



CAPITALISM AND ECONOMIC CHANGE IN COLONIAL SABAH: THE ECONOMIC TRANSITION OF INDIGENOUS COMMUNITIES IN NORTH BORNEO, 1881-1963

*A RAHMAN TANG ABDULLAH

Faculty of Social Sciences and Humanities, Universiti Malaysia Sabah, Malaysia.

*Corresponding author: art@ums.edu.my

Date Received: 18 September 2025 | Date Revised: 7 December 2025
Date Accepted: 16 December 2025 | Date Published: 22 December 2025
DOI: <https://doi.org/10.51200/manu.v36i2.6823>

Abstract *This article presents the general view on the economic transition of indigenous communities in Colonial Sabah (1881-1963). Its objective is to examine the evolution of the indigenous economy and its transition to modern economy as a result of the advent of capitalism and its economic change during this period. The method employed is content analysis, derived from the secondary literature complemented by archival documents. Based on the findings, since the general pattern of economic development was based on the framework and orientation shaped by capitalism, the extent of the indigenous communities in facing economic change during the period was highly dependent on their ability to adapt themselves to the increasing penetration of money economy in economic transactions. It is based on the premise that the community who were exposed earlier in money economy had more advantage compared to the community who were less exposed to this phenomenon. The fundamental concept of economic change during the period is applied to the change from subsistence to commercialism, the increasing penetration of money economy into the indigenous communities and the change from external economy, which was highly dependent on external trade, to internal economy based on inland economic development. Therefore, the indigenous communities were left far behind other immigrant communities because of their slow pace in adapting to the orientation of commercialism. Consequently, it is a crucial to provide indigenous communities with intensive entrepreneurial knowledge and skills before granting them business capitals, to assist them in pursuing commercial activities.*

Keywords: *Indigenous communities, economic change, capitalism, Sabah, North Borneo.*

INTRODUCTION

Located in the Northern Borneo Island, Sabah is one of the states in East Malaysia together with Sarawak. Before joining Malaysia in 1963, Sabah was officially referred to as North Borneo. It was governed under the British North Borneo Company (BNBC) from 1881 to 1946 with the interregnum period of Japanese occupation from 1942 to 1945. The BNBC rule is also referred to as Colonial Sabah since the company itself as the governing authority in the territory is sanctioned under the royal charter from the Queen of Great Britain. Then, it was governed as a Crown colony of the United Kingdom from 1946 to 1963. In this respect, the term



‘Colonial Sabah’ is referred to North Borneo before it joined to form the Federation of Malaysia in 1963. With the establishment of BNBC in 1881, this marked the beginning of the whole territory of North Borneo to exist legally as a single political entity. Under this status-quo, it became a state in the Federation of Malaysia in 1963.

Under the BNBC rule, North Borneo or Colonial Sabah began to be exposed to modern economy that focused on internal development as the process of transformation in the territory. This process of transformation brought about the economic change associated with capitalism. Generally, the fundamental characteristics of economic change under capitalism in this period is manifested in the form of the changing orientation from subsistence or self-sufficiency to commercialism and the increase in the penetration of money economy in daily economic activities of the whole population. Moreover, the general pattern of indigenous economy changed from external economy, which was highly dependent on external trade, to internal economy based on inland economic development. This pattern still prevailed even during the British Crown colony from the 1940s to 1960s.

However, the prosperity resulted from this economic transformation were mostly enjoyed by immigrant communities rather than the indigenous communities. The fundamental issue here is why the indigenous communities in Colonial Sabah were left far behind other immigrant communities during this period. In fact, this problem is still regarded to be relevant in the current context because it is commonly believed to be associated with colonial legacy. It is apparent that the non-European immigrant communities notably the Chinese are considerably dynamic and progressive as a result of their economic dominance that can be seen even until today.

Therefore, this paper discusses the general view on the economic transition of indigenous communities in Colonial Sabah under the British North Borneo Company rule (1881-1941) and British Crown colony (1946-1963). This economic transition is based on the historical process of transformation associated with the economic change derived from capitalism. The main objective of this paper is to investigate the evolution of the indigenous economy and its transition to modern economy as a result of the advent of capitalism and its economic change in North Borneo during this period. In order to present a clear understanding of this issue, the discussion in this paper is divided into four sections. The first section briefly presents the relevant literature on the subject. It is then followed by the second section which discusses the hypothesis and general view, with two subsections: (a) the indigenous communities and economic change in Colonial Sabah, and (b) the indigenous communities and the question of communal economic progress.

Based on the above perspective, the examination on the impact of capitalism on economic aspects through the penetration of money economy into the indigenous communities will be revealed through multi-ethnic perspectives. This is the main aspect to unveil the reality of the transformation of indigenous economy from subsistence to commercialism. This paper seeks to highlight the extent of the historical reality in relations to the stagnation of the indigenous economy even though the economy of North Borneo flourished during the stated period.



