wife was sick which 'interfered with his work' and he 'lost a small capital'. To continue his business, he borrowed money from his suppliers and continued his trade. He developed a good name and a good many customers. Because of his success, he employed two or three persons. Hurji, unfortunately, was unable to explain what happened between 1899 and 1903, the year in which his bankruptcy was filed. In his bankruptcy case, he made no attempt to explain how he got into difficulties. The trustee suspected that 'he seems to have made and sold shoes without ascertaining whether he was doing so at a profit or a loss.' Hurji himself alleged that he expected to make a profit of between 12 anna and one rupee on each pair of shoes. Against this profit, his own time and the men's wages had to be placed. That his shoemaker's business flourished at some time can easily be seen from the fact that Hurji was able to borrow the amount of Rs 1,347 in order to buy leather and a horse and carriage. However, in 1903, his total debt had grown to more than Rs 4,500, whereas his liabilities did not amount to more than Rs 1,330 (after the deduction of credit due to preferential creditors). In order words, there was a time when creditors stopped lending him money, despite his 'good name'.[47]

[47] ZA HC 2/67. It is also interesting to note that Halji's brother is not mentioned as a creditor. The fact that a 'good name' may be easily lost appears in the case of Gulamhusien Somji & Co. They were well known from traders in cloves from the 1880s onwards. However, they lost substantially in speculation in 1906-07. They were declared bankrupt in 1907. ZA HC 2/101. The Indian Remtulla Kachhra lost the confidence of his creditors after he left Zanzibar for Pemba without noticing them. He started his business in selling aerated mineral water in 1905. After Zanzibar had proven not to be very profitable he left for Pemba. His creditors were not amused by his search for new markets and filled his bankruptcy immediately. ZA HC 2/163.

Harji left a considerable debt in India before he went to Zanzibar. In Zanzibar, he went bankrupt again, despite some flourishing years. His most remarkable statement – i.e. from a businessmen's point of view – was the following, 'I did not know whether I was making a profit or not.' This clearly shows that it was possible for businesses to flourish or deteriorate without the entrepreneur himself realizing it. In most cases this is a direct consequence of poor administration of the busines affairs.

Some people even went bankrupt without making any loss. Pira Khimji, for example, seemed to be a quite successful businessman. He was the partner of Dewji Walji, with whom he successfully did business as an auctioneer. In addition, he acted as a broker to the British firm, Smith McKenzie, and he bought a press in order to print a newspaper. This highly diversified business was eventually brought to court after Khimji had mortgaged his wife's jewellery in order to buy the printing press. The insolvent's reports suggest that Khimji's continual expansion had been too speculative. Nevertheless, none of his ventures made any losses. However, his creditors forced him in May 1904 to pay back his debts immediately. Therefore, the Trustee rhetorically asked why the creditors ruined a good running business.[48] The sources do not reveal the answer.

Another example of the process of 'trial and error' is given in the life history of the South Asian Ladha Mawji. He appeared in court for the third time in 1908. He started his first business in Zanzibar in 1881. He went bankrupt in 1902 and again in 1904. He was able to pay most of his creditors for more than 70 percent of the total debts. It is not clear how and why he was able to start business again, and who lent him the money. In 1908, he was declared bankrupt again and the Trustee noted that, 'it is not possible to ascertain with accuracy how he has suffered losses.' However, elsewhere in his report, some hints are given:

> The Insolvent has, while he was in none too solvent a position spent after the marriage of his daughter and nephew about Rs 1500. and paid away to the Jamat Khana [the mosque of the Ismailis, G.O.] about Rs 1,000.[49]

---

[48] ZA HC 2/65.

[49] ZA HC 2/112. The spending of excessive money on charity was not rare in the Ismaili community. Some rich businessmen tried to raise their religious status by generously giving money to their religious institutions. Gulamhusein Baloo seems to have been more a religious spender than a businessman. He inherited from his father a house worth Rs 20,000 and also property worth $20,000. The trustee of his case stated that, 'the insolvent appears to have been very free with money'. Just before his bankruptcy was filed [1910], he went to Bombay to see his spiritual leader the H.H. Khan and spent Rs 2,000 on him. In addition, he appears to have presented him a chair with gold fittings worth Rs 3,000. Gulamhusein was Mukkim (an Ismaili priest) of the local Jamat Khan and spent almost Rs 5,000 toward the fund of his Jamat [Mosque of the

The expanse of Rs 1,000 was quite a substantial amount considering that his total debts were about Rs 20,000, of which he was able to pay back a little more than Rs 5,000.

