

# Credit relations in Nepal: social embeddedness and sacred money

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## 1. Introduction

In recent years the research field of economic anthropology has witnessed an increasing interest in works concerning the topic of money and credit. On South and Southeast Asia there are major contributions by Schrader (1996) on the Chettiar moneylenders of Burma, Hardiman (1996) on the relations between peasants and the Baniya traders-cum-moneylenders of Gujarat, and Znoj (1995) and Sherman (1990) on the meaning of money among the Rejang and Batak of Sumatra. Credit relations also receive attention in other works, such as Steinwand on credit relations in Thailand (1991), Hesse (1996) on the social structure of a bazaar town in North India, or Humphrey (1992) on the ethics of barter among the Rai, as well as Sagant (1996) on social change concerning religion and landownership among the Limbus of East Nepal. If a common denominator of all these contributions could be defined, it might be the question of whether there is an 'impact of money' on traditional societies (see Bohannan 1959), an assumption that, of course, can hardly be denied. Schrader (1991: 47) addresses the question of whether moneylending is a phenomenon to be associated with the introduction of cash crop production. With regard to Nepal, the appearance of moneylenders seems to have a connection with the expansion of revenue collection from agriculture in the second half of the nineteenth century. However, as the Sanskrit terms *kusīda* and *vārdhuṣika*, explained by Kane (1974: 417f.), indicate, any form of taking high interest for loans in cash or kind was already regarded as usury in the classical period in India. Extending this position, the development of credit systems among peasants could consequently be seen as a reaction to hardship suffered from usury. Geertz (1961), however, in applying the metaphor of 'middle rung', associates rotating savings and credit associations (RoSCA)

with support in the transition from tradition to modernity in a wider sense, as a step of adaptation to the domain of the market. A further position was earlier stated by Malinowski, who compared the traditional village chief or clan headman to a "tribal banker" (Malinowski 1937: 232, see also Trenk 1991: 69), thus assuming that there exists a functional relation between credit and redistribution. Most authors also share the understanding that mediums of exchange do already exist on a pre-monetary level of a barter or subsistence-oriented economy. Thus a preoccupation with the idea and functions of money within modern western values could lead to an oversimplification of the topic. It would also reduce an understanding of the 'social embeddedness' (Polanyi 1977) of traditional economies.

The problem of distinguishing credit from exchange may, on the one hand, be treated from a formalist point of view, where credit, in cash or kind, necessarily implies some benefit or profit for those involved in the transaction, whether it be in terms of interest or access to resources. Labour exchange, especially if delayed, might then be considered a special case of credit relations, since the mode of repayment is in kind without necessarily any interest even if one's access to resources is enhanced. In addition, from such a perspective, credit relations may be considered as corresponding to what Znoj (1995: 30) called the "liquidating mode" of transactions. Gift exchange, on the other hand, does not carry the notion of a mandatory repayment—it is directed more towards fulfilling moral obligations. From a substantivist point of view, however, economic transactions are embedded in the social and religious values of traditional societies. Thus credit relations, including terms of security, terms of interest, and gains or benefits from credit, are explained by their dependency on social and ritual relations.

The first section of this discussion will focus on the historical development of credit practices in Nepal, showing the embeddedness of credit practices within religious and institutional relations, including changing aspects of law. The second section will then present a short introduction to traditional credit systems and informal credit practices that are still prevalent in Nepal.<sup>1</sup> Thus credit practices and systems such as the *dhikur* system of the Gurungs, Thakalis, and Manangis, the *guthi* system of the Newars, the *kidu* system

