

Webs of Dependence in Rural Nepal: Debt, Poverty and Depopulation in the Far Northwest

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Serious indebtedness among Nepal's rural peasantry has been identified and has been the focus of periodic reforms since the time of King Prithvi Narayan Shah. Despite this, indebtedness remains a pervasive and unresolved problem throughout the country. Chronic debt is aggravated by exorbitant rates of interest and consumes limited household budgets, already strained by low and often declining productivity in traditional agriculture. Thus debt may remain one of the fundamental economic problems in remote hill districts of Nepal today (Regmi 1972:98).

Notwithstanding the compelling social and economic repercussions of debt, the subject has been relatively neglected in published descriptions of rural Nepalese economy and society. There are some notable exceptions: Regmi's monumental *Land Tenure and Taxation in Nepal*, particularly Vol. III (1965), L. Caplan's *Land and Social Change in East Nepal* (1970), and A.P. Caplan's *Priests and Cobblers* (1972). The latter two are anthropological works which focus on particular regional systems and examine how social relations have been shaped by chronic debt. As they show, indebtedness supports dependency and exploitative relationships and widens existing cleavages between groups, generating social divisiveness. Implicated in this picture is a conflict model of class and caste relationships in Nepal -- one which has been highly influential in accounts of Nepalese social dynamics. Another common assumption about debt in Nepal is that its sources lie in shortages of cash--cash for regular expenditures, such as purchases of consumer goods and tax payments, and for extraordinary expenses such as weddings and funerals (A.P. Caplan 1972:1; L. Caplan 1970: 5, 97; Macfarlane 1976: 199; Poffenberger 1980: 53).¹

The Nepal Rastra Bank's recent nationwide survey offers a more abstract and quantitative perspective on patterns of agricultural credit. The survey shows debt, and traditional systems of borrowing in particular, to be widespread throughout the country and to have been moderated by the introduction of government-sponsored credit agencies. The limitations of the survey lie in its focus on relatively favored regions--those accessible by road transport--and in its exclusive focus on economic issues (Nepal 1980). There was no attention given to social systematics: how debt influences social relations, supports economic inequities, and orders social relations in local village communities. These are the issues explored here.

This paper derives from a study of indebtedness in six villages of Humla District, and some of its findings may counter existing presumptions about debt in traditional rural villages of Nepal. First, debtors and creditors in Humla neither stand ranged across any pre-existing social or ethnic divides, nor do they necessarily come from opposed social groups. Major loans are contracted between persons of the same caste or ethnic group, between have and have-not of any status, and loans play a major part in the village dynamic of changing economic advantage. Second, indebtedness is grounded at another economic level than the monetary economy and is more deeply rooted than modern needs for cash. Instead, the ultimate sources of debt lie in shortages of arable land, while the proximate sources lie in shortages of grain. This suggests that the problem may worsen in future, due to growing shortages of land and increasing inequities in its distribution. Such changes may further widen the gulf between rich and poor--and do so regardless of their ethnic or caste identities.²

It should not be surprising to find indebtedness widespread in Humla District, which is chronically grain-short and one of the poorest regions in the nation. Few households escape entanglement in local webs of debt, the traditions surrounding borrowing and lending are deeply entrenched, and interest rates are extremely high, particularly for loans in kind. In Humla, debts link not only members of different castes and ethnic groups, but also kin, affines, friends, and neighbors. Because interest rates are so high, loans bring extraordinary profits to the small number of creditors. At the same time, the costs of indebtedness erode the earnings of the poorer majority and cut deeply into their meagre reserves of food. When debtors find themselves unable to keep up with their payments, they must renew their loans or take new loans, and the unpaid interest of the old debts is added to the new. For the poorest, the vicious cycle of debt may lead first to temporary mortgaging and then progress to permanent alienation of farmland. Members of households which have lost their lands have two choices: either leave the region or become bond servants, who slowly work off the debts on their former property. As the paper makes clear, this system of debt is not new, although it may have expanded to enmesh more households--and more deeply--in recent years, nor is it easily reformed, as failed attempts at reform show. It has historical and cultural supports and it is grounded in conditions of scarcity, inequities in landholdings, unstable trading arrangements, and general economic insecurity.

THE HISTORICAL AND LEGAL CONTEXTS OF DEBT IN NEPAL

The government of Nepal has made periodic efforts to moderate peasant indebtedness since the time the country was unified. Much of this involved legislation to reduce customary interest rates. Early regulations stipulated rates no higher than 10 percent in cash and 25 percent in kind, although they were poorly enforced. In 1935, regulations limited interest on loans of all kinds to 10 percent up to the doubling of

the principal; this standard was reiterated in the Land Reform Act of 1964. Despite such reforms, interest rates in the western hills generally have remained at high levels, up to 25 percent in cash and 50 percent in kind (Gaborieau 1981:144; Regmi 1972:98-99; see also Nepal 1980:174). The situation has not been altered by improved communications and the expanded government presence in remote areas. What has been effective is government development programs in more accessible areas, which have undermined the monopoly of traditional moneylenders and have provided opportunities for low-interest borrowing for long-term agricultural improvements and immediate consumption needs (Nepal 1982:8-13). However, such projects have barely touched the poorer, more remote hill and mountain districts.

Thus at the time of this study, interest rates in Humla had not moved from their historically high levels. Gaborieau has suggested that part of the reason is cultural: that the resistance to moderating interest rates is embedded in Hindu traditions and that despite increasing protection for debtors in the legal system, Nepalese law still bends heavily in favor of the creditor (Gaborieau 1981: 134, 140).

ANTHROPOLOGICAL TREATMENTS OF DEBT: CONFLICT MODELS

The major anthropological studies of debt in Nepal have focused on its local contexts and have explored how indebtedness is supported by and sustains economic inequities and social cleavages between diverse ethnic groups and castes. Here lies a major contrast with the situation in Humla, where debt knows no caste or ethnic distinctions. Because the prevailing model of debt in Nepal--as harnessed to ethnic conflict and caste divisions--has been so influential and because of its ill-fit to Humla realities, it merits closer scrutiny.

The paradigmatic work in this tradition is L. Caplan's *Land and Social Change in East Nepal*. Caplan views the problem of debt as situated within other social processes and describes it as part of an evolving dynamic of cultural contact and ethnic conflict between opposed social groups. The groups concerned are the Tibeto-Burman speaking Limbu, who are the earlier inhabitants of the eastern hills, and high caste Hindus, who recently immigrated there. Caplan compares this situation to long-term struggles over land between Hindus and tribal peoples in India (1970:2-3).

As Caplan's Limbu informants reconstruct their history, they had more land than they could cultivate when the influx of Brahman immigration began. The availability of land, need for labor, their headmen's attempts to expand their followings, and government policies all served to encourage immigrant settlement.³ In later years, government involvement in the area grew, and Brahmans took advantage of their literacy, numbers, and high caste status to improve their political and economical position. Their strategies included acquiring land by purchase and profiting from moneylending and various sharp practices. They also were

aided by government efforts to reduce the amount of land which Limbus held under a traditional, communal form of land tenure known as *kipat*. Limbus lost their lands, which meant inadequate food production for many, and made them even more dependent on Brahman creditors. The problem was exacerbated by the practice of usufructuary mortgages, which gave Brahman creditors cultivation rights over the parcels of land Limbus used as security for the duration of their loans. Thus loss of *kipat* and the mortgaging of land contributed to a vicious cycle which carried Limbu further into debt and into increasingly difficult economic circumstances (Caplan 1970: 5, 56-64).

No doubt ethnic differentiation between Brahman and Limbu is marked and, equally, frictions between these groups have intensified with the conflicts over land (Regmi 1976: 102). The picture presented above, however, must be qualified. First, Limbu dependency and Brahman advantage have been but one phase in a long history of inter-group interactions. Before the turn of the century, Brahmans were subordinates in a hierarchy based on land grants and were dependent on Limbu headmen for rights over agricultural land. Their subordination was reinforced by the political hierarchy and expressed in annual payments of tribute and labor service to the headmen (Caplan 1970:125-26). Only later did advantage fall to the Brahmans. Today the balance of power remains in flux. Limbus, like certain other Tibeto-Burman speaking Nepalese groups, have been recruited to Gurkha regiments. Those men who serve in foreign armies secure high wages and pensions which can be used to pay off their mortgages, reclaim their lands, and even purchase additional land or take over the mortgages of others. The result is that a small group of Limbu have acquired power and wealth within the community.