MATERIALS AND METHODS

The method employed in this paper is based on historical presentation of the subject matter. It is qualitative in nature. The study employed a content analysis approach, drawing on relevant sources: secondary historical writings and primary archival documents. The incorporation of the secondary historical writings in this paper is symbiotically associated with the discussion on the fundamental concepts and phenomena in relations to capitalism and economic change. The utilisation of archival documents is essential for verification of facts and phenomena mentioned in this paper. The primary sources utilised in this paper are Annual Reports of the Colony of North Borneo, Official Gazette of North Borneo, Colonial correspondence from Colonial Office and Dominion Office in London, and The British North Borneo Herald Newspaper. With the combination of these two types of sources, they are used to present the historical interpretation of the subject of discussion i.e., the economic transition of the indigenous communities in Colonial Sabah.

LITERATURE REVIEW

Generally, it can be said that the historical writings on the study of the indigenous economy in North Borneo during the colonial period is not extensive. The existing writings on economic history of North Borneo only focus on large scale economic activities that were associated with the Europeans and Chinese communities due to their domination in export economy, notably timber, commercial plantation, mining and trade. This dimension can be found in the writings of Tate (1979) and Amarjit Kaur (1994; 1998). Accordingly, indigenous economy is treated as a marginal aspect in the economic history of North Borneo as reflected in these existing notable writings.

Under these circumstances, the Chinese immigrant community received major attention in terms of their role and contribution to the economic development of North Borneo. In many respects, the Chinese are always regarded as more significant than other immigrant communities essentially because their role and domination in the economy of North Borneo were more visible since pre-colonial period. This is because most of the jungle products, notably edible bird's nests from North Borneo were traded directly with China or indirectly through Sulu (Warren, 1981). During the colonial period, the Chinese's role was visible in business as entrepreneurs and waged labourers. As entrepreneurs, most of them established business enterprises and acted as the middlemen in economic activities. As labourers, they were significantly more acknowledged since a large number of them were involved as waged labourers or indentured labourers in the development of modern economy in North Borneo. This is evident in the development of mining and agricultural plantation in North Borneo in the late 19th and the first half of the twentieth centuries (Lowrie, 2020; Wong, 1999).

Meanwhile, it is noticeable that there are attentions given more to the socio-economic aspect of the Japanese immigrants even though their population in North Borneo was considerably small. The Japanese immigrants were acknowledged for their role and contributions in developing export economy in North Borneo. In fact, their presence was regarded as significant in terms of capital investment and waged labourers equivalent to the Chinese, especially in commercial plantations of rubber and oil palm (Fujio Hara, 1993; Sabihah Osman, 1998).



In the existing historical writings, there is a tendency to give the impression that the indigenous economy during pre-colonial period was relatively more advanced than it appeared. According to Ranjit Singh (1984), there is evidence that in the 1860s and 1870s, there was the gradual spread of periodic markets known as '*tamu*'. It provided avenues for formalised and peaceful exchange and transactions in the western coastal part of North Borneo. This shows that the existence of internal business activities among the indigenous communities had existed even before 1881, the year of the commencement of the BNBC rule. In this respect, the existence and the expansion of such periodic markets provided the foundation for the transition from pre-modern to modern economy. In such case, the pre-modern economy was associated with the extensive use of barter system while the modern economy was manifested by the gradual penetration of money economy in the business exchange among the indigenous communities notably the Dusuns, Bajaus, Muruts, Bruneian Malays and others.

In addition, Cleary (1996) gives a general impression that the indigenous economy was prosperous during pre-colonial period since most of the jungle products in North Borneo were actually controlled by the indigenous communities. This is particularly so because most of those jungle products were valuable and considered luxurious goods in regional and international commerce. However, this pattern changed during the colonial period when timber became the main commercial product. Thus, it can be observed that from a comparative perspective, the economic prosperity in North Borneo was equal to that of Malay Peninsula during the pre-colonial period. This is because the same phenomena can also be found in the Malay Peninsula with reference to the existence of localised trading centre in Kelantan and Terengganu in the 19th century (Drabble, 2000).

Recently, the subject of the indigenous communities in North Borneo has attracted the attention from local Sabahan historians. This can be seen in the writing by Dg. Junaidah Awang Jambol and Baszley Bee Basrah Bee (2022) who focus on the socio-economic aspect in relation to the transition of the economic activities of the Bruneian Malay community in the west coast of North Borneo between 1881 and 1963. What is striking in this particular piece of writing is that the Bruneian Malay community is considered further behind not only in comparison to the Chinese community, but also to other indigenous ethnic groups, such as the Dusun and Bajau communities, in terms of their economic achievement as a result of the advent of capitalism. It is more striking to notice that in terms of business activities, they used to be more advanced than other communities since they had played the role of promoting the expansion of the *tamu* market in the west coast of North Borneo towards the end of the 19th and early 20th centuries. However, it is claimed that their economic progress was hindered by the shift in the communities' medium of exchange and transactions from a barter system to a monetary system using the currency introduced by the BNBC.

