'HWE' CHINESE CREDIT CIRCLES (*JULU-JULU*)

(VLEMING'S CHAPTER 11)

In his book *Things Chinese*, under the heading 'Societies', the renowned English sinologist Dyer Ball gives a very extensive survey of the specifically Chinese associations called *hwe*. From Ball's account we can repeat the following information.

Suppose that a Chinese person A needs $100, he or she (in China, women also engage in such practices) will try to call a *hwe* together. If he succeeds in finding 20 interested parties the contribution can be fixed at $5 (20 x $5 = $100). Person A then prepares booklets containing the member's name, the agreed terms and so on, to be taken along to every meeting. He keeps one booklet for himself and distributes the others among the members. Most of the *hwe* hold monthly meetings, but others hold their meetings fortnightly, every three months or even once a year.

Let us consider the *hwe* which hold monthly meetings. After the date of the first meeting is decided, the subsequent meetings must be held on the same date each month. At the first meeting, A receives $5 from each member and hence a total of $100. A enjoys this advantage interest-free because he had instigated the business. At the second meeting, exactly one month later, A begins to repay the debt by contributing his or her initial $5 monthly instalment to the *hwe* fund. The other members continue with their monthly contributions to the fund for which A takes responsibility as the *hwe* leader. The other members then become eligible for the loan which consists of A's monthly $5 repayment plus the monthly contributions from all of the other members. So after 21 months A will end up having personally repaid $100 after each of the other members has received his loan.

However, the matter appears complicated in that B, C, D and the other participants have all received loans and paid them back; everybody except A, the leader, has made a loan to everybody else. This apparent complexity is the

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stumbling block preventing most Europeans from understanding the matter. To do this we must first pay our attention solely to each member in turn and follow the proceedings from his perspective, without letting our attention wander to the other members in the meantime.

Where does member B fit in? How does he obtain his money? Not being the leader, he cannot acquire interest-free money at the start of the *hwe*, but he is a member and therefore eligible for the loan like all the others. But how is it decided which eligible member has the right to receive the loan first? The rule is that, after A has received his loan, he is followed by whomever offers the highest interest. Every member writes on a sheet of paper the level of interest which he is prepared to pay. Although no-one is obliged to bid it seldom happens that any member refrains. It speaks for itself that the exercise would be redundant at either the first or the last meeting. A then opens all the sheets of paper and the member who made the highest bid receives the capital available that month. In those cases where two people made the same bid, the person whose sheet of paper was opened first takes preference.

Let us suppose that B wrote 'Offer 50 cents interest' on his sheet of paper and that this was the highest bid. B now pays nothing while A pays the $5 which he pays every month. The other 19 members subtract the interest of 50 cents directly from their deposit and each pays $4.50, which A then collects, usually at the meeting (settlement on other terms is not accepted). So B receives 19 x $4.50 + $5 = $90.50, and now must pay $5 at every monthly meeting which follows. In this way B ends up paying interest because all of the other members pay B $4.50 but receive $5 in return. A has paid B $5 and so has settled his loan to B. B does the same by paying $5 in the following months. So B must now pay 19 lots of $5 as well as the $5 he paid at the first meeting. Like A, B will also have paid $100 during the proceedings, but since he received only $90.50 he will have paid interest worth $9.50, regardless of the point that his $100 will have been paid in 20 instalments.

Let us now look at C. In the third month C offers 25 cents interest and takes the loan. From A and B he receives $5, and from the other members 18 x $4.75 = $85.50, or $95.50 in total. B repays this loan as follows:

1st month to A	$5.00
2nd month to B	$4.50
3rd month	nil
4th to the 21st month $5 each month	$90.00
	$99.50

Thus C pays $99.50 for a loan worth $95.50, hence $4 interest.

How is it with the last member U? It could be said U pays back the loan before receiving it, or in other words U is paid according to the interest which had been offered at variable rates from month to month. A high rate of interest during the proceedings is of course to U's advantage and this is a reason why members compete in the bidding for interest rates even if they wish to have their money later on. Suppose for the sake of simplicity that the average level of interest was 25 cents, so that U would have paid $5 in the first week and then $90.25 (19 x $4.75) in the following weeks, or $95.25 in total. U gets back $100 and so makes a profit of $4.75. Of course, regardless of what levels of interest were bid, as the last member U must receive $100. With U the *hwe* finishes because no leader may have the pleasure of twice receiving $100 interest-free.

The system proffers good chances of fair interest on the one hand and acquiring money for a reasonable price on the other. The whole affair is of course based on mutual honour; if one member vanishes into thin air, then it depends on the agreement established at the outset whether the leader is responsible and for what level of liability. If a member dies then the matter must be settled with his joint heirs. If the leader is the one to vanish, then the members who have already received their loan will not suffer any damages. Nor will their liability to the other members increase, because the agreement was settled between the leader and each member individually rather than between the members generally. No option would then be left but to declare the *hwe* liquidated and write the losses off.

In the big *hwe* the meetings are usually held monthly in conjunction with a dinner. The first dinner must be paid by the leader who also orders the dinner at the next meeting when B must meet the associated expenses as a deduction from his loan. The following month B orders the dinner and C must pay for it, etc.

The type of *hwe* described above is very common. A somewhat different form of *hwe* called *te-phoe-hwe* is found among the poorer circles in China, especially among the women. Its name, which means 'the union spread widely on the ground', arose because the inaugurator of this type of *hwe* was too poor to entertain his friends properly and simply spread a mat on the ground to collect their contributions. Its primary difference from the usual *hwe* is that there is no leader with preferential rights. Indeed the person who establishes the *te-phoe-hwe* need not be a member. In this case he is actually a valet of the others and at the same time a sort of broker who receives a commission. The commission amounts to half of the monthly contribution received from all the members in the month they obtain their loan. So if the monthly contribution is $5, then the commission amounts to $2.50 from A in the first month, the same amount from B in the second month and so on. Furthermore, in the *te-phoe-hwe* the first

person to receive any capital is the member who wins the competition to bid the highest interest, whereas in the usual *hwe* the first to receive any capital is the leader who, remember, does not need to pay any interest.

Dyer Ball also refers to the remarkable phenomenon that a credit union much like the *hwe* used to exist among English factory labourers. We do not know whether a similar institution ever existed in other European or American countries.

The head of the tax office in Padang reports that the the type of *hwe* discussed above is common in the West Coast of Sumatra where it is called *julu-julu*. It is more popular during boom times and less popular during recessions.

A limited trading company of considerable renown, which had been spending an average of 20 to 30 thousand guilders in these credit unions, ceased its involvement a few years ago due to the great risks involved.

The tax office in Medan knows of only small *hwe* which are virtually restricted to the Cantonese. As further evidence that indeed the *hwe* is specifically Cantonese, Dyer Ball used to work primarily in Canton and Hong Kong. Small *hwe* often attract major trading companies which may belong to as many as three or more *hwe* at the same time, so we need not doubt that these small *hwe* strongly resemble a lottery or a gambling game. They usually have a business name as is common practice amongst Chinese business circles; hence we find the *kong-siong-hwe* which translates as 'the widespread fortune union.

From what those in a position to know tell us, the credit circles discussed here are also found among the Chinese in Java.

The hwe *has been retained in modern Indonesian society in its version popularly called the* arisan, *as discussed by Clifford Geertz's 'The rotating credit association: a 'middle rung' in development' (**Economic Development and Cultural Change** 10 (1962), pp. 243-262), and by Glen Williams and Mary Johnston's 'The* arisan: *a tool for economic and social development' (**Prisma** 29, September 1983, pp. 66-73).*