Second, a closer examination of actual creditor-debtor relations suggests that the situation is more complex. We find that in the cluster of villages which Caplan studied, Brahmans held mortgaged land roughly in proportion to their representation in the population. Together with Brahmans from outside the cluster, they held approximately half the mortgages incurred by Limbus. At the same time, members of other groups, including Rai and even Hindu untouchables, held 22.6 percent of the mortgages, while fellow Limbus held 27.6 percent of the mortgages (Caplan 1970: 96, 97, 100). Not only that, two wealthy Limbu households in the cluster had mortgages from twenty-two (or twenty-six percent) of the local *kipat* owning households, employed ten Limbu tenant households on their lands, had made loans in cash to another seven households, and had hired agricultural laborers from virtually every household in the village and domestic labor from two (Caplan 1970:33, 173).⁴ We also find that the largest mortgage holder within the cluster was a Limbu and the largest mortgage holder outside of it was a Gurung (Caplan 1970:100-1). Thus, if Brahmans were the dominant creditors at the time of the study, it is not only a matter of relative wealth, but of relative numbers locally.⁵

A.P. Caplan's *Priests and Cobblers* offers another illustration of indebtedness linked to divisions of caste and harnessed to changing political relationships. This study takes as its focus the western midlands, in an area where Brahmans are the more recent immigrants and have acquired dominance over the earlier settling occupational castes, predominantly Sarkis. Brahmans gained the advantage here simply through exercising their traditional occupation as priests, for which they were paid in cash and grain. They used this income to buy land and to lend money at high rates of interest, securing their loans with usufructuary mortgages or contracts for labor service, sometimes of indefinite duration. The balance of power changed when the government expanded services and thus job opportunities in the nearby district capital and when cheaper grain became available from a newly reclaimed rice-growing area to the south (Caplan 1972:1-2, 33, 36).

SIX COMMUNITIES IN HUMLA: SETTINGS AND SOURCES OF DATA

Humla is a district in the far northwest of Nepal with the second largest area and the third lowest population density in the country, at 3.6 persons per square kilometer (Nepal 1984:13). The low population density can be traced to the low ratio of arable land and to its low productivity, which in turn can be traced to the region's steep terrain, low rainfall, and limited water sources. Adding to these problems, Humla is long-settled, and its small population long ago outgrew available farmland. Thus we find the lowest per capita grain production and the most severe grain shortage in Nepal.⁶ The limited resource base at home has prompted various economic strategies for securing income abroad. One strategy with a long-documented history is the salt-grain trade, which involves transporting rock salt mined in Tibet to the middle hills, where it is exchanged for surplus grain. Another, possibly recent, adaptation is seasonal labor migration to more favored hill regions in western Nepal and in India, primarily Pittoragarh, Darchula, and Garhwal or, occasionally, other hill districts farther afield.⁷

The population of Humla includes Hindus, most of them high caste, small communities of Tibetan speakers, and a group known as Bura, or Byansi, who cite Darchula Byansi, high caste Hindu, and Tibetan ancestry, but who are heavily Nepalicized today (see Levine 1987). There are major sociocultural differences between these groups and associated differences in economic adaptations. The Tibetan speaking populations, here termed "ethnic Tibetans" as a convenient shorthand, tend to occupy the higher mountain valleys where the growing season is short but pastureland is readily accessible. They also tend to engage substantially in the salt-grain trade. Individual households are able to support such diversification through the practice of fraternally polyandrous marriage. The different co-husbands tend to specialize in different economic sectors, and households can take advantage of multiple sources of income to offset periodic reverses in any particular sector. By contrast, Bura are predominantly agriculturalists and today hold the most favored sites in the

region. Most villages are found at middle altitudes and on forested northern slopes, which offer the greatest opportunities for agricultural expansion. Brahman, Thakuri, and Chetri villages tend to be found in valley bottoms, where irrigated rice agriculture is possible. Such a location may be highly valued, but the advantages are mixed today. First, the narrow strips of rice land meet the needs of only a fraction of village households, and second, the growing populations of other ethnic groups constrain opportunities for expansion. This is because land higher up the mountain slopes has been put under cultivation by ethnic Tibetan and Bura, so that land expansion only can be achieved at the cost of displacing them. Thus the high caste Hindus, despite their political and economic dominance in the past, are among the poorest people in Humla today. Within their villages also live a scattering of occupational castes: Kami, Damai and Sarki, who hold very little land and tend to be extremely poor. A final factor to consider is the effects of participation in trade. Trade in this part of Nepal has been extremely volatile: thus the economic fortunes of Tibetan villages can change rapidly, following fluctuations in prices or the availability of commodities at any node of the regional trading system. For Bura and caste Hindus, community wealth has depended almost entirely on agriculture.

The following account of systems of credit and debt in Humla was collected in the course of a larger study focusing on changing economic conditions and their impact on household decision making and fertility. Seven village communities were included in the study: three were ethnic Tibetan, two were Bura, and two were high caste Hindu, predominantly Chetri in caste.⁸ The selection of villages was guided by the study design, which was based on a controlled comparison; differences in ethnic identity, household and marital system, and economic circumstances formed the poles of the comparison. Two of the communities had substantial landholdings (by Humla standards) and relied primarily on lands long ago put into production, three communities were engaged in major land reclamations or other expansions of economic opportunities, and two communities faced irremediable land shortages. Unsurprisingly, the incidence of debt was highest in the latter communities.

Although I had carried out research in Humla previously, I had studied a particularly wealthy community and had little knowledge of the severity of agricultural indebtedness. For this reason, I initially designed an ethnographic survey and questionnaire without including any items on debt.⁹ When its importance became apparent, I incorporated questions on debt--in time for all but the first community study. Informant reticence also contributed to my delayed awareness, for loans, particularly in kind, are a sensitive subject for creditor and debtor alike. The heavily indebted, perhaps not surprisingly, proved more willing to discuss the subject and less reluctant to describe the costs of their loans than major creditors were to reveal the extent of their profits. Debtors tended toward discussions of interest rates, the actual costs of borrowing, and subjective costs of

economic dependency, while creditors were likeliest to discuss the very real insecurities in their position. Collecting numerical data on individual debts in-kind posed special problems as well. Households take out small loans as the need arises: each loan is assessed in the specific types of grain borrowed, and each has its own repayment schedule, often tailored to the unique requirements of debtor and creditor. Debts, moreover, tend to be contracted with different creditors at different points in time. Recording the full information proved very time-consuming and required a special worksheet. Such complex recitations also tried people's patience; many chose instead to summarize their debts, citing the number of measures of wheat, buckwheat, and so on that they had paid out (or been paid) during the preceding year and the number of measures of each grain they still owed (or were owed). It is difficult to assess how often people gave incomplete or misleading information. Some debtors may have exaggerated their payments out of a sense of grievance, others may have hidden loans out of embarrassment, and certain creditors, concerned about the illegality of the high interest rates they charge, may have deliberately concealed their lending activities. Because of the likelihood of deceptions, the data presented here should not be regarded as an exact account of the state of indebtedness in Humla at the time of the research. It should, however, suggest the scope of the problem and provide a point of comparison with other areas in the hills of Nepal.

The villages discussed here have been given the pseudonyms Gyaling, Rongphug, Daiba, Sankhagaon, Jajarkot, and Kharkot. The first two are ethnic Tibetan, the second two are Bura, and the last two are predominantly Chetri with a few service caste households (see Table 1). Gyaling (ethnic Tibetan) and Sankhagaon (Bura) are located in northern valleys and have carried out major expansions of agricultural land over the past few decades. Rongphug (ethnic Tibetan) and Jajarkot (Chetri) are located in narrow river valleys and face severe shortages of arable land. Daiba (Bura), which is located farther south, has excellent land: both irrigated rice lands and unirrigated uplands. Kharkot (Chetri) is situated near the district capital and has benefitted from the recent expansion of government services there. The availability of government employment and employees' access to subsidize grain has completely altered patterns of indebtedness in this community, as I shall show at the end of the paper.