This case is one of the few examples in which a person managed to become bankrupt more than once in Zanzibar.[50] It is plausible that his position within the Jamat Khana organization or the position of his in-laws and that of his daughter made it possible for him to obtain new loans and start new ventures. Nevertheless, this case shows that he had not learned much from the past. Moreover, it seemed that his status within the family and Jamat Khana was more important to him than re-investing profits in his business.

Some small traders passed through various stages in a few years. They went from being independent traders, earning a substantial living, to bankrupts who were fed by their mothers or brothers and had to beg for small jobs. Abdalrasal started his postage stamp business in 1905. He supplied important large firms like those of Alladina Visram, Gullamhusein and the Consuls of Austria and Germany. However, his prospects declined after the Austrian Consul left Zanzibar without paying him. At the same time his brother, who worked for Visram, was fired. Abdalrasal lost two important customers and could not repay his creditors, and went bankrupt. He stayed for a while at his mother's place where he was fed. After a while, he started a small business in cigarettes. He got goods on credit, but it never really paid. He failed again. In his own words, 'I attribute my failure to having to buy dear and to sell cheap'. He finally ended up in jail for cheating on his creditors.[51]

The South Asian bankruptcy cases from the Zanzibar Archives provide a biased view of the emergence of South Asian entrepreneurs in Zanzibar. Because of the nature of the material, we obtained mainly detailed information about 'failures', those who did not manage to become successful traders and businessmen. Nevertheless, these bankruptcy cases supplement the more well-known success stories of South Asian businessmen in East Africa. Therefore, we are given a more balanced view

Ismailis, G.O.]. These irresponsible expenses, from a business point of view, finally led to his deteriorated position. ZA HC 2/197.

[50] Unfortunately, we do not know what happened to the other insolvents after their bankruptcy was filed. They may have started to work for a family or community member in Zanzibar or travelled to India or to South Africa.

[51] ZA HC 2/137. Another example is Remtulla Kachhra, who started to sell aerated mineral water in 1905 in Zanzibar town with a capital of Rs 300. As business in Zanzibar Town proved to be unprofitable, he went to Pemba and some other places. He did not succeed anywhere. After returning to Zanzibar, his creditors claimed his machine, because they were afraid that he would leave Zanzibar again without noticing them. HC 2/163.

of the emergence of South Asian businessmen. Taking the 'success' and 'failure' stories together, an image develops of the 'trees in the forest' fighting for light and existence.[52] Only a few survive, and even less rise to big trees.

Building South Asian Education in East Africa

Formal and informal education played an important role in the lives of the pioneers in East Africa. Most of today's elderly South Asians in East Africa recalled their primary and secondary school. As may be expected, some received part of their education in India, whereas others were educated in East Africa only. Many, though not all, early migrants knew how to read and write Gujarati, having learned it in Gujarat. The Christian missionaries in East Africa had little interest in South Asians. Nevertheless, South Asians could not afford to remain uneducated. They were middlemen between the economy of the West and the Swahili farmers. Therefore, they took great interest in educating their children and started their own schools from the moment Gujaratis settled in East Africa.[53]

In July 1890, the leaders of the various South Asian communities in Zanzibar had for some time been concerned at the absence of any educational facilities for their children, and at a meeting convened by Euan-Smith they had agreed to finance a school which they decided to place under the management of a committee elected from members of all South Asian communities, both Muslim and Hindu. A sum of Rs 50,000 was subscribed at this meeting, and other donations quickly followed. When the school opened, there were two-hundred pupils on the roll and a staff of teachers recruited in India. Gujarati and English were to be the languages taught.[54]

In 1886, already, John Kirk welcomed the initiative of Tharia Topan to open a school in Zanzibar:

> The rising Indian community there is undoubtedly far below the educational standard and business capacity of their fathers who came from Kutch . . .