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of the Tibetan-oriented Sherpas, and the *parma* system of the Chetris will be introduced. A more comprehensive treatment of the topic, however, would have to consider the socio-structural and religious backgrounds of the respective groups and practices and the reasons for indebtedness. It would have to document such reasons textually, and provide a cultural and ecological perspective on the different groups' respective economic settings. As Schrader (1994: 45) notes for Nepal's economic history, the impact of monetization and cash crop production has fallen mostly on trading enclaves, while large parts of the country have remained on a subsistence-oriented level. However, this does not exclude the possibility that a comprehensive study of credit in Nepal, focusing on monetary as well as indigenous mediums of exchange, will reveal regional differences of credit practices and adhering value orientations. Since my aim here is limited to pointing out the wider social frame, or the social embeddedness and sacred aspect of credit practices in Nepal, I will restrict myself to the aforementioned points. To begin with, I would like to relate a small story that inspired me in part to conduct this study of credit relations in Nepal, a country where, according to an old proverb, "only strangers need coin—people who know each other can do without" (Rhodes 1989: 115).<sup>2</sup>

In spring 1992, while I was staying in Jiri to prepare for research among the Sherpas, one old woman who lived in a thatched hut near the house of my landlord was able to build a house to replace her hut by means of 'borrowing' voluntary labour. My friend and cook, a Jirel of that area, worked out the plan. It was necessary merely to have an enormous amount of *chang* (homemade beer) and some money to buy tree-cutting rights—enough for the tiles of the small roof and some wooden frames. In effect, credit-worthiness was attributed to the woman and she was able to receive voluntary labour from the neighbours because she was offering them *chang* or homemade beer, considered in this context as a medium of exchange. Since *chang* is an item that is involved in nearly every Sherpa ritual, there is a shared understanding of the value attached to it as a gift. It was in this way that my interest was aroused in ritual as a model for the economic sphere, as a means of creating relations of mutual trust and acquiring help and credit.

However, although credit and mutual help come about in this kind of ritually guaranteed manner among the majority of Nepal's northern peoples, this is

<sup>2</sup> Quoted by Rhodes, with a reference to information given to him by Dr C.E. Challis. While conducting research in Nepal, I could not find a Nepali version of this proverb myself, though informants agreed to the contents of the translation. Quite a few of the other proverbs I collected point up the problems that arise from relations based on money.

by no means the case everywhere. To understand the development of the different practices of credit still current in Nepal, we will first focus on their historical development.

## 2. The historical development of credit practices in Nepal

From the perspective of ethnographic history, the historical development of credit practices in Nepal can be subdivided into three successive periods. The ancient period of the 'Nepal' or Kathmandu Valley is characterized by the adherence of credit to patronage relations embedded in the hierarchy of the caste system, whether related to Buddhist or Hindu institutions. From the 17th century onward, with the introduction of small coins, a process of monetization was set in motion. The second period, from the foundation of Nepal as a nation state (1769 AD) until the end of the Rana era (1950), is characterized by the development of a feudal administrative bureaucracy that brought credit relations into line with the increasing monetization of the economy. The third period, lasting until the present and beginning with the introduction of land reforms (1964) and the formalization of legal practices with regard to private credit relations, has witnessed changes in favour of debtors and the introduction of credit programmes, but also an increasingly disembedded economy.

### 2. 1. Credit in the realm of the king

During the epoch which extends from ancient times through the Malla period up to the foundation of modern Nepal by King Prithvi Narayan Shah, there is strong evidence to suggest that all land within the realm of the Kathmandu Valley was not individual property but was encompassed by the rights of members of joint families and ultimately protected and owned by the king. Thus, for example, it could not be individually dedicated for religious purposes except by an act of law or the consent of the king.<sup>3</sup> What could be mortgaged in times of need was not land but the right to the use and fruit of it. In a similar way, under the *kipat* system in the eastern hill regions, land could not be owned by anyone outside the local community (see Sagant 1996, Forbes 1996). Thus, most of the Limbus of East Nepal, who gave immigrants the use of their land in exchange for credit, were faced with a dilemma

<sup>3</sup> Such an opinion is shared by Sharma (1983: 13), Pokhrel (1991: 18f.) and Hamal (1994: 12), for example. Kölver and Sakya (1985: 6, 78) take a similar view in their study of sales and mortgages, including relations of tenure, in the early mediaeval period of the Kathmandu Valley.

when the *kipat* system was abolished in the 1960s and state landownership, *raikar*, which provides for individual land rights (Pokhrel 1991: 240), was finally introduced into their region. Today, however, we still find in some regions of Nepal exceptional cases of mortgaging the right to the use of land. This practice seemed, apart from historical considerations, to be especially widespread in those areas where irrigated rice cultivation was possible, that is, in areas that provide rich and double harvests.