Ethnic Identity, I have said, is associated with different ways of making a living. Ethnic Tibetan communities tend to engage in substantial trade. Although Bura and high caste Hindu villagers also visit the trade marts in Tibet, most households send only one man, and he usually goes once a year, carrying small trade items, spices, fruits, and the like, on his back to exchange for, perhaps, a basket of salt and a few Chinese goods. This differs markedly from the trade of ethnic Tibetans. Many of the latter keep large herds of pack animals and have one or more members travelling and trading between Tibet and the Indian border year-round. Full time trading can yield enormous profits in grain and salt,

Table 1
Contrasts Between Study Communities

| Community Name | Ethnic Identity | Approximate Population | Sources of Income | Average Landholdings ^a |
|----------------|-----------------|------------------------|----------------------------------|-----------------------------------|
| Gyaling | Tibetan | 650 | Agriculture, Herding, Trade | 9.7 |
| Rongphug | Tibetan | 350 | Agriculture, Casual Labor, Trade | 4.5 |
| Daiba | Bura | 500 | Agriculture | 8.0 |
| Sankhagaon | Bura | 600 | Agriculture | 7.9 |
| Jajarkot | Chetri | 1,100 | Agriculture, Casual Labor | 4.7 |
| Kharkot | Chetri | 1,100 | Agriculture, Government Service | 5.8 |

a. The measure of landholdings here is "plow days", the number of days a household requires to plow all its fields with a team of *dzo*, a yak/common cow crossbreed. Each plow day is equivalent to approximately thirty percent of an acre.

as well as in goods manufactured in China and India. In a bad agricultural year such as 1982, the income from trade can exceed the value of grain production in major trading villages like Gyaling (Table 2). In the past, Rongphug earned substantial profits from its special rights over a trade mart located north of the village. Bura and high and low caste Hindus from southern Humla would travel there in order to exchange their surplus grain for salt, wool, and meat. Rongphug villagers facilitated exchanges between the Nepali speakers and Tibetan nomadic herdsmen who travelled south to the mart. For their work as middlemen and translators Rongphug villagers received 5 percent of the grain and 20 percent of the salt exchanged. In the 1960's, this trade mart closed, and villagers lost one of their major sources of income. Their response was to seek casual labor with wealthier neighbors and seasonal labor migration farther afield. In 1982, trade was permitted to resume at the old mart, giving villagers a chance of improving their economic circumstances again.

Although a few Bura and high caste Hindu households also keep pack animals and follow trading circuits similar to those of Tibetans, they find themselves disadvantaged in trade (Furer-Haimendorf 1975: 261, 276). One problem is their inability to speak Tibetan and therefore to negotiate

effectively at one of the most important trading sites. A second is the scarcity of household labor available for full-time salt trading. In the four Bura and Chetri villages of Daiba, Sankhagaon, Jajarkot, and Kharkot, households included 5.4 members on average. By contrast, the ethnic Tibetan villages of Rongphug and Gyaling have an average of 7.0 members per household. This is why those few high caste Hindus and Buras who engage in full-scale trading are usually from joint family households. Due to their more extensive landholdings, many Bura are able to work primarily in agriculture, while members of the land-short Chetri communities supplement the proceeds of their farms with casual labor or government service (Table 2). The latter is preferred, because of its status and better pay, but is less accessible to villages distant from the district capital.

Table 2
Combined Household Income, 1982-83

| Community Name | Ethnic Identity | Mean Household Income ^a | | | Combined Income ^c |
|----------------|-----------------|------------------------------------|-------------------|--------------------------------|------------------------------|
| | | Income from Agriculture | Income from Trade | Income from Wages ^b | |
| Gyaling | Tibetan | 8,613 | 11,616 | 422 | 20,651 |
| Daiba | Bura | 11,253 | 472 | 722 | 12,447 |
| Sankhagaon | Bura | 9,739 | 1,300 | 559 | 11,598 |
| Jajarkot | Chetri | 6,586 | 2,836 | 1,811 | 11,233 |
| Rongphug | Tibetan | 5,428 | 4,133 | 1,279 | 10,840 |

- a. This describes economic activities during the twelve months preceding each village survey. Agricultural production was low in all communities during this period.
- b. This includes profits from trade in sheep, wool, manufactured items, salt, and grain.
- c. This includes government employment paid in cash and casual labor paid in kind.

Before I turn to the discussion of indebtedness, a few supplementary notes on these villages' economic circumstances are in order. First, Rongphug's present-day poverty can be traced to a combination of misfortunes. In addition to their lost income from trade, the village is located in a narrow valley where there is little high-quality land. The result is less agricultural income and less income overall than any other village (Tables 1 and 2). Second, as comparisons of Gyaling, Daiba, and Sankhagaon show, there is more to grain production than the amount of land held. The average Gyaling household owns twenty percent more land (measured in days of plowing) than Daiba, but produces considerably less grain and also produces somewhat less grain than Sankhagaon.¹⁰ This is because Gyaling cultivates at higher altitudes and because much of its land is new--reclaimed from forest during the preceding two decades. After a first flush of productivity, yields slowly declined, due in part

to poor cultivation practices. Daiba, by contrast, has long-cultivated, well-maintained fields which are highly productive, and this is why villagers have so little recourse to wage labor and trade. Reliance on agriculture alone may be rare, but it is the ideal throughout Humla, even for ethnic Tibetans intensively engaged in trade. Finally I should add that figures on combined income exclude animal husbandry, both dairy products and profits from animal sales. With the exception of Gyaling, cattle herding is extremely small-scale, and such income is minimal. Thus we find that prosperity has no ethnic caste in Humla. The two ethnic Tibetan villages stand at opposite ends of the spectrum, with the other communities in between. The situation is similar for debt.

SYSTEMS OF DEBT

In Humla, webs of indebtedness cross-cut caste and ethnic distinctions. Households with surpluses of grain or cash extend credit to caste superiors and inferiors, members of the same and different ethnic groups, and people within and outside the village. Thus the logic of debt must be sought elsewhere. When one examines the factors which enter into individual creditors' decisions to extend loans one finds an array of (sometimes competing) practical and social considerations. Among these are concerns as simple as credit-worthiness--people with surplus grain prefer not lending to those unlikely to repay. Creditors also avoid lending to those who live far away, because of poorer information, difficulties in securing repayment, and the absence of supplementary social ties. What they prefer is to extend loans to people they know well and those living within their own or nearby villages. By the same token, people are able to exert greater moral claim to loans from wealthy fellow villagers and neighbors in difficult years. Credit also follows the norms of kinship, and wealthy people are more or less obliged to extend small interest-free loans to close kin. They also invariably find themselves subjected to pleas to forgive some of the interest their kinspeople owe on larger loans. Thus credit in Humla, like most economic transactions, is not impersonal, but rather embedded in and conditioned by pre-existing, multiplex social ties.¹¹

Interest rates are another matter: formally never open to concession and subject to different sorts of negotiation. They are, by convention, extremely high. In the years preceding the study they ranged between 25 and 50 percent per year for debts in kind. The precise rate is gauged by several factors. First, the rates are pegged to the lowest levels when debtors agree to perform labor service or provide material items in addition to in-kind payments of interest. Second, interest rates tend to be lower for loans taken in autumn and rise through winter as food becomes more scarce. Third, credit-worthy borrowers can secure lower rates, because their loans present relatively less risk. Fourth, debtors who promise to repay loans taken in cheap, less preferred grains with higher valued grains secure lower interest rates. The interest is lowered in proportion to the difference in value between the two grains.

When creditor and debtor live in the same community, labor service is commonly attached to loans, and the interest rate is reduced proportionately by the amount of labor service pledged. Thus the base rate of 50 percent is reduced to 40 percent for debtors who promise one day of labor service for every *khal* of grain they borrow, and the rate drops to 25 percent for promises of two or three days of labor service per *khal*. Note how closely the reduction in interest follows the value of labor service. A *khal* is equivalent to somewhat more than half a bushel, and a *khal* of buckwheat or millet cost 100 to 120 rupees in 1983 (when U.S. \$1.00 brought approximately Rs. 14.1). At this time, one day of labor service was paid in grain worth between 10 and rupees, depending on the type of work and the gender and age of the laborer. In place of labor service, some debtors pledge items they can produce themselves or gather from the forest, that is, items whose primary cost is labor. Among these are wooden plough tips, hay, resinous kindling, firewood, birch bark, honey, and oil. These accretions to the basic interest rate are termed *garauni* (Nep.) and also described as *gug rin* (Tib. *sgug-rin*), "waiting price", by ethnic Tibetans.

Thus interest rates can vary enormously, as the following hypothetical example shows. One household takes a loan midway through winter without any promise of *garauni* and is charged the maximum rate: 50 percent. At the same time, a second household takes a loan, also without any pledge of labor service or gifts. However, it arranges to take the loan in bitter buckwheat and promises to provide repayment in wheat, a more expensive grain which yields more flour, and therefore is charged the lower rate of 25 percent. Meanwhile, a third household pledges two or three days of labor service for each *khal* borrowed and is assessed interest at the low rate of 25 percent.