---

[52] See also, G. Oonk, Gujurati Business Communities in East Africa. Success and Failure Stories, *Economic and Political Weekly*, Vol. XL (20), 2077-2082.

[53] See, for example, Director of education to Honorable Chief Secretary, 16th March 1925, Tanzanian National Archives (hereafter TNA), AB 1032, p. 4: 'Throughout the Territory, wherever there is an Indian community of any size, Indian parents have taken steps to provide that their children shall, at least, be taught to read and write in Gujerati and at big centers like Dar es Salaam, Tanga and Tabora and elsewhere English is also taught, and girls as well as boys rightly attend these schools (. . . .).'.

[54] PRO FO 84, Euan-Smith to Ld Salisbury, 30 July 1890; FO 84 *ibid.* 1 Januari 1891.

> a knowledge of English is essential if the rising generation is to hold its own in keen competition with English, Americans, French and German. So great therefore, would be the benefit to be derived from good schools in Zanzibar for rapidly increasing British Indian population that the scheme of Tharia Topan would be all worth.[55]

During the colonial period many young South Asians in East Africa went to so-called 'Indian schools', where they were taught to read and write their 'own' languages. Though many schools were intended for certain communities or initiated by religious institutions, others served a wide range of students of various backgrounds.[56] Most of my respondents remembered that they attended 'Indian schools' where Hindus and Muslims sat together. Many of these schools were (partly) financed by the well-off Indian business community and little financial support of the colonial government. The colonial governments welcomed the initiative of South Asians wholeheartedly.

> One may here record a tribute of appreciation to the voluntary efforts that the Indian community has made throughout the Territory to provide some form of education, however poor, for its children. It is a tribute to their sense of responsibility toward the rising generation. In India people are well accustomed to the principle of providing at their own cost some kind of education for their children (. . .).[57]

However, the colonial governments wanted the South Asian communities to be taught in English and/or Swahili (in Kenya and Uganda) or German and/or Swahili (in German East Africa, DOA). First, those who could read, write, and speak the language of the ruler might be employed in the colonial civil service. Second, the governments wanted to control the native trade and produce, especially the account books of South Asian traders, in order to levy taxes and to avoid 'illegal' Indian competition. However, up to the 1920s, the British and German Colonial Government supplied very little funds and material for Indian education.

It is difficult to judge the accusations of irregularities and illegal business practices, because most of the evidence comes from colonial officials who, generally, supported European interests. For example,

> It is the opinion of the Europeans entrusted with Indian business relations that 30 percent of the Indians of Kilwa and Mohorro become bankrupt as

[55] Kirk to Secretay of State, Zanzibar, May 1, 1886 PRO FO 84/1773 London.
[56] Especially the followers of the Aga Khan, the Ismailis were quick to build their communal based Ismaili schools, which were nevertheless accessible to other Indians as well.
[57] Ibid.

> soon as accounting becomes obligatory (. . .). They always receive new credit from their fellow believers. Scarcely a month passes when Indians do not come forth to declare themselves bankrupt in one or the other city of our colony. They gladly pay 200 rupees of the establishment tax.[58]

Whether true or not, these accusations played a major role in the development of colonial policies toward the use of Gujarati account books and the teaching of Gujarati, English, and German in primary and secondary schools.

Thus, in 1906, the German colonial government tried to force South Asians to keep their account books in either German or Swahili (with Latin script, not Gujarati or Arabic script).[59] This was not backed with any initiative to encourage Swahili or German education for South Asians. On the contrary, at first, Indian education was deliberately hindered: 'The Indians who by their high intelligence and endeavor get the most out of education without being useful to the Government will be held back and segregated.'[60] Nevertheless, Government education for South Asians was included after 1912, when the Germans charged that the keeping of account books in Gujarati made it difficult to levy the profit tax and led to fraudulent bankruptcy claims. They admitted that the 'big Indian firms' were not targets in the legislation as their books 'were very well kept, even by European standards'.[61] The main aim was to challenge the 'big mob of retailers', and 'Blutsaugur' [cheaters or bloodsuckers, G.O], i.e., the small shopowners and so called *duka wallas*.[62]

However, it was soon realized that it would be impossible to force the 'old men', the South Asian family patrons, to learn German or any other European language in a short period of time. The Germans proposed that the South Asians should train the young men in their firms to learn a European language. The reasoning was two-fold. First, the young men would eventually be able to present the accounts in German or English and, second, after one generation the language problem would be solved. Nevertheless, the Germans themselves were unable to provide

[58] Memorandum Kilwa, 19th May 1903, TNA G 1/29/II. Translation mine.