In the above discussion, there is some obscurity in the conclusion. On one hand, it is logical to accept that the Bruneian Malay community were still left behind compared to the Chinese community. However, it certainly reflects the peculiarity among the Bruneian Malay community who were not able to adjust themselves to the changing orientation from the barter system to the money economy even though they had actually been accustomed to the practice of trade and business before the period of the BNBC rule. This also means that they had long been exposed to monetary transactions in a larger extent compared to the Dusuns and Bajaus before the BNBC rule. Thus, it is also odd to notice that as business entrepreneurs, they were not familiar with monetary transactions before the advent of capitalism in North Borneo and they had faced difficulties to adjust themselves to the expansion of money economy under this new environment after the advent of capitalism at that time. The only possibility that could lead



to this situation is most of their business activities became saturated under the changing circumstances associated with capitalism and money economy. Nevertheless, this was never the case since most of the entrepreneurs among the Bruneian Malays were actually petty traders in North Borneo during the pre-BNBC rule and they still had good relations with other indigenous communities in their economic affairs.

HYPOTHESIS AND GENERAL VIEW

Based on the general view derived from the above literature review, this paper attempts to construct a fundamental understanding of the impact of capitalism on the economic transformation of the indigenous communities in North Borneo during the colonial period. The hypothesis of this research is centred on the argument that the success and failure of any particular indigenous community in adapting themselves to capitalism is based on their exposure to mercantilism that precedes capitalism. In many respects, mercantilism is referred to the old age of money economy, which extensively concentrated on external trade, and it is also a system of monopoly as a mode of economic organization (Elson, 1997). In this respect, the immigrant communities especially the Chinese were accustomed to mercantilism earlier than the indigenous communities. Despite such economic interaction between the indigenous and the Chinese communities had existed before the 19th century, the Chinese gained more control over the economy in North Borneo due to their exposure to trade and money economy in a larger extent than the indigenous communities. On the other hand, despite being connected to external trade, the mode of production of indigenous communities as a whole still remained marginalized in money economy at subsistence or semi-subsistence levels (Scott, 1976).

In historical perspective, the Chinese traders had been exposed to mercantilism earlier than the indigenous communities. The exposure to mercantilism was essential since it deals with surplus that was then converted to money economy through transactions in business and external trade. This provided them with advantages to switch from mercantilism to capitalism, which was manifested by the expansion of surplus and the increase of money economy in economic transactions. Additionally, many Chinese became entrepreneurs as a result of their capability to raise their own capitals for establishing and for expanding their businesses. The most typical form of Chinese entrepreneurship at elementary level are shopkeepers and sellers in the local daily markets. Through the establishment of business enterprises, the Chinese were able to extend their domination on the existing economic sectors, notably agricultural plantation and fishing. This was achieved through their capital investment in financing the expansion of agricultural products into commercial plantation cultivation. They became involved as gardeners in the cultivation of fruit and vegetables, and animal husbandry producing eggs and poultry. They were also able to act as middlemen and creditors in fishery industry. It is reported that the fishing industry in North Borneo was almost entirely controlled by the Chinese merchants known as *towkay* who exercised control over the fishermen, both the Chinese and the natives. This is due to the reason that most of the fish were sold through Chinese who acted as middlemen or sellers in the day market (Annual Report 1948, 1949).

Under the prevalence of economic change associated with capitalism, the Chinese were also forced to adapt themselves to the new, modern and complex orientation brought by western mercantile communities. This was necessary for the Chinese to sustain their economic situation in facing competition with the Europeans or in expanding their business activities and exploring new business opportunities especially in service economy such as shipping, banking and insurance (Brown, 1994; Lee, 2012).



Another dimension of the Chinese to adapt themselves to capitalism was achieved through waged labour. During the mid-19th century, the Chinese waged labour became the main source of cheap labour after slavery was abolished completely at that time. In most cases, it is reported that they had lived in miserable conditions, working as cheap waged labourers. It is noticeable that the European mercantile communities benefited from the exploitation of those cheap coolies for plantation and mining sectors that had contributed to the prosperity of the development of internal economy in developing territories in those days. This benefit was also enjoyed by the Chinese entrepreneurs (Yen, 2013). Nevertheless, the utilization of such cheap labourers in the plantation and mining sectors still need the capital investment associated with money economy.