In historical times the mortgaging of the right to the use of the land was also connected with institutional practices. Since ancient times, though rather less so after the formation of the modern state of Nepal, Buddhist monasteries have been the recipients of donations—especially donations made by traders, but probably also donations made by many of the marginal members of society.<sup>4</sup> In the Kathmandu Valley the relation between the Buddhist priests and farmers was also significant. Documents from the Rudravarṇa Mahāvihāra in Patan, studied by Kölver and Sakya (1985), show that between about 1000 AD and 1300 AD this monastery functioned like a bank. The documents revealing this may be considered as an exceptional finding, because such documents, even if they do exist, are hard to obtain in other monasteries. They reveal that certain functionaries from among the entire Order (*sangha*) of this monastery were specifically entrusted with investing the accumulated wealth as credits—to farmers, for example. In return, the monastery acquired the right to the use and fruit of the land (*karṣakaparibhoga*) for a certain period (*ibid.*: 77f.), namely to let this land to tenants (who might be the debtors themselves). The profits therefrom could then be used to meet the expenses of the monastery and for conducting rituals, as well as for investment in social works. It is interesting to note that at this time a member of the entire Order could rise to the highest level of the ten eldest members of the *sangha* only if he had proved himself able to act responsibly in the trust that was concerned with the finance of the monastery

<sup>4</sup> The importance of traders as sponsors of Buddhist temples may be inferred from comparative evidence concerning the sponsoring of Buddhist temples and monasteries in India (see Nath 1987: 42ff.) as well as from works on the history of and contemporary practices among the Newars of the Kathmandu Valley (see Lewis 1984: 12ff., Gellner 1996). While the accumulation of wealth through trade has a long history in Nepal, going back to the Licchavi period, according to Rhodes (1989), the effects of monetization on the wider public were probably only significant from the 17th century onward. The introduction of small coins facilitated the individual accumulation of wealth by traders, artisans and also farmers, and this made itself felt in, among other things, the construction of impressive private buildings.



(*ibid.*: 19).

What, for comparison, can we discover in the historical past of the institution of the Hindu temple in Nepal, a religious institution that until modern times has been the main focus of religious donations in Nepal, especially donations made by kings (Michaels 1994)?<sup>5</sup> Among the many documents of the Paśupatinātha Guthī that were microfilmed by the Nepal-German Manuscript Preservation Project, only a few, most of them dating from the time of King Girvana Yuddha Shah (1797-1816 AD), have any connection with loan practices. And as far as these documents are concerned, we (Aishwarya Dhar Sharma and myself) could not find any evidence of banking activities comparable to those of the Buddhist monastery discussed above. The Hindu temple of Paśupatinātha gave loans only, and exceptionally, to members of the *guthī* itself, that is, to members of the treasure house or to temple attendants. The temple was careful to store the documents of the loan transactions entered into by individual members of the *guthī*, who mortgaged the land that they received from the temple instead of receiving any income in cash. Since the ultimate holder of these lands was the temple or the god Paśupatinātha himself, it was natural that the debt documents should be stored there. The general attitude, however, seems to conform to the Hindu ideal, laid down in the ancient scriptures of Manu's *dharmaśāstra* (see Nath 1987: 93), that priests eligible to be the recipients of gifts made at sacrifices (or, by implication, others serving at the temple) should not be involved in what are considered degrading activities, such as breeding cattle, trading, artisanship, domestic service, and moneylending.<sup>6</sup>

While there are thus clear differences in regard to finance and credit between these religious institutions, a common feature of both traditions has been the importance of patronage relations as a source of support in what was long a non-market economy. Society, rather, was integrated into a caste hierarchy, with corresponding importance being attached to patronage relations that

<sup>5</sup> In the case of the Paśupatinātha Guthī there is evidence of the donations having been dedicated to social works as well, especially to *sadāvarta guthīs*, which are responsible for feeding pilgrims, devotees at festival times, and poor people living in the area of the temple (see also Tandan 1996).