[59] At that time Governor Von Goetzen was even attacked for trying to make Swahili the national language and was urged to make German the National language, *Die Post* 23-8 1913.

[60] Dar es Salaam report cited in G. Hornsby, German Educational Achievement in East Africa', in *Tanganyika Notes and Records* (62) 1964, 86.

[61] German custom inspector to Government, 22 April 1906 TNA G 1/29/II. Translation mine.

[62] *Ibid.* 13 May 1906, TNA G 1/29/II. In Kenya, the Fire Insurance Company requested the Government to require that accounts and books be kept in English or Swahili [and not Arab and Gujarati] in order to be able to check the claims. KNA, AG 30/53, 3-6.

necessary funds for education. In addition, they realized that the compulsory learning of European languages may lead to the migration of South Asian businessmen to Mombassa or Nairobi, where the learning of European languages was not an issue yet.

Meanwhile, the Indian Association, founded, had taken up the 'language matter'. The secretary of the Indian Association reminded the British Chief Secretary in Dar es Salaam, Tanganyika, that, 'my Association has also taken the trouble of making enquiries in Uganda regarding the matter and we are informed that even there it is permissible to keep such books in Gujarati amongst other languages.[63]

In Kenya and Uganda it had been accepted from the early 1920s onward that the account books of South Asians could be kept in English, Gujarati or Urdu.[64] The British Colonial Government used to hire South Asians to check the account books of South Asian firms. Except for a minor debate on the expenses of these colonial clerks, the language problem never came up. The Indian association successfully made its point and the proposed language legislation in Tanganyika was never passed and the Tanganyia colonial government appointed South Asian accountants to check the Gujarati books. However, even this was effectively challenged by the South Asians because they didn't want their books to be open to 'outsiders', owing to the importance of firm secrets. Several older informants willingly explained to me that they kept their business records in Gujarati even when they were able to read and write English; the main reason was to keep them secret, and they were not necessarily avoiding taxes. Interestingly, complaints by the South Asians regarding the level of taxes were written in English in Kenya and Uganda, or in Swahili in German Tanganyika. In day to day practice, language seemed to be no problem.[65]

In my view, the South Asian businessmen instrumentally used the 'language' argument to prevent colonial government interferences as much as possible. Avoiding taxes and misuse of trading licenses were but a small part of this. More important, I assume, was to keep the 'social distance' between the legislators and the traders to the level that they could outplay legislators. Most of my informants in Dar es Salaam do not hesitate to state that they made 'fair deals' with the South Asian clerks about the taxes, without showing any of the books. At the same

[63] The Indian Association to Chief Secretary in Dar es Salaam, 5 April 1933, TNA 11.660, 244.

[64] Amendment to trading licenses 1923 TNA 7092/I.

[65] TNA G3-52. In the Zanzibar archives we came across examples of books which were kept in Gujarati and in English. Zanzibar Archives HC 2/49, trustee report 1902.

time, raising taxes and checking account books was only an excuse of the colonial government to defend the interests of European firms in the area. Especially, in the German period in Tanganyika, this seems to be the major reason for the legislation plans.

This is not to say that language is unimportant, just a condition for understanding, exchange and collaboration or competition. On the contrary, language is an important part of the primary identity as well. Members of the first generation, even those who read, write and speak English fluently, still feel that Gujarati is their mother tongue. It is an important part of their cultural background. This is reflected in the fact that I saw various Gujarati newspapers and magazines in the houses of this first generation, including special women's magazines. Most first-generation Gujaratis in East Africa read Gujarati with more ease than English and they subscribed to magazines published in Gujarat.