Because of these considerations, the various grain loans a given debtor household owes are apt to vary enormously as well. Some debts may be assessed at the highest rate, while others are accompanied by heavy labor obligations or requirements to provide bundles of firewood, hay, and the like. While one debt is owed in wheat, another must be repaid in buckwheat, and yet another calls for repayment of the principal in millet and the interest in barley. Thus accounts of grain debt become extraordinarily complex. The presence of such variations also offers considerable latitude for bargaining over rates and the range of *garauni* attachments. Given that different creditors have different wants and expectations, grain-short households often can exercise a certain choice, taking loans from those whose terms are easiest or whose wants best match their own abilities to pay. The choices become fewer as the winter wears on, because the more flexible, less demanding creditors with the most desirable terms are apt to have their reserves exhausted first. Then grain-short households have to seek out creditors with onerous demands and the highest interest rates. None of this, I should say, is true for cash loans, which are fixed at a flat 25 percent. As we shall see, cash loans are the exception in most villages, although they may have become more prevalent in recent years.

I have described in-kind interest rates as I found them in the early 1980's, and they were equivalent to the traditional rates. Interest rates, however, have not been consistently high. They fell briefly in the mid-1960's, following the enactment of land reform. At that time, people say, creditors became concerned about legal sanctions and kept their rates at a maximum of 20 percent (still twice the legal rate). This situation lasted perhaps half a dozen years, when the rates began rising again. From time to time, individual villages also have attempted to institute their own reforms and have placed ceilings on interest rates. At the outset of the famine of 1983, for example, Jajarkot Panchayat voted to limit in-kind interest rates to 20 percent. A number of creditors initially observed the guideline (although others ignored it). Yet when the famine became severe in spring, the rates universally rose to 50 percent again.

In addition to private lenders, Humla villagers also have access to a government-run agricultural bank. Households which cannot meet their needs may seek a loan from the bank, for which they must pledge agricultural land as collateral. Despite the low interest rates, officially 8 percent, the bank has failed to curb usurious local lending practices. One reason is that officers at the bank (privately) demand large payments--usually 10 percent of the total loan--to approve it. Another reason is that the total loan villagers can take from this bank is limited, in contrast to individual creditors who are willing to make repeated loans over years.

Indebtedness in Humla is so extensive and so deeply entrenched that it has generated its own complex institutions. Thus major creditors commonly appoint loan collectors, because they cannot manage to collect their scattered loans themselves.¹² They tend to employ poorer kinsmen or respected fellow villagers who have minor debts. The loan collector visits debtors as they are harvesting grain in the fields; he is expected to collect and measure repayments and to arrange their transport to the home of the creditor. (Sometimes lenders also stipulate that scribes be hired to record loan disbursements and repayments--charging the costs of this to the debtors). For his work, the collector receives 5 percent of what he returns to the creditor, or has a proportionate amount of his own loans forgiven. In some villages, loan collectors are held responsible for defaults; in other villages they simply must show that they have made all reasonable efforts to secure repayment.

DEFAULTS AND IMPOVERISHMENT

People who repeatedly fail to meet their interest payments may be pressured into handing over usufructuary rights to one or more fields for a period generally lasting from ten to twelve years. Those more seriously in arrears may be forced into partial repayments with valuable household goods, domestic animals, or permanent transfers of land. Some debtors choose instead to become bond servants. Although this has been illegal

since 1951 (Goborieau 1981:135), bond servants still could be found in Humla during the early 1980's. When the problem is less serious, the creditor simply adds unmet interest payments to the principal (Tib. *bedrgyab*; Nep. *syaz*). Thus debtors find their loans growing each year and find themselves falling more and more deeply into debt. For some this leads eventually to bond service or temporary, occasionally permanent, loss of land.

Some of the debtors who have lost their land to usufructuary mortgages have chosen temporary labor migration. Their families move to grain-rich areas of southern Nepal or to regions of India bordering Nepal, where they support themselves by casual labor. They return when it is time to reclaim their land. Others, and those who have permanently lost their lands, have left Humla entirely. The phenomena of temporary and permanent emigration and other consequences of crippling debt can be examined more closely in the following account of the poverty-stricken ethnic Tibetan village of Khalang.

KHALANG: POVERTY AND DEPOPULATION

Khalang is a village particularly damaged by indebtedness. At the time of this study, only one of its twenty-five households was debt-free. Members of this village define a good agricultural year as one permitting interest payments on previous years' loans; nothing better can be expected. Half the village households have, nonetheless, kept their debts within manageable limits. They are able to supplement the grain from their lands with labor in neighboring villages, craft items produced for sale, occasional loans of grain, and seasonal labor migration. Their primary aim in migration is to send away as many able-bodied workers as possible, in order to save limited domestic food stocks for the summer agricultural season.¹³ The other half of the village is essentially insolvent, with households verging on extinction. One of these households is virtually landless, having sold most of its fields to meet delinquent loan payments. Seven have failed to produce heirs for the next generation. Several more simply have stopped cultivating their lands, because they owe the bulk of what they produce to their creditors. Instead they prefer casual labor, paid in grain, for households in wealthier villages. Another household vanished in 1981 when its members left the village secretly, it is said, to escape their crushing load of debt.

Such problems seem to have plagued Khalang for decades, or so figures on the village population suggest. In 1868, the government registered twenty tax-paying households in Khalang; one hundred and thirteen years later that number had increased by only six. This is an atypically low rate of village growth, even for ethnic Tibetans in Humla (Levine 1988: 242). It is even more surprising in light of the frequent household partitioning, for polyandrous marriages often founder in Khalang.

The problems of Khalang may be unusually severe, but they are not unique in Humla. Other villages have lost members because of excessive debt. In an ethnic Tibetan village one day's walk to the east, members of three out of twenty-seven households have emigrated in recent years. One household moved south to Achham (where the migrants later died), the second moved to Darchula, India, and the sole remaining member of the third married a policeman then posted in Humla's district capital and later moved with him to Kathmandu. The fields of these households were divided among their creditors.

My attention was drawn to Khalang because debt had become so severe a problem there and because I thought that an examination of this would provide a fuller picture of the intricacies of local traditions surrounding in-kind loans. I therefore attempted to collect complete information on household indebtedness: the date each loan was contracted, the type of grain or grains borrowed, the type of grain or grains to be repaid, the exact rate of interest on each loan, expected days of labor service per *khal* borrowed, and additional *garauni* obligations. These interviews were completed for five households.

These households are considered somewhat better off than the average, three being classed with those having manageable loads of debt. The problem is that none of the five has any hope of repaying its debts, because of their magnitude and the annual costs of interest. The average rate of interest owed was 34.4 percent--in addition to the days of labor service and payments of goods pledged. In 1982, only two of these households were able to meet their interest obligations. This is partly because 1982 was so poor a year for agricultural production. However, equally bad years have occurred three times in the last nine years, alternating with three "good" and three "mixed" years. Thus a year like 1982 is as much the common experience as anything else. At that time, the average household owed 41.5 *khal* of grain in interest to its creditors. This amount equaled 69.3 percent--more than two-third--of the year's grain production.¹⁴ On average, these households were able to pay back only 12.2 *khal* from their 1982 production--a fraction of what they owed--plus the expected *garauni* (Table 3). Households unable to meet their interest payments found the amount in arrears added to the principal of their loans. Next year, they would owe 34.4 percent interest on their now enlarged loans. All these households, moreover, expected to take out other loans that year, which would further add to their debt burden.

Even without the burden of previous year's loans, these five households would find it difficult to meet their needs from the produce of their own fields. Their average membership is 6.4, and they produced an average of 59.9 *khal* of grain in 1982. A portion of that grain had to be put aside as seed. Data on agricultural practices and productivity in the region suggest that about 5 *khal* would be required. This leaves 54.6 *khal* for food, which had to be divided into 8.6 *khal* of unprocessed grain per household member for the year. Because different grains produce different amounts of processed cereals, one must estimate how many *khal* of

Table 3
Indebtedness in Five Khalang Households, 1982-83

| Household | Number of Members | Total Grain Production ^a | payments on Grain Loans | Outstanding Grain Debts |
|-----------|-------------------|-------------------------------------|-------------------------|-------------------------|
| 1 | 11 | 80.0 | 13.5 | 50.0 |
| 2 | 3 | 32.5 | 6.2 | 17.5 |
| 3 | 3 | 46.2 | 15.0 | 14.0 |
| 4 | 5 | 85.0 | 14.2 | 61.0 |
| 5 | 10 | 56.2 | --b | 65.0 |
| Mean | 6.4 | 59.9 | 12.2 | 41.5 |

- a. This is given in *khal*.
- b. This households was in the process of making repayments at the time of the interview.

food this provided. Inasmuch as the predominant grains are buckwheat and millet, which lose a great deal of their bulk in processing, and barley, which does not, one can assume a loss of approximately 30 percent, leaving 6 *khal* of processed grain per person. Here we can stop, for this is a fraction of an adult's food needs. The rule of thumb in Humla, and apparently throughout Nepal, is that the average working adult needs two *manas* of husked grain per day, or 18 *khal* per year. In fact, adults probably eat somewhat less--Macfarlane found that the Gurungs he studied ate approximately three-quarters of that amount (1976:164).¹⁵ And although children eat less food, only the youngest could manage on 6 *khal* per year. Because these Khalang households have chronic short-falls of grain, they also trade, take on casual labor, produce craft items, and emigrate in winter. Even this is inadequate, and almost every household must borrow grain to meet its needs.