<sup>6</sup> A general comparison regarding credit practices in Hindu temples in South Asia would, however, be confronted with different facts. As Hardiman (1996) has shown, the Jain tradition has not prohibited moneylending activities, while in Hindu law the ethics of moneylending have undergone a process of secularization over time. Moneylending and banking activities also seem to be relative to caste. The involvement of a temple cult with banking

kept landlord and tenant bound to long-term contracts and forms of mutual dependence. The system was guaranteed by the overlordship of the king, there being with all probability in the historical period of the Kathmandu Valley no private ownership of land in the modern sense. The traditional corporate pattern of landownership has continued on in *guthī* land, though its importance has decreased.

## 2.2. Feudalism and the *thek* system of revenue collection

During the period which begins with the unification of Nepal as a territorial nation state and lasts until after the downfall of Rana rule in 1950, ending definitively only with the introduction of the Land Reform Act of 1964, the general situation of landownership changed. The king necessarily had to delegate part of his power to local elites or send his own administrators to remote regions in order to implement his law and collect taxes from local communities (see Regmi 1981: 60ff.). This development of an indirect rule (Pfaff-Czarnecka 1989: 97) also contributed to the rise of local elites and administrators who were equipped with extensive landholdings, which they received as tax-exempt *jāgir* or *birtā* land grants, that is, as a convertible source of income instead of payment in cash (Regmi 1978a: 22f.). Peasants were under an obligation to work the lands of the administrators, with the duty of supervision being given to middlemen. The share of the harvest expected by the administrators and their middlemen on *jāgir* and *birtā* lands probably exceeded by several times the amount expected as tax revenue from taxable lands (Regmi 1978a: 32), or more than half of the crop. Under the Rana rulers this practice of granting landholdings to members of the ministerial class and to local elites was used more exploitatively, since, in some regions, additional levies and unpaid labour were also exacted from peasants working taxable lands (Regmi 1978a: 136f.). Thus a system of governance by intermediary rule emerged that subjected the common people to the will of the local gentry, who received regionally specified contracts (*thekkā*) to collect the taxes. Under the *thekbandī* system in the hill regions of central Nepal, under the *thekthiti* system of the far-western and far-eastern regions, or under the *ijārā* system of the Tarai, local elites or administrators commanded a tax

activities was witnessed by Schrader (1996: 107f.) among the Chettiar traders and bankers in Burma, whose heritage is connected with South India. Schrader suggests that the environment of the temple and the publicity given to transactions conducted there provide an atmosphere of reliance and trustworthiness for business with non-Chettiars. For Nepal, I could not find any evidence of public banking activities connected with Hindu temples, though further research by other scholars may unearth some.

from farmers and tenants—sometimes at a rate that was fixed, sometimes at a rate that rose a little each year (Regmi 1981: 79f., 82f.). These fixed tax revenues (*kut*) did not reflect the actual amounts harvested and thus they could force people into a position of indebtedness when they could not cover their subsistence needs (see also Pfaff-Czarnecka 1989: 98). In some cases this may have led to indebtedness to traders, who provided peasants with grain stocked by them after the harvest in the autumn and sold or provided as credit against higher rates when grain was expensive in the spring and before rice-plantation (Toffin 1984: 326ff.). As a further consequence, many farmers may have had to mortgage their land to their moneylender or tax-collector, as several collected documents indicate.<sup>7</sup> The contracted amount of tax was even increased, as in the *thekbandī* system of the hill regions, by competitive bidding (Regmi 1981: 83) among candidates for the tax-collector's post. On the other hand, this principle could force a defaulting tax collector, such as a *jimidār* of the Tarai region, into debt himself, if he was not able to command enough tax revenue from the farmers of his area. In addition to unpaid labour, the local tax collector also demanded an additional fee for his position as mediator between the locality and the government, and this was called *ghyu khāne*, itself related to the act of hospitality of offering clarified butter at a meal for high guests, treating them as gods. As village people have narrated in their memories of the Rana times, it was usual that in order to receive a favour (or credit) from the administrator the applicant had to engage in the practice of *cākari*, that is, being continually attentive to a superior—a practice which is religious in origin (see Bista 1992: 89ff.). In a similar way, a *sāhu*, a rich man in the role of moneylender, could command the same acts of reverence and gifts of respect in addition to the interest that had to be paid.