The preference for the Gujarati language was also reflected in the fact that where a will had been written, it was written in Gujarati. Also in the colonial record I came across English and German translations of wills originally written in Gujarati. The will of the well known South Asian trader Sewji Hadji of Bagamoyo has his own entry in the Archives. The will has been translated in German and English as well.[66] This evidently shows that for personal correspondence there was a clear preference for Gujarati.

In short, as may be expected, the first generation of Gujarati businessmen already knew how to read, write, and speak Gujarati when they arrived in East Africa. They kept their business records in Gujarati, except for a few bigger firms, which kept them in English. The first-generation South Asians started to build educational institutions where the vernacular language would be Gujarati. Nevertheless, this was challenged in the following period by the colonial rulers who succeeded in making English the most important subject in the educational curriculum.[67]

The British could not provide the education they wished to give in the territories, thus they were happy with the South Asian initiatives to build schools throughout the country. In general, the level of Indian education was sufficient and could easily stand with most missionary

[66] The German Records section of the TNA contain several German as well as English translations of wills. See G3 35, where we find the names of Karim Ladha, Remtulla Meralji and Dayal Trikamdas; the most famous person had his own entry under G 3 38. This was Sewji Hadji who left a huge part of his possessions to the Germans in order to build a hospital and a house for lepers.

[67] More on the language and cultural change of especially Hindu Lohanas, see, G. Oonk, The Changing Culture of the Hindu Lohana Community in East Africa, *Contemporary Asian Studies*, 13 (1) 2004, 7-23.

schools. However, the colonial government was discontented with the fact that in most Indian schools the vernacular language was Gujarati, and the English language was a subject only. As the Government was willing to promote the education of South Asians in the colony, one important condition was that the vernacular language would be English. In the words of the R. Smith, the Director of Education in Dar es Salaam,

> The medium of elementary education is the language of the country, but as the Indian communities wish to maintain their identity by continuing to encourage the use of Gujarati for commercial purposes I warned them that it is not improbable that Government will decide to assist only in schools where English is taught.[68]

By 1925, the colonial Government still brought into play the argument that the Gujarati language was mainly used for commercial purposes among the South Asian traders and therefore the Government should not support Indian education unconditionally. Nevertheless, this dispute lost ground in favor for a new argument. The Colonial Government started to emphasize that their main interest was the development of the country, especially the Africans. Therefore, the education of Indians was not at the forefront of their agenda.

Nevertheless, the knowledge in writing and reading of English grew only gradually among South Asians in East Africa. This is confirmed by some figures, however sketchy, from the 1931 census report, which stated that more than one-fifth of the Tanganyika South Asians were able to speak English, whereas more than 75 percent stated that they couldn't [the remaining 5 percent did not answer the question on language]. In addition, the report stated that about half of the South Asian population was able to read and write Gujarati, whereas as only 5 percent could read and write English.[69]

In general, the ability to write and read was an important asset in running a business. Writing accounts helps businessmen to understand the changing deviations in income and expenditures. In addition, the knowledge of English gave access to negotiate with the British. Not only on the terms of education and the interpretation of account books, but also in acquiring trading licenses, work permits, jobs with the lower ranks of the civil service and other dealings with colonial officials.

---

[68] R. Smith, Director of Education in Dar es Salaam, 24 March 1925, TNA, AB 1032, 14.

[69] Report on the Non-Native Census 1931, 50-51.

Conclusion

Many descendants of early South Asian migrants claim that they came to East Africa with 'little or no money' and had a 'humble background'. This is confirmed in the sources of the bankruptcy cases in the Zanzibar archives. Nevertheless, this does not mean that they possessed nothing at all. On the contrary, they had their 'family name', which gave access to small jobs with family and community-members who owned shops. They 'learned on the job' how to handle money, produce account books and how to calculate rent. Shop owners supported their employees by giving them credit in goods for three months and gave them the opportunity to start businesses elsewhere. In fact, they themselves transited from retailers to wholesalers.