Such similar pattern can also be found among other immigrant communities, especially the Javanese, even though their achievements were less remarkable compared to the Chinese. It can be identified that the Javanese were the earliest indigenous community who were exposed to mercantilism and capitalism in Southeast Asia in the 19th century. The element of mercantilism was found in the existence of batik industry in Java since the 17th century. This eventually led to the emergence of the Javanese batik mercantile community who formed '*Sarekat Islam*' (the corporation of Islam) in 1909. Moreover, the Javanese peasant community as a whole were subjected under the Dutch policy of the Cultivation System, also known as Culture (*Kultur*) System (1830-1870), which had been coined as state capitalism (Siregar, 2023). Due to the prospect of generating monetary economic prosperity under capitalism, most of them migrated to Malaya and North Borneo to work as waged labourers in the agriculture and plantation areas or to open up the jungle land to permanently form a settlement. This was to pave the way for them to acquire private land in those days (Sweeney, 1980).

Consequently, it is found that the Malays were inspired by the Javanese in pursuing to improve their economic achievement. One example is seen when the Malays in Kelantan actually established a business company in 1913 based on the model of '*Sarekat Islam*', which was established in Dutch Indies (Indonesia) in 1909 (Roff, 1984). This establishment of business corporation incorporated a large number of petty shareholders among the Malays and it was regarded as realistic for generating capital and reducing risks and losses. In fact, there is a general impression in Malaysia that among the Malays, the Javanese descendants together with the Indian Muslims and the Kelantanese Malays are highly regarded for their dominance in businesses today. This shows that economic progress in capitalism and money economy could only be achieved through the involvement in the business sector that encompassed most of the economic activities.

Under the changing circumstances, Colonial Sabah had also been equipped with the prospects of economic progress through the exploitation of its natural resources and potentials. Generally, it can be identified that the economic progress of Colonial Sabah is mostly dependent on mineral resource exploitation, agricultural resource expansion, and the utilisation of forests and forest resources (Amarjit Kaur, 1998). According to the general observation of the British officials, they viewed that economically North Borneo is very far ahead of Sarawak in the early 1960s (Goode, 1960, December 30; Tory, 1960, July 20). The main resources that had contributed to the flourishing economy of North Borneo were timber, rubber, copra, tobacco, manila hemp and sago. New plantations such as oil palm and cocoa had been introduced by the government in order to diversify the economy of the colony (Annual Report 1951, 1952). However, most of those aspects of economic prosperity were connected to



commercial and export-oriented economy and were attributed to immigrant rather than indigenous communities.

The Indigenous Communities and Economic Change in Colonial Sabah

It is generally understood that the British colonial administration had broadly applied the word ‘the natives of Borneo’ which also refers to indigenous communities. It applies to:

(a) any person both of whose parents are or were members of a people indigenous to the Colony (North Borneo); or (b) any person ordinarily resident in the Colony and being and living as a member of a native community; (c) one at least of whose parents or ancestors is or was a native within the meaning of paragraph (a) hereof; or (d) one at least of whose parents or ancestors is or was a member of a people indigenous to: (1) the State of Brunei; or (2) the Colony of Sarawak; or (3) the territories of the Federation of Malaya, the Colony of Singapore or the former Straits Settlements; or (4) the territories of the Indonesian Archipelago including that part of the Island of Borneo not comprised in the Colony, the State of Brunei and the Colony of Sarawak; or (5) the Sulu group of the Philippine Islands. (Official Gazette, 1952, First Supplement)

According to Toru Ueda (2006), the BNBC used to exclude Bugis and Javanese from being classified as the native of Borneo. Instead, the Natives of Borneo or indigenous communities of North Borneo comprise of Dusun/Kadazan, Bajau (Land Bajau and Sea Bajau), Murut, Brunei, Kedayan, Orang Sungai, Tambunwa, Kuijau, Idahan, Besaya (Bisayak), Tagal and Illanun.

The fundamental issue addressed in this section is how and why the indigenous communities in North Borneo (Colonial Sabah) were left far behind other immigrant communities during this period. In fact, this problem is still regarded to be relevant in the current context because it is commonly believed to be associated with colonial legacy. It is apparent that the non-European immigrant communities, notably the Chinese, are considerably dynamic and progressive as a result of their economic dominance that can be seen even until North Borneo was proclaimed to be independent as the state of Sabah in the Federation of Malaysia in 1963. This was largely due to the extent of their ability to adapt themselves to the demands of economic change resulting from the advent of capitalism in developing world territories, including North Borneo, during the second half of the 19th and the first half of the 20th centuries. Therefore, the years between 1881 and 1963 are regarded as the period of transition from traditional to modern orientation in the economic aspects of the indigenous communities in Colonial Sabah.