Food shortages are a chronic problem throughout Humla, and they increase as the climate grows drier and the altitude higher toward the northern border with Tibet. Ethnic Tibetans, who live in northerly, higher altitude valleys, have the least productive fields, and most try to compensate for this through intensive trading. There are many niches in north-south systems of trade, Rongphug and Gyaling exemplifying the existing diversity in trading specializations. For both, the profits from trade were substantial half a century ago--at the cost of relatively little expenditure of effort. These profits, however, have steadily eroded, because of the closure of trade marts such as Rongphug's, because of the increasing availability of salt in the middle hills and the decreasing availability of grain there due to population pressure, and because of difficulties in acquiring Tibetan salt, which came under government control in the 1960's. Now participation in salt trading

requires intensive efforts virtually year-round. For poorer households with less manpower this has been disastrous, because they are less able to cope with periodic losses from trade and less able to adapt to changes in the trading environment. This makes them even more dependent on their all too few, insufficiently productive fields.

The problem is that grain debts as they are structured in Humla readily create a vicious circle and a downward spiral of impoverishment. Once a household has taken loans, it must devote part of its income to their repayment, which taxes its limited food resources. This makes it likelier to require additional loans, to bridge the ever-growing gap between needs and income. People who are indebted necessarily become dependent upon their creditors. Once a majority of villagers falls into debt, the village becomes easily dominated by wealthy, creditor neighbors. Khalang offers a cogent illustration of how debt produces debt, poverty exacerbates poverty, and both create dependency and political weakness, which further increase impoverishment. Due to its political weakness, Khalang has lost valuable lands to wealthy and more powerful neighbors. In the distant past it lost land to a village of Thakuris, former rulers of the area. In this century it lost land to its near neighbors, occasional affines, and predominant creditors in the village of Gyaling.

To place this situation in fuller perspective we must go back to 1868, the time of the last major land tax registration. At that time, Khalang village had rights to a gently sloping valley located 3,000 feet above the village. At that time, they used the land for summer and autumn pasturage and permitted Gyaling villagers limited access in late autumn for a small fee. Around the turn of the century, Khalang began to reclaim land directly below the pasture and, concerned about the depredations of stray cattle, reduced the amount of pastureland let to Gyaling. This angered Gyaling villagers, who rely heavily on animal husbandry. The fact of their long-term use of the land set the stage for quarrels about the security of such rights and ultimately a legal battle over land ownership.

A case was filed in the local court and proceeded through various suits and counter-suits to higher courts in Jumla, Doti, and finally Kathmandu. The case evolved over a period of four decades, until Gyaling finally won it. Part of the reason Gyaling won is that it is a larger village and had more resources to pay the legal and extralegal expenses that accrue in cases of this kind. Khalang had to meet such expenses as well, but had fewer villagers to share them. Thus the case cost Khalang villagers more, even if the village could pay less. The case eventually bankrupted the village without winning them their fields. At a later date, Gyaling villagers experienced land shortages and put this pasture to agricultural use, moving their herding operations a day's walk away. The parcel of land the two villages fought over include approximately six acres. Some of it is poor in quality and rocky; all of it is high in altitude, but it can grow a single crop of buckwheat each

year. Were the land still held by and evenly divided among Khalang villagers, each would own about quarter of an acre more land. The cultivation of this land could produce another ten to fifteen *khal* of buckwheat for each household. In a good year, this would yield enough food to feed one adult or pay the interest on loans of the average household discussed above (Table 3).

RELATIONS BETWEEN DEBTOR AND CREDITOR

One might expect relations between debtor and creditor to be characterized by antagonism or a deliberate diminution of social relations, an impression fostered by case studies elsewhere in Nepal. In Humla, one finds debtors resentful to creditors and creditors mistrustful of those who borrow their grain and money. Creditors who charge very high rates of interest or demand heavy *garauni* payments also are subject to highly negative criticism. This, however, is all, perhaps because the fabric of debt in Humla links people with other important common bonds, overarching common interests, and compelling mutual obligations and joins virtually everyone--including caste fellows, neighbors, and kin--within a single network.

Thus far I have described the system of loans largely from the perspective of the debtors. Lenders as well face genuine problems in Humla, due primarily to the insecurity of their loans. The 1964 Land Reform Act increased this insecurity by reaffirming the illegality of traditional interest rates and by instituting provisions to intercept payments on traditional loans (Regmi 1976:207). Nonetheless, these reforms did not have entirely desirable effects. Scholars who have worked elsewhere in Nepal argue that the reforms constricted the availability of credit--partly because creditors found the legal rates to be uneconomical and partly because they feared legal sanctions--and actually forced rates higher. (A.P. Caplan 1972:39; McDougal 1969:55; Regmi 1972:99). It is difficult to draw parallels with the responses to land reform in Humla, because the other analyses focus on cash loans. In Humla, the most serious debts are in grain, and if interest rates on grain loans have remained high, the principal reason was and remains the scarcity of grain. Thus Humla creditors responded to land reform not by withdrawing their grain from circulation (a risky strategy, given that grain is perishable), but by initially conforming to provisions of the act and then, as soon as it seemed safe to do so, raising interest rates again.

Creditors today may be concerned about possible legal action against them for the usurious rates they charge. This may have underlain the reluctance of many to report their profits from loans. Nonetheless, the concern consistently expressed was the risk of debtor default--a long-standing problem. Creditors also cited this risk as one justification for high rates of interest. Clearly it is the poorest debtors and the ones with the heaviest loans who are least likely to repay, whose households are most likely to suffer demise, and whose families are most likely

to emigrate. Creditors can expect little from elderly or ill members of a household approaching demise and they can expect nothing but problems trying to collect loans from a household with multiple obligations to many creditors. Under such circumstances, they may be forced to settle for whatever small amounts they can find. Creditors also complain of people dying with debts still unpaid and their sons and heirs refusing to honor obligations unsecured by formal written documents. This sort of risk may have increased with the imposition of land reform, but it seems unlikely that poor, powerless debtors ever posed much risk of complaints to local courts.

From the creditors' perspective, an insolvent debtor has reneged on a pledge and has taken advantage of the creditor's trust, as well as his hard work and thrift in accumulating a grain surplus. Creditors like to portray themselves as providing a service to the village, for, as they say, villagers depend on their grain-lending activities and would die of starvation without their stores. What they particularly resent are presumed ploys to avoid repayment. Securing repayment is no easy matter either. Creditors have to leave their own work to go to their debtors' villages during the harvest--before the grain can be stored or hidden away. This is one of the reasons major creditors hire loan collectors. The frustration of dealing with recalcitrant debtors has, on occasion, provoked creditors to extreme measures: to physical threats or to removing foods from debtor homes.¹⁶

From an outsider's perspective, however, creditors earn handsome profits from their lending activities, despite occasional problems and periodic losses. They earn up to or the equivalent of 150 percent profit per year, a high return by any standard and particularly desirable in a region with few investment alternatives.¹⁷ Debtors can do nothing but lose from their debts.

NETWORKS OF DEBT

Poverty in Humla may have its roots in inequities in land distribution, but it is amplified by inequities in holdings of grain. Households with large stores of grain can profit enormously from grain lending, while households forced to borrow grain can become entrapped in a vicious cycle of debt, the costs of which annually come to consume a major share of their income.

A closer look at the precise losses and profits incurred from debt show how insidious grain debt is and how few Humla households stand apart from it. We may start with the negative example of Rongphug, the poorest village surveyed. There 81.1 percent of households reported having made payments on existing grain loans during the twelve months preceding the interview. Despite this, 83 percent of households reported having debts left to repay. Most of these debts cluster at the lower end of the range--2,000 rupees or less (Table 4 and 5). However, 2,000 rupees brings quite

a bit of food, even in Humla where grain prices are high. Consider the fact that households making interest payments worth 1,000 rupees per year are sacrificing ten *khal* of buckwheat or millet—nearly one adult household member's food for the year. Sankhagaon and Jajarkot villagers, who have similarly low incomes from agriculture, trade, and wages, follow Rongphug in the severity of their debt. Not surprisingly Daiba, with its high agricultural production and high income, has far fewer debtors.