Not all migrants came with almost nothing. Some were fairly rich and closely related to the Arabic rulers of Zanzibar. Both Seyyid Said and Seyyid Bargash appointed Indian custom masters, who were responsible to collect the customs in Zanzibar and some other harbours along the East African coast. These Indian custom masters invited their family and community-members to farm the customs as profitable as possible. Therefore, contacts with rulers as well as close family networks played an important role in the success of South Asian entrepreneurs in East Africa.

It seems plausible, although the evidence is not clear, that the South Asian community was economically hierarchically structured. Patrons, like Tharia Topan, Allidina Visram and Ladha Dama provide their family and community members with all kinds of jobs and services. In addition they served as leaders in cases where small disputes had to be solved or to establish formal education. Tharia Topan was one of the first Indian leaders to establish an 'Indian School' in Zanzibar, where South Asian Hindus and Muslim were educated in their own languages.

Access to credit and informal institutions was not unconditional but based on a persons reputation rather than physical securities. Because of this, the 'good name' of the family was significant, in some cases to the extent that family members took responsibility for each other's debts to avoid bankruptcy in order to keep up the good name. Credit and debts were an important factor in most businesses. In a number of cases, the huge number of so called 'bad debts' played an important role in the inability of the insolvent to pay back their creditors. This shows a fascinating paradox in communal credit relations. Insolvents most often obtained their credit to start a business because of their reputation within the family and community. While doing business, however, they offered credit to community members as well, who – in the bankruptcy cases –

were not able to pay them back. This was – among other things – a major cause of their insolvency. Therefore, the ability to judge a person's credibility in the long run and the ability to acquire loans back in time were important conditions for running a successful business. The fact that most South Asian businesses started with little or no money may explain the small importance given to physical securities. Most of the starting traders had nothing to offer but their families' names.

In general, the most important and first creditors were the father and brother(s) of the insolvent. They were followed by other family members such as in-laws and uncles. Their names were not always listed in the bankruptcy cases, but they were mentioned in the business histories of the Trustees. In addition, 'other' community members were among the most important creditors. Lastly, non-community members represented a very small minority of the creditors in the bankruptcy cases of South Asians in Zanzibar.

As there was a constant rise and fall of businesses, the emergence of South Asians in Zanzibar should be portrayed in terms of 'trial and error'. Obviously, the process of 'trial and error' in itself does not explain the overrepresentation of successful South Asian traders and businessmen in Zanzibar. If we are to explain the outstanding business success among the South Asian community in East Africa, the following factors seem to be of prime importance: (1) many of the early migrants had some experiences with a 'money economy' and producing account books, i.e. being able to read, write and count; (2) they arrived with a lot of social capital, i.e. their family name which gave access to credit and jobs; (3) some patrons had strong relations with the rulers and were pampered by them; (4) in return they pampered their own family and community members by supporting and educating them. All these factors were not – to the same extent – available to Swahili businessmen. Last but not least, (5) the success of South Asian businessmen in East Africa was the outcome of a 'trial and error' process. The successful remained in East Africa, whereas others left. India remained a safety net for those who did not make out, as well as a source for new recruitment of new traders.

References

BOCOCK, R.J.
1971 "The Ismailis in Tanzania: A Weberian Analysis." *British Journal of Sociology*, 22 (4): 365-380.

BONACICH, E.
1973 "A Theory of Middlemen Minorities," *American Sociological* Review, 38: 583-594.