This transitional process was the cause and effect of the economic change, which was shaped in accordance with the practice and orientation in European capitalism as a result of the advent of British imperialism in North Borneo. The word ‘transition’ here means that the extent of the changes in the economic aspects of the indigenous communities as a whole was merely gradual rather than a rapid process. In this context, the economic change from subsistence to commercial orientation was perceived as less eminent. In fact, it can be observed that the traditional economic features still prevailed in the indigenous communities in the late 19th and early 20th centuries. This is because they still did not fully depart from the barter system as a means of transaction. This implies that the reaction from them to the changing economic pattern and orientation in capitalism and commercialism was relatively slow compared to those immigrant communities who had adapted themselves to money economy as a result of economic change associated with capitalism.



In the context of this paper, capitalism refers to an economic system in which the means of production and distribution are privately owned, and prices are chiefly determined by open competition in a free market. Under this circumstance, economic change under capitalism in the developing world were manifested in the framework of transformation from subsistence to commercialism and the increasing penetration of money as a means of transaction in the economic affairs among the whole members of the societies in the territories (Banaji, 2020; Kocka, 2016). This process of transformation had remoulded the existing economic sectors, notably agriculture and plantation, and the emergence of new market as a result of the expansion of the European business and trade into the developing world. This brought about the economic change associated with the advent of capitalism in the developing world manifested by the changing orientation to suit commercialism with the practice of specialisation and large-scale economy in agriculture and plantation, and the expansion of money economy in the whole society of the territories (Federico, 2014).

Since most of the economic activities in the developing world were still centred on agriculture, the spread of capitalism into those regions can be classified as agrarian capitalism (Wood, 2002). This includes the case of the indigenous communities of North Borneo in late 19th and the first half of the 20th centuries. In this respect, the indigenous communities in North Borneo were regarded as less dynamic in responding to the changing economic orientation compared to the Chinese. This argument is mainly based on the assumption that the economic transformation towards capitalism in the indigenous communities is highly dependent on their ability to switch from external to internal economies. As a pattern in pre-capitalist era, external economy was normally associated with mercantilism, and it refers to trade activities for the supply of exotic collectables that are regarded as luxurious produce for external market. In the case of the indigenous communities in the developing world, including North Borneo, most of their transactions were conducted through barter system. Most of the transfer of products from the interior to the external market were conducted by the middlemen (Jeyamalar Kathirithamby-Wells, 1993). In the case of North Borneo, most of those middlemen were the Chinese petty traders. In such case, the business transaction relations between the indigenous communities and the Chinese middlemen could be understood in two different stages. The first stage was the exchange of products from the former to the latter. Most of the transactions at this stage were conducted through the barter system. The second stage was the exchange from the Chinese entrepreneurs to the traders in external market. Although there was still the prevalence of the barter system, there was also the virtual element of determining the value of the products indirectly or directly in the form of money in the transactions. This indicates that these middlemen had been exposed to money economy during pre-capitalist era while the indigenous people as the suppliers of the products were still mostly subjected to the barter system.

This barter system became less eminent under the changing circumstances, which was associated with internal economy. Internal economy refers to inland economic development financed under capitalism in order to promote and accelerate agricultural activities and commercial plantation to provide the world with condiments, industrial crops and staple foods. Accordingly, this led to the transition from pre-modern to modern trade, which was extensively associated with export economy in relations to the produce that was developed for economic gain. Under these circumstances, most of the deals were conducted as money transaction in multiple currencies (Eichengreen, 2008).



As a result of economic transformation under capitalism in the late 19th and early 20th centuries, the whole idea and manifestation of economic change were commonly associated with the transformation from subsistence to commercialism. This phenomenon was undoubtedly associated with money economy that was mostly connected to capitalism (Austin, 2014: See, 2004). Under these circumstances, the Chinese were in better situation than the indigenous communities in being involved with money economy in agricultural commercialisation, especially revenue farms. This was followed by their involvement in urban economic growth. It began with waged labourers as a source of converting non-monetary to money output. Waged labour income also exposed them to capital formation, which also paved the way to urban cash nexus and entrepreneurship (Butcher & Dick, 1993).

Meanwhile, village economy that was mostly associated with indigenous communities remained to exist as local centres of commerce that were still dependent on the Chinese as middlemen and petty businessmen. Although the dealings between the indigenous communities and those middlemen began to be conducted in money transaction, most of the exchanges and transactions of the indigenous products were still subjected to the barter system. It could be construed that the slow pace of the penetration of money economy into the indigenous communities was due to the circumstance that barter transaction was still dominant among them even in the traditional business activities reflected in the case of periodic market known as '*tamu*', which began to be prominent in late 19th century.

In addition to these markets, there are the traditional *tamu* markets, held in most country towns at intervals of a week or ten days, or sometimes a month, to which the natives bring produce that they have grown, collected or made, such as tobacco, jungle fruits, rattan (*rotan*) and village hand-work. From these *tamu* markets, which are of considerable social as well as economic importance in native life, the idea of a more extensive *tamu* is developed, encompassing not only markets, but also agricultural and handicraft shows, funfairs and races. It is reported that such gatherings were held with great success during 1951 at Papar, Tuaran and Sipitang (Annual Report 1951, 1952). It is hoped that they will do much to stimulate native interest in their own rural development. This is because these markets actually served as the exchange of products between the fishermen and the farmers as a direct mutual complement for both sides. Hence, since money had not become the main medium in the exchange and transaction at that time, it could be regarded simply as the third virtual party under this particular context.