Table 4
Payments of Interest and Repayments on Grain Loans,
1982-83

| | Village Households | | | | | | | | | |
|--|--------------------|------|------------|------|----------|------|-------|------|---------|------|
| | Rongphug | | Sankhagaon | | Jajarkot | | Daiba | | Gyaling | |
| | % | (N) | % | (N) | % | (N) | % | (N) | % | (N) |
| Total Payments in Rupees ^a | | | | | | | | | | |
| 0 | 18.9 | (10) | 34.5 | (29) | 39.0 | (41) | 61.4 | (51) | 80.8 | (42) |
| 1 - 999 | 28.3 | (15) | 17.9 | (15) | 42.9 | (45) | 21.7 | (18) | 11.5 | (6) |
| 1,000 - 1,999 | 26.4 | (14) | 32.1 | (27) | 15.2 | (16) | 10.8 | (9) | 1.9 | (1) |
| 2,000 - 2,999 | 15.1 | (8) | 11.9 | (10) | 2.9 | (3) | 2.4 | (2) | 1.9 | (1) |
| 3,000 - 3,999 | 7.6 | (4) | 3.6 | (3) | 0.0 | (0) | 1.2 | (1) | 1.9 | (1) |
| 4,000 - 6,500 | 3.8 | (2) | 0.0 | (0) | 0.0 | (0) | 2.4 | (2) | 1.9 | (1) |
| Number of Households Reporting Grain Debts | | 43 | | 55 | | 64 | | 32 | | 10 |
| Number of Respondent Households ^b | | 53 | | 84 | | 105 | | 83 | | 52 |
| Percent Reporting Grain Debts | | 81.1 | | 65.5 | | 61.0 | | 38.6 | | 19.2 |

- a. This sums up payments on grain loans during the twelve months preceding each survey. Such payments are made in kind, but here are given in rupee equivalents--according to prices prevailing in autumn 1982.
- b. Two Jajarkot and thirteen Gyaling households which were surveyed failed to provide information on their food loans and have been excluded from these calculations.

Table 5
Value of Outstanding Grain Debts, 1983

| | Rongphug % (N) | Sankhagaon % (N) | Jajarkot % (N) | Daiba % (N) | Gyaling % (N) |
|---|-------------------|---------------------|-------------------|----------------|------------------|
| Total Debt in Rupees^a | | | | | |
| 0 | 17.0 (8) | 57.1 (48) | 52.8 (56) | 79.3 (65) | 71.4 (35) |
| 1 - 999 | 36.2 (17) | 23.8 (20) | 35.8 (38) | 18.3 (15) | 2.0 (1) |
| 1,000 - 1,999 | 27.7 (13) | 14.3 (12) | 9.4 (10) | 1.2 (1) | 8.2 (4) |
| 2,000 - 2,999 | 8.5 (4) | 2.4 (2) | 0.9 (1) | 1.2 (1) | 6.1 (3) |
| 3,000 - 3,999 | 8.5 (4) | 2.4 (2) | 0.9 (1) | 0.0 (0) | 8.2 (4) |
| 4,000 - 6,500 | 2.1 (1) | 0.0 (0) | 0.0 (0) | 0.0 (0) | 4.1 (2) |

**Number of Households
with Outstanding
Grain Debts**

39 36 50 17 14

**Number of
Respondent
Households^b**

47 84 106 82 49

**Percent Reporting
Outstanding
Grain Debts**

83.0 42.9 47.2 20.7 28.6

- a. This sums up the total in-kind payments remaining for these households, converted to their autumn 1982 rupee value.
- b. An additional six Rongphug, one Jajarkot, one Daiba, and sixteen Gyaling households failed to provide information on their food loans and have been excluded from these calculations.

Gyaling presents a different situation. To begin, it is far wealthier on average than any other community. As we might expect, it includes few debtors. These few households, however, owe a great deal and owe more on average than do debtors in Rongphug (Table 6). I should note that this result was not skewed by the comparatively high non-response rate, as non-respondents in Gyaling belonged equally to households with large, average, and small landholdings. Instead failure to provide information on debt may be due to simple reticence-unwillingness to discuss what must appear as sharp inequities in a small village of close relatives. The high levels of debt in Gyaling may be, in fact, largely an artifact of season and time. Gyaling was studied in mid- to late summer, when the level of debt ordinarily peaks; moreover, it was studied in the summer of 1983, at the end of a famine year. Because each of these communities was studied for four to six months over a year and a half term of fieldwork (see Note 8); they were reached at different times of year. Sankhagaon was studied in summer and autumn, Rongphug and Jajarkot in winter, and Daiba in autumn and winter.¹⁸ For this reason, figures on debt payments made over the preceding twelve months (Tables 4 and 7) should have greater comparability across communities. The "previous twelve months" incorporates all seasons of the year and for all the communities incorporates a portion of a famine year.

Table 6
Average Levels of Indebtedness, 1982-83

| | Village Households | | | | |
|---|--------------------|------------|----------|-------|---------|
| | Rongphug | Sankhagaon | Jajarkot | Daiba | Gyaling |
| Mean Payments Made by Debtors Over 12 months | 1,703 | 1,431 | 749 | 1,193 | 1,591 |
| No. of Households Reporting Payments of Debts | 43 | 55 | 64 | 32 | 10 |
| Mean Amount of Outstanding Debt | 1,382 | 798 | 618 | 562 | 2,612 |
| No. of Households Reporting Outstanding Debt | 39 | 36 | 50 | 17 | 14 |

Although comparatively more Gyaling households were reluctant to discuss their expenses and profits from debts, the majority did give accounts of their loans. And these accounts show Gyaling to be predominantly a creditor community. Almost half the households earned grain from outstanding loans during the twelve months preceding the study, and more than half reported profits yet to collect. These loans, I should note, extended through their own and neighboring communities

of similar and different ethnic groups. Among these communities were Khalang, which includes close kin and affines, and Sankhagaon, a community of different ethnic composition. Thus Gyaling differs markedly from the other study communities, where only a fraction of households reported making profits from debt or having as-yet-uncollected debts (Tables 7 and 8).

Table 7
Creditors' Profits From Grain Loans, 1982-83

| | Number of Households | | | | |
|---|----------------------|------------|----------|-------|---------|
| | Rongpuhu | Sankhagaon | Jajarkot | Daiba | Gyaling |
| Total Profit in Rupees ^a | | | | | |
| 1 - 1,999 | 2 | 3 | 1 | 7 | 16 |
| 2,000-3,999 | 0 | 4 | 1 | 4 | 3 |
| 4,000-9,999 | 2 | 1 | 2 | 0 | 5 |
| 10,000-29,999 | 1 | 0 | 2 | 0 | 1 |
| 30,000-50,000 | 0 | 0 | 1 | 0 | 0 |
| Number of Households Reporting Profits from Grain Loans | 5 | 8 | 7 | 11 | 25 |
| Number of Respondent Households ^b | 53 | 84 | 105 | 83 | 52 |
| Percent Reporting Profits from Grain Loans | 9.4 | 9.5 | 6.7 | 13.2 | 48.1 |

- a. This figures sums up all returns from grain loans over the previous twelve months.
- b. An additional two Jajarkot and thirteen Gyaling households failed to provide information on their food loans and have been excluded from these calculations.

Table 8
Value of Grain Loans Outstanding for Creditor Households, 1983

| | Number of Households | | | | |
|--|----------------------|------------|----------|-------|---------|
| | Rongphug | Sankhagaon | Jajarkot | Daiba | Gyaling |
| Total Value in Rupees | | | | | |
| 1 - 1,999 | 0 | 6 | 5 | 8 | 7 |
| 2,000-3,999 | 0 | 1 | 3 | 0 | 3 |
| 4,000-9,999 | 1 | 2 | 1 | 0 | 9 |
| 10,000-29,999 | 0 | 0 | 1 | 0 | 7 |
| 30,000-50,000 | 1 | 0 | 1 | 0 | 2 |
| Number of Households Reporting Uncollected Grain Loans | 2 | 9 | 11 | 8 | 28 |
| Number of Respondent Households ^a | 47 | 84 | 106 | 82 | 49 |
| Percent of Households With Uncollected Grain Loans | 4.3 | 10.7 | 10.4 | 9.8 | 57.1 |

- a. An additional six Rongphug, one Jajarkot, one Daiba, and sixteen Gyaling households failed to provide information on their food loans and have been excluded from these calculations.