BURTON, R.
1872 *Zanzibar: City Island and Coast*. London.
CHANDARIA, S.
1985 *Chandaria Family: An Introduction to the Foundation Stones of the Unique Integrated Modus Vivendum of the Family*. Geneva.
CLARENCE-SMITH, W.G.
2001 "Indian and Arab entrepreneurs in Eastern Africa, 1800-1914." In H. Bonin, M. Cahen. (eds.) *Négoce blanc en Afrique Noire; l'évolution du commerce à longue distance en Afrique Noire, du 18e au 20e siècles*, pp. 335-349. Paris: Société Française d'Histoire d'Outremer.
DOBBIN, C.
1996 *Asian Entrepreneurial Minorities. Conjoint Communities in the Making of the World Economy, 1570-1940*. Richmond: Curzon Press.
GHAI, D.P.
1965 *Portrait of a Minority: Asians in East Africa*. New York: Oxford University Press.
GREGORY, R.G.
1971 *India and East Africa: A History of Race Relations within the British Empire, 1890-1939*. Oxford: Clarendon Press.
GREGORY, R.G.
1993 *South Asians in East Africa. An Economic and Social History, 1890-1980*, Boulder: Westview Press.
HOSELITZ, B.
1963 "Entrepreneurs of Lebanon: the Role of Business Leaders in a developing economy." *Business History Review* 37(3): 29, 300.
KRISTIANSEN, S. & A. RYEN
2002 Enacting their Business Environments: Asian Entrepreneurs in East Africa, *African and Asian Studies* 1(3): 165-186.
LOUIS, R.W.
1976 *Imperialism. The Robinson and Gallagher Controversy*. New York: New View Points.
MARKOVITS, C.
2000 *The Global World of Indian Merchants 1750-1947. Traders of Sind from Bukhara to Panama*. Cambridge: Cambridge University Press.
MATSON, A.T.
1966 "Sewa Haji: A Note." *Tanganyika Notes and Records*. 65: 91-93.
MEHTA, M.
2001 "Gujurati Buisness Communities in East African Diaspora. Major Historical Trends." *Economic and Political Weekly*, May 19: 1738-1747.
MEHTA, N.K.
1966 *Dream Half Expressed: An Autobiography*. Bombay.
NAGAR, R.
1996 "The South Asian Diaspora in Tanzania: A History Retold." *Comparative Studies of South Asia, Africa and the Middle East*, 16/2: 62-80.
NASEEM, A.W.
1975 *Nature and the Extent of the Indian Enterprise Along the East African Coast And Subsequent in the Development of Kenya 1840-1905*. Unpublished M-Phil thesis, St. John's University New York.
OONK, G.
2005 Gujurati Business Communities in East Africa. Success and Failure Stories, *Economic and Political Weekly*, Vol. XL (20): 2077-2082.
2004 The Changing Culture of the Hindu Lohana Community in East Africa, *Contemporary Asian Studies*, 13 (1): 7-23.
After Shaking his hand, start counting your fingers. Trust and Images in Indian business networks, East Africa 1900-2000, *Itinerario* 18 (3): 70-88.
2001 "Motor or Millstone? The Managing Agency System in Bombay and Ahmedabad, 1850-1930." *Indian Economic Social History Review* (4): 419-452.

Oonk, G. & U. Bosma
1998 "Bombay-Batavia. Parsi and Indo-European variations in mediating 1800-1947." in N. Randeraad, N. (ed.), *Mediators between State and Society in Comparative Perspective*, Hilversum: Verloren 17-40.

Patel, Z.
1997 *Challenge to Colonialism. The Struggle of Alibhai Mulla Jeevanjee for Equal Rights in Kenya*. Nairobi.

Ramchandani, R.R.
1976 *Uganda Asians. The end of an Enterprise*. Bombay: Bombay United Asians Publications.

Schumpeter, J.A.
1959 *The Theory of Economic Development*. Cambridge: Cambridge University Press.

Sheriff, A.
1971 *The Rise of a Commercial Empire*. An Aspect of the Economic History of Zanzibar, 1770-1873. Unpublished Ph.D. thesis, London: London School of Economics.

Seidenberg, D.A.
1996 *Mercantile Adventures. The World of East African Asian, 1750-1985*. Nairobi: New Age International.

Simmel, G.
1950 "The Stranger." in K.H. Wolff (ed.), *The Sociology of George Simmel*, New York, 402-.

T. Sowell
1994 *Race and Culture: A World View*. New York: Basic Books.

Voigt-Graf, C.
1998 *Asian Communities in Tanzania. A Journey Through Past and Present Times*, Hamburg.

Walji, S.
1974 *A History of the Ismaili Community in Tanzania*, Unpublished Ph.D. thesis. University of Wisconsin.

Weber, M.
1978 *The Protestant Ethic and the Spirit of Capitalism*. London: George Allen & Unwin.