However, the exchange and transaction through the barter system between the indigenous communities and middlemen could be subjected to exorbitant profit-taking in the form of 'buying cheap and selling dear' by the latter. This practice could be seen in the buying of the jungle products, notably bird's nests, by the middlemen to be sold to external market. In this case, the exchange and transaction of such product to be valued in money could be seen as constructive to avoid manipulation of buying cheap by the middlemen since the product itself is a surplus to the indigenous community. It resembled the continuation of such traditional economic activity, but the means of exchange and transaction had changed from barter system to money economy (The British North Borneo Herald, 1922, July 7). This practice is still preserved as communal-based economy among the ethnic Idahan at Gua Madai, in the district of Kunak (Francis, 1987).

The economic condition of the indigenous peasants could be improved through converting their non-monetary resource to monetary returns. Traditionally, labour in economic activities was derived from personal or family workforce. It was mostly concentrated on



agricultural activities. In fact, this family workforce was the basic resource that can be translated into human capital. Indeed, this became the conventional means for the peasants to explore the opportunity in the process of transition, which was derived from the change in labour utilization.

The Indigenous Communities and the Question of Communal Economic Progress

While the previous section described the economic changes in Colonial Sabah, this section examines how these changes affected the communal economic progress of indigenous communities. From the above discussion, it can be identified that the way forward for the indigenous communities to pursue economic progress under the circumstances was to switch the orientation of their economic activities to commercialism and money economy. During the early period of the BNBC rule, it was presumed that the most suitable for the indigenous communities to become involved was commercial plantation since land was available in abundance. Nevertheless, their abilities to adapt themselves to commercialism and money economy was restricted by the absence of capital investment.

Even if they were provided with funding for the purpose, the chances to achieve success in the scheme was elusive. It is generally held that economic progress could not only be achieved through hard work per se but also frugal lifestyle. In addition, from the economic perspective, it is essential for the indigenous communities to realize that they also needed to embrace the concept and the practice of money economy, which not only required them to be engaged in the activity that could generate income and profit, but they also had to be prepared to take the risks that could lead to failure and losses until eventually they would obtain profit. However, this general point of view was normally associated with the immigrant communities because they had been accustomed to money economy before the advent of capitalism. The reality was that at the initial stage of investment, in most cases, the activity generated losses, but the investor must be determined to continue the operation until it eventually generated profit. Moreover, the expansion and sustainability of economic progress need fundamental scale in the handling of money and the knowledge to make their money work to achieve the accumulation of wealth (Sombart, 2001). At the initial stage of the era of capitalism, the indigenous communities who were largely peasants were not equipped with such knowledge.

Another prospect for the indigenous communities to adapt themselves to commercial orientation was to be pursued through waged labour. In principle, waged labour is a means of converting non-monetary to monetary value under the capitalist orientation. However, it could be construed that the majority of the indigenous communities were not keen to be engaged as waged labourers in commercial plantation and mining due to their preference not to be disintegrated from their village-communal life. This opened the space for the penetration of the Chinese and Javanese coolies in the tobacco plantation in North Borneo. The involvement of the indigenous community labourers in commercial plantation was only eminent in rubber plantation. Even in this situation, this sector was still dominated by immigrant labourers especially the Javanese in large-scale rubber estates while the indigenous labourers were confined to smallholders (Annual Report 1949, 1950).

Another constraint that overshadowed the economic progress of the indigenous communities was the government policy in general. It is found that both the BNBC and the British colonial authorities had not given adequate incentives to the indigenous communities to pursue economic progress in general. Most of the indigenous peasants were confined to less profitable products, notably paddy cultivation. Even in the case of the Murut community in the 1940s, they had not yet adopted settled agriculture as they were still practising shifting land



cultivation and collecting jungle products (Annual Report 1947, 1949). In the 1950s, under the diversification programme of the plantation sectors, new crops such as cocoa and oil palm were promoted with governmental assistance in order to face the uncertain prospect of rubber price. Again, this development still benefited the European and immigrant mercantile communities as they were provided with assistance and incentives such as land concessions and immigrant labour recruitments (Amarjit Kaur, 1998).

CONCLUSION

From the discussion of the economic transition of the indigenous communities in Colonial Sabah, it could be concluded that their economic progress was considered less remarkable compared to the immigrant communities, notably the Chinese and Javanese. This is due to the reason that they were marginally exposed to money economy during pre-capitalist and capitalist eras. This is crucial since the main characteristic of the economic change under capitalism was the changing orientation from subsistence or self-sufficiency to commercialism. This changing orientation was symbiotically associated with money economy and capital investment.