As one might expect, community wealth and indebtedness are negatively correlated. Gyaling, the wealthiest of the study communities, has relatively fewer debtors and includes the most creditors. Daiba, the community with the second highest income and the largest income from agriculture has relatively little debt and also relatively few creditors. By any accounting, Rongphug is the poorest study community and has the largest amount of debt. Nonetheless, all the communities, no matter how poor, have a few creditors. Rongphug includes one extremely wealthy household which reported outstanding loans worth 36,000 rupees. Despite Jajarkot's poverty, there are two creditor households which earn extraordinary amounts of grain from debts (Table 8). One household is so rich that it owns two dozen storage pits, from which it annually doles out grain to poor members of its own village and nearby Rongphug. Rongphug people also seek loans from the handful of households in their own

community with grain surpluses and from another, wealthy ethnic Tibetan community a day's walk to the north. It is worth noting that much of the grain which creditors provide in loans was collected from debtors' interest and repayments. Ironically, poor households may find themselves borrowing the very grain they themselves produced. One should not forget either that wealthy creditor households cite uncollected debts worth several times the average annual income of their community.

LOANS IN CASH AND IN KIND

In most of Humla, cash loans were less common, at least through the early 1980's. Thus proportionately fewer households reported repaying or paying interest on cash loans than they did on grain loans in Rongphug, Sankhagaon, Jajarkot, and Gyaling. In Daiba, eight more households reported outstanding cash than grain debts, but vastly more households reported repaying grain than cash debts over the preceding twelve months. Cash loans generally appear to motivate a comparatively lower and slower rate of repayment. In all the villages, substantially more households cited outstanding cash debts than repaid them in 1982-83 (Tables 9 and 10). Perhaps debtors worry less about being dilatory in repaying cash loans because the interest rates are lower. Perhaps the low rates of repayment are due to the newness of the loans or because many of the larger ones come from the agricultural bank, which extends longer term loans and is more lenient about repayment schedules. Equally likely, cash is viewed as less consequential than grain, and cash loans are treated more casually--I certainly found it difficult to secure repayment of the (interest-free) cash loans I made to villagers. Since I became aware of this pattern only after I left the field, I failed to survey informants about it.

Table 9
Payments of Interest and Repayments on Cash Loans, 1982-83

| | Number of Households | | | | |
|---|----------------------|------------|----------|-------|---------|
| | Rongphug | Sankhagaon | Jajarkot | Daiba | Gyaling |
| Total Payment in Rupees | | | | | |
| 1 - 999 | 2 | 1 | 3 | 4 | 1 |
| 1,000-1,999 | 1 | 0 | 1 | 0 | 1 |
| 2,000-2,999 | 1 | 0 | 1 | 0 | 0 |
| 3,000-3,999 | 0 | 0 | 1 | 0 | 0 |
| More than 4,000 | 0 | 1 | 0 | 0 | 0 |
| Number of Households Repaying Cash debts | 4 | 2 | 6 | 4 | 2 |
| Number of Respondent Households ^a | 33 | 84 | 104 | 83 | 52 |
| Percent Repaying Cash Debts | 12.1 | 2.4 | 5.8 | 4.8 | 3.8 |

a. An additional twenty Rongphug, three Jajarkot, and thirteen Gyaling households failed to provide information on repayments of cash debts and have been excluded from these calculations.

Table 10
Value of Outstanding Loans in Cash, 1983

| | Number of Households | | | | |
|--|----------------------|------------|----------|-------|---------|
| | Rongphug | Sankhagaon | Jajarkot | Daiba | Gyaling |
| Total Debt in Rupees | | | | | |
| 1 - 999 | 12 | 13 | 20 | 20 | 4 |
| 1,000-1,999 | 3 | 5 | 4 | 1 | 3 |
| 2,000-2,999 | 2 | 4 | 1 | 1 | 1 |
| 3,000-3,999 | 3 | 0 | 3 | 0 | 1 |
| 4,000-6,499 | 3 | 1 | 1 | 3 | 0 |
| 6,500-9,999 | 1 | 0 | 0 | 0 | 0 |
| 10,000-19,999 | 0 | 0 | 1 | 0 | 0 |
| Number of Households with Outstanding Cash Debts | 24 | 23 | 30 | 25 | 9 |
| Number of Respondent Households ^a | 42 | 84 | 105 | 83 | 49 |
| Percent Reporting Outstanding Cash Debts | 57.1 | 27.4 | 28.6 | 30.1 | 18.4 |

a. An additional eleven Rongphug, two Jajarkot, and sixteen Gyaling households failed to provide information on cash debts and have been excluded from these calculations.

In Humla, cash generally has less immediacy than grain--which is, after all, food--and has less salience as an index of value. Even today, profits from agriculture and trade are calculated in grain, and wealth still is measured in stores of grain and property productive of grain, not of cash. Grain remains the major medium of exchange in the region. Until the 1970's, the only money accepted was silver, either old Indian rupees or Tibetan coins, which have intrinsic value. Paper money is seen as relatively dispossable, because it cannot be directly consumed, and there is little to be bought with it in Humla. At famine times it becomes particularly clear how useless money is, as I can well attest. There then is no food that money can buy. Thus the standard of wealth and value is grain, which is the staff and stuff of life and can be loaned out at greater rates of interest than can cash.¹⁹

If borrowing cash remains comparatively rare in most of Humla, this no longer is the case in Kharkot. Here cash loans have come to exceed grain loans both in their prevalence and amounts (Table 11). Kharkot is a Chetri community like Jajarkot and approximately the same size. One difference between the two is that Kharkot villagers have more land. What is even more important now, they live near Humla's District capital and have benefitted enormously from the recent expansion of government services there. While people of every village hold government jobs, they are few and mostly employed locally, for example, as schoolteachers or workers in the small health posts scattered around the region. Kharkot people, however, live a brief walk from the district capital, which means they can commute to work daily. This is why approximately two-thirds of Kharkot households have one or more members working for the government. Many hold menial positions, although literate villagers have somewhat better employment and a few young men with a high school education have desirable white-collar jobs. Thus the average Kharkot household earned 5,891 rupees from wages in 1982-83: principally cash from government employment. By contrast, households in Jajarkot--the community with the next largest earnings from wages and casual labor--reported an average 1,811 rupees from this (Table 2). I should note that government jobs provide more than a salary advantage. They also confer year-round opportunities to purchase subsidized rice. Such transactions are accomplished with cash.

Other studies which have focused on problems of debt in Nepal have shown it to be concentrated among lower-ranking ethnic groups and castes. This is not the case in Humla, as the above data show. The poorest, most debt-ridden community is Rongphug, while the richest community and the one in which creditors predominate is Gyaling. Both are ethnic Tibetan. Perhaps ethnic Tibetans are more likely to experience major shifts in their economic fortunes because they rely heavily on trade, which is so volatile in this region. Among the other groups, wealth traditionally depended on agriculture, which is comparatively more stable. Daiba now holds and in the past held better land than Sankhagaon and thus has less debt. Kharkot has more land than Jajarkot and has been better-off for a considerable time; now it is markedly more prosperous because of government employment. One can only conclude that debt follows land and income, which are moderated by ethnicity or caste in complex, sometimes contradictory ways. Ethnicity is correlated with the way a community makes a living and where it is located--higher up the mountain valleys near Tibet or in a valley bottom where rice can be grown. Conditions were more advantageous at one period of time, however, may prove disastrous in the next. Thus high caste Hindus once had access to the best valley bottom lands. Now that such lands and locations pose major disadvantages, the balance of agricultural wealth has altered, and other factors intervene.

Table 11
Indebtedness in Kharkot, 1982-83

| | Payments on Grain Loans | | Outstanding Grain Loans | | Payments on Cash Loans | | Outstanding Cash Loans | |
|--|-------------------------|------|-------------------------|------|------------------------|------|------------------------|------|
| | % | (N) | % | (N) | % | (N) | % | (N) |
| Total Payment in Rupees | | | | | | | | |
| 0 | 82.5 | (66) | 73.8 | (59) | 63.8 | (51) | 51.2 | (41) |
| 1 - 999 | 17.5 | (14) | 26.2 | (21) | 26.2 | (21) | 27.5 | (22) |
| 1,000-1,999 | 0.0 | (0) | 0.0 | (0) | 7.5 | (6) | 12.5 | (10) |
| 2,000-2,999 | 0.0 | (0) | 0.0 | (0) | 0.0 | (0) | 2.5 | (2) |
| 3,000-3,999 | 0.0 | (0) | 0.0 | (0) | 2.5 | (2) | 1.2 | (1) |
| 4,000-6,499 | 0.0 | (0) | 0.0 | (0) | 0.0 | (0) | 1.2 | (1) |
| 6,500-9,999 | 0.0 | (0) | 0.0 | (0) | 0.0 | (0) | 0.0 | (0) |
| 10,000-20,000 | 0.0 | (0) | 0.0 | (0) | 0.0 | (0) | 3.8 | (3) |
| Proportion of Indebted Households | | | | | | | | |
| | 17.5 | (14) | 26.2 | (21) | 36.2 | (29) | 48.8 | (39) |
| Number of Respondent Households ^a | | | | | | | | |
| | 80 | | | | | | | |

- a. One other Kharkot household was surveyed, but failed to provide information on its current debts.