<sup>7</sup> A similar situation persisted in the 17th and 18th centuries in parts of India (in Gujarat, for example) where the British used their contacts with banking firms and usurers to implement their rule by giving tax and farming contracts to such intermediaries, though this system slowly gave way to direct rule (Hardiman 1996: 44). Under the Rana system, by contrast, coercive measures of military presence and the establishment of tax offices (*māl addās*) (Regmi 1981: 89) were not imposed to abolish the practice of tax collection by intermediary contractors (*thekkādār*) but to supplement them. These measures enforced the principle of collecting taxes not in relation to the actual amount harvested but in relation to a contractually pre-fixed amount, and thus divided the landowner with links to the feudal bureaucracy of the Rana class from the common peasant.

### 2.3. Private loans, their modes of repayment, and bonded labour

The interest on loans in the informal sector had earlier been incomparably higher than that prescribed by the law. In the Muluki Ain of Jang Bahadur Rana, written in 1854 AD, the interest on loans that were formalized in debt documents, called *tamsuk*, was fixed at 10 per cent per year.<sup>8</sup> The debt could be transmitted to the heirs of the debtor only if the heirs claimed their inheritance. Even before this, the kings of Gorkha had decreed a law that was mildly in favour of the debtors (Riccardi 1977: 41), with the interest being fixed at 20 per cent per year and not to be calculated for a period exceeding 10 years. The Muluki Ain, however, then made a clear distinction between loan agreements between government employees, which bore an interest rate of 11 per cent, loans taken by government employees from common people, and loans between commoners. If a government employee took a loan from a commoner, the latter could not force him to pay it back; otherwise he would be punished by law. Thus government employees were both much better protected from usury and able to exploit their position of power. In addition, government employees could receive low-interest loans from the government treasury itself, a practice that has continued into the present.

A commoner who was not literate, by contrast, was obliged to pay back to a creditor whatever had been freely arranged. If a creditor thus demanded much higher interest than was allowed by law without having recorded this in a contract of debt, he could not be fined. The only consequence of a legal dispute would have been that a formalized debt document would be issued according to the law. In practice, this meant, of course, that many illiterate, poor, or dependent people afraid of involvement in law cases took out loans at higher interest rates, either with or without a *tamsuk*, and sometimes deposited gold and jewellery. Informal loans at interest rates of *say kaḍā tīn*, that is at monthly rates of 3 per cent, or at *say kaḍā pāñca*, that is at 5 per cent, or sometimes even more, are still common today.<sup>9</sup> Another legal possibility, especially to be found in rice-growing areas, was the already mentioned mortgage of the right to the use of the land instead of interest payments,

<sup>8</sup> I am grateful to Mahes Raj Pant for his assistance in translating the relevant passage of the Muluki Ain compiled during the reign of Śrī Pāñca Surendra Bikram Shah Dev. The copy of our text is a reprint of 2022 vs (1965 AD).

<sup>9</sup> For further modes of calculating interest see also Graner (1997: 82f.), referring to Gurung (1949) in her study of the area of Melamchi (north-east of Kathmandu). Further detailed information on credit practices in Nepal is given by Dahal (1981/82). I am grateful to Kashinath Tamot for this reference.

called *bhog bandhaka*. This was preferable to a creditor, since he was able to receive the produce of two harvests a year from such land. In various debt documents, repayments of the interest in kind, in grain or rice, are also mentioned, though again, according to the Muluki Ain, this could not be