Under this circumstance, the indigenous communities as a whole were in the less advantageous situation due to their lack of opportunities in terms of money economy. This situation had put them in the inferior position compared to the European and Chinese communities. Even in the case of government assistance, they were assigned to less profitable commodity, notably paddy cultivation. In fact, there was still the practice of shifting land cultivation and collecting jungle products as the communal occupation in the 1950s. These two types of economic activities still resembled the pre-capitalist pattern of economic framework.

It is also elusive to expect that the economic progress among the indigenous communities could be achieved through the conversion of non-monetary to monetary value through the labour utilisation and the opening up of jungle land for commercial plantation. As a matter of fact, most of the labour utilisation in commercial plantation was associated with the Chinese and Javanese.

Therefore, the studies on colonial circumstances will give another dimension to the government to revise the policy of promoting and enhancing the economy of the Malays and other indigenous communities as a whole, and enterprise in particular. This premise is based on the fact that financial assistance alone is not adequate in achieving this goal. Instead, the government must take into consideration the importance of inculcating intensive entrepreneurial knowledge and skills to the Malays and other indigenous communities before granting them business capitals. Entrepreneurial skills need not only assume the financial risk of operating businesses but also need to take into account the amount of work input and the frugality in business expenditure and personal consumption. This argument is based on the fact that the colonial circumstances did not favour only indigenous societies, but also other non-European communities. It is historically proven that with proper knowledge and skill, the Chinese, Arabs and Indian Muslims managed to pursue their economic success, instead of depending on government assistance during the colonial period.

Historical research seeks to achieve its ultimate goal on the premise that understanding the past can guide the present for the benefit of future generations. This premise is trying to resolve the unending issues concerning the stagnation of indigenous economy despite the



channelling of financial assistance through various government policies and agencies to promote and enhance *bumiputera* entrepreneurship. This is mainly reflected in the failure of New Economic Policy (NEP) followed by National Development Policy (NDP) to achieve 30 per cent of *bumiputera* capital holdings, and the Malays and other indigenous communities in particular are still regarded as left behind in acquiring business enterprise compared to other non-Malay communities in Malaysia. Even at the elementary level of economic achievement, this phenomenon is still relevant considering that the Malays and other indigenous communities, especially paddy farmers and FELDA settlers, are associated with poverty and are still dependent on government assistance.

AUTHOR CONTRIBUTIONS

The author confirms his sole contribution to this work.

FUNDING

This research was funded by PIXELNET CAPITAL SDN. BHD. under Project Code LPS2536.

CONFLICT OF INTEREST

The author declares no conflict of interest.

ACKNOWLEDGEMENT

The author gratefully acknowledges PIXELNET CAPITAL SDN. BHD. for funding this research under Project Code LPS2536.

REFERENCES

- Amarjit Kaur. (1994). *Hantu and highway: Transport in Sabah 1881-1963. Modern Asian Studies*, 28(1), 1-49.
- Amarjit Kaur. (1998). *Economic change in East Malaysia: Sabah and Sarawak since 1850*. MacMillan Press.
- Annual Report 1947. (1949). *Colonial Office Report on North Borneo, for the Year of 1947*. London: Her Majesty's Stationary Office (HMSO).
- Annual Report 1948. (1949). *Colonial Office Report on North Borneo, for the Year of 1948*. London: HMSO.
- Annual Report 1949 (1950). *Colonial Office Report on North Borneo, for the Year of 1949*. London: HMSO.
- Annual Report 1951. (1952). *Colonial Office Report on North Borneo, for the Year of 1951*. London: HMSO.
- Austin, G. (2014). Capitalism and the colonies. In Larry Neal, L., & Williamson, J. G. (Eds.). *The Cambridge history of capitalism, Volume 2, The spread of capitalism: From 1848 to the present* (pp. 301-47). Cambridge University Press.
- Banaji, J. (2020). *A brief history of commercial capitalism*. Haymarket Books.