The system of debt in Humla does not depend on exploiting the lower castes either. Most high caste people are too poor to take financial advantage of others in this way. For that matter, there are few low caste people of whom they could take advantage. Among the 473 households surveyed in these villages only 31 were of occupational castes. As elsewhere in Nepal, almost all are extremely poor. Until recently they held no land and earned their living through their traditional occupations and casual agricultural labor. They are heavily indebted, but less seriously than the people of Rongphug (Table 12). Their grain debts do not seem much worse than those of Jajarkot people, and their cash debts not much worse than those of Kharkot people (Table 12). This picture of dual indebtedness may be due to comparable factors, for 12 of the occupational castes live in Kharkot, where cash debts are quite common, and 14 live in Jajarkot, where grain debts are quite common.

Table 12
Indebtedness Among Low Caste Households, 1982-83

| | Payments on Grain Loans | | Outstanding Grain Loans | | Payments on Cash Loans | | Outstanding Cash Loans | |
|--|-------------------------|------|-------------------------|------|------------------------|------|------------------------|------|
| | % | (N) | % | (N) | % | (N) | % | (N) |
| Total Payment in Rupees | | | | | | | | |
| 0 | 36.7 | (11) | 38.7 | (12) | 70.0 | (21) | 33.3 | (10) |
| 1 - 999 | 46.7 | (14) | 45.2 | (14) | 23.3 | (7) | 53.3 | (16) |
| 1,000-1,999 | 13.3 | (4) | 9.7 | (3) | 6.7 | (2) | 10.0 | (3) |
| 2,000-2,999 | 3.3 | (1) | 3.2 | (1) | 0.0 | (0) | 0.0 | (0) |
| 3,000-3,999 | 0.0 | (0) | 3.2 | (1) | 0.0 | (0) | 3.3 | (1) |
| 4,000-6,500 | 0.0 | (0) | 0.0 | (0) | 0.0 | (0) | 0.0 | (0) |
| Proportion of Indebted Households | 63.3 | (19) | 61.3 | (19) | 30.0 | (9) | 66.7 | (20) |
| Number of Respondent Households ^a | 30 | | 31 | | 30 | | 30 | |

- a. One untouchable household failed to provide information about its grain repayments in 1983; another household failed to provide information about its cash debts.

Debt in Humla is at base a practical problem of inequality within and between villages. The traditional, high interest rates which grain-short households still have to accept enrich creditors, impoverish debtors, and thus widen the gap between rich and poor. Once a household has fallen into a downward spiral of debt, it becomes nearly impossible to rise out of it. As in other regions in Nepal, the sole way out of debt may be work outside the community (Caplan 1970:5; Hitchcock 1966:18). Other authors have explained pervasive indebtedness by land scarcity, and land scarcity certainly does characterize Humla. The problem however, is more deeply rooted than this. Traditional systems of lending discourage productivity among the poor, who must divert a large part of their agricultural income toward meeting prior debt obligations. In the end this may create nothing other than an unproductive recycling of grain throughout the community--a recycling which leaves the most grain in the hands of the rich, who use much of it only to lend out again.

NOTES

1. Poffenberger, for one, argues that needs for cash expanded due to government requirements for taxes paid in cash and growing demands for consumer goods (1980:66). However the government acknowledged the rarity of cash and permitted in-kind assessments in remote areas (Regmi 1976:138). People in some regions continue to pay taxes in grain, even today (Humphrey 1985:57). The parallels between such explanations of agricultural indebtedness in Nepal and early accounts of similar phenomena in India are worth noting (see Kessinger 1974 on India).
2. It is not possible to examine the relationship between levels of indebtedness and land scarcity or inequities in land distribution. All available data, including data collected under the aegis of the 1964 Land Reform Act, are compromised by landowners' attempts to undervalue their holdings and debtor's failures to declare their loans. (This occurred in spite of the Act's stated aim of moderating their debt burdens).
3. It has been argued that the government saw Hindu settlement as particularly desirable in an unstable, sensitive border area and used this settlement to convert land held under traditional communal tenure (*kipat*) to state control. This offered the additional advantage of higher revenues (Caplan 1970:56-59, Regmi 1976:92-93).
4. Despite such inequities and the power of headmen in the past, we find anthropologists describing Limbu class distinctions as "superficial" (Jones 1976: 72) and the population as "traditionally undifferentiated" (Caplan 1970: 174). Surely this apparent paradox merits closer attention.

5. It is difficult to judge whether this holds true for mortgage holders outside the village cluster as well, because Caplan presents no ethnic breakdown of the larger region's population (Caplan 1970: 17, 101).
6. His Majesty's Government estimated grain production in the Karnali Zone to be 15,171 metric tons in 1983/84 and grain requirements to be 48,876 metric tons, producing a shortfall for the region of 33,705 metric tons--a remarkable deficit of 141 kilograms of grain per person (Nepal 1986:16, 115).
7. The choice of site depends on migrant characteristics. Strong young men may go to India, where high-paying road or other construction work is available. Entire families may migrate to warmer regions of Nepal, where husbands, wives, and adolescents can find familiar sorts of casual labor in small agricultural villages.
8. The research was carried out in Humla District between September 1982 and April 1984 and was supported by grants from the National Science Foundation and the Population Council. I studied the ethnic Tibetan communities and coordinated concurrent research in Bura and high caste Hindu communities. Thanks are due to my co-researchers, Netra B. Tumbahangfe, Tshewang B. Lama, and Lok B. Rawat. I also must express my thanks to Dr. Harka B. Gurung for his help in identifying resources critical to this study.
9. Tibetan and Nepali versions of the ethnographic survey and questionnaire were prepared for use in all the study communities. The questionnaire was administered to all the households in the smaller villages and to a random sample of households in the larger villages.
10. Figures on agricultural production from Daiba are somewhat higher than they might otherwise be, because Daiba was surveyed last, and villagers reported on the 1983 harvest. For the other communities, figures on agricultural production derive principally from the far less favorable 1982 harvest.
11. Similarly, Caplan (1970:172-73) found that wealthy Limbu were able to negotiate cheaper loans and were preferred by other Limbu as mortgagers of land, because of expectations of a continuing social relationship and multiple kinds of social support.
12. Loan collectors are known by ethnic Tibetans as *khaitheg* (*khasthegs*) or *nyawa* (*gna'ba*) and by Nepali speakers as *jamani* (*jajmani*).
13. Villagers who migrate to the hills of Nepal bring little home to show for their months of work. Those who take better-paid jobs in India may return with spices, cooking pots, cloth, and so on, goods which are expensive or unavailable at home.

14. Compare this figure to the 27.6 percent of annual agricultural produce owed by the category of "marginal" farmers in more favored regions of Nepal (Nepal 1980:156).
15. Macfarlane estimated that the average adult male needs approximately 210 kilograms of husked grain per year (1976:168). A recent government study in Nepal which had access to more precise estimates of grain caloric values came up with a similar figure: 225 kilograms of cereal food per adult per year (Agricultural Products Services Center 1982: 37).
16. Note that the use of private coercion was perfectly legal until the twentieth century (Gaborieau 1981:142-43).
17. Firth argues that the different prices of grain between the time of greatest need and the following harvest essentially cancel out such increments in repayment (1964:30-31). For a Humla example, in autumn 1982 wheat cost 140 to 160 rupees per khal. By the following spring the price had risen to 200 to 240 rupees--one and a half times the price in autumn. However by next autumn the price had dropped to its former low level. At this time debtors were obliged to pay 15 khal for every 10 borrowed, and creditors then could lend out those 15 khal for a return of 22.5 khal the following year.
18. This may explain why only Gyaling shows substantially more villagers reporting outstanding debts than having repaid debts during the preceding twelve months.
19. As Humphrey has argued for the Lhomi of eastern Nepal, here we essentially have a barter economy, in which people "cannot afford to keep money and in which money may cease to function as an index of value and itself becomes an item bartered" (1985:48).

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