- Brown, R. A. (1994). *Capital and entrepreneurship in South-East Asia*. MacMillan.
- Butcher, J. G., & Dick, H. W. (Eds.). (1993). *The rise and fall of revenue farming: Business elites and the emergence of the modern state in Southeast Asia*. MacMillan Press.
- Cleary, M. C. (1996). Indigenous trade and European economic intervention in North-West Borneo c.1860-1930. *Modern Asian Studies*, 30(2), 301-324.
- Dg. Junaidah Awang Jambol & Baszley Bee Basrah Bee. (2022). Transisi kegiatan ekonomi masyarakat Melayu Brunei di Pantai Barat Borneo Utara, 1881-1963. *Jurnal Kinabalu*, 28, 207-229.
- Drabble, J. H. (2000). *An economic history of Malaysia, c. 1800-1990: The transition to modern economic growth*. MacMillan Press.
- Eichengreen, B. (2008). *Globalizing capital: A history of the international monetary system*. Princeton University Press.
- Elson, R. E. (1997). *The end of the peasantry in Southeast Asia: A social and economic history of peasant livelihood, 1800-1990s*. MacMillan Press.
- Federico, G. (2014). Growth, specialization, and organization of world agriculture. In Neal, L. & Williamson, J. G., (Eds.) *The Cambridge history of capitalism, Volume 2 The spread of capitalism: From 1848 to the present* (pp. 47-81). Cambridge University Press.
- Francis, C. M. (1987). *The management of edible bird's nest caves in Sabah*. Wildlife Section Sabah Forest Department, Sandakan.
- Fujio Nara. (1993). Japanese activities in North Borneo before World War II: Focus on labour immigrants. *Sejarah*, 2, 123-146.
- Goode, W. (1960, December 30). North Borneo: Review of affairs [Despatch to Mr Macleod, reviewing his first eight months as governor of North Borneo]. CO1030/1 153, No.3.
- Jeyamalar Kathirithamby-Wells. (1993). Restraints on the development of merchant capitalism in Southeast Asia before c. 1800. In Reid, A. (Ed.) *Southeast Asia in the early modern era: Trade, power, and belief* (pp. 123-148). Cornell University Press.
- Kocka, J. (2016). *Capitalism: A short history*. Princeton University Press.
- Lee Kam Hing (2012). *A Matter of risk: Insurance in Malaysia, 1826-1990*. NUS Press.
- Lowrie, C. (2020). Shameful forms of oppression: Anglo-American activism and the slow decline of Chinese indentured labour in British North Borneo, 1920s-1940s. *Labour History*, 61(5-6), 640-657.
- Official Gazette. (1952). *The Interpretation (Definition of Native) Ordinance* (Ordinance No. 12 of 1952). *Official Gazette*, 10 December, 1952. The State Archives of Sabah.
- Ranjit Singh. (1984). The structure of the indigenous economy in Sabah in the 1860s and 1870s. In Muhammad Abu Bakar, Amarjit Kaur & Abdullah Zakaria Ghazali (Eds), *HISTORIA: Essays in commemoration of the 25th Anniversary of the Department of History, University of Malaya*, (pp. 382-402). Malaysian Historical Society.
- Roff, W. R. (1984). *Kerjasama dan koperasi di Semenanjung 1910-1941: Petikan dari bahan-bahan terbitan sezaman*. Penerbit Universiti Malaya.
- Sabihah Osman. (1998). Japanese economic activities in Sabah from the 1890s until 1941. *Journal of Southeast Asian Studies*, 29(1). 24-43.
- Scott, J. C. (1976). *The moral economy of the peasant rebellion and subsistence in Southeast Asia*. Yale University Press.
- See, H. (2004). *Modern capitalism: Its origin and evolution* (H. B. Vanderblue & G. F. Doriot, Trans.). Batoche Books.
- Siregar, I. F. (2023). The controversy of the cultivation system in Indonesia. *Paramita: Historical Studies Journal*, 33(1), 65-75.
- Sombart, W. (2001). *The Jews and modern capitalism*. Batoche Books.
- Sweeney, A. (1980). *Tawarikh Datu Bentara Luar*. University of California Press.
- Tate, D. J. M. (1979). *The making of modern South-east Asia (Volume 2, The Western impact:*



- Economic and social change*. Oxford University Press.
- The British North Borneo Herald*. (1922, July 7). The State Archive of Sabah.
- Toru Ueda. (2006). Pembinaan dan perkembangan konsep native di Borneo Utara pada zaman kolonial. *AKADEMIKA*, 68, 65-89.
- Tory, G. (1960, July 20). Impressions of Sarawak and North Borneo [Report on visits to the Borneo territories in May 1960]. DO35/6297, No. 92.
- Warren, J.F. (1981). *The Sulu Zone 1768-1898*. Singapore University Press.
- Wong Tze-Ken, D. (1999). Chinese migration to Sabah before the second world war. *Archipel Annee*, 58, 131-158.
- Wood, E. M. (2002). *The origin of capitalism: A longer view*. Verso.
- Yen, Ching-hwang. (2013). Chinese coolie emigration, 1845-74. In Tan Chee-Beng. (Ed.) *Routledge handbook of the Chinese diaspora* (pp.73-88). Routledge.

BIOGRAPHY

A Rahman Tang Abdullah is an Associate Professor in the History Programme at Faculty of Social Sciences and Humanities, Universiti Malaysia Sabah. He holds a PhD in History and a Master of Arts (MA) in Southeast Asian Studies from SOAS, University of London. His research interests include economic and legal history of Malaysia and Southeast Asia, as well as Malay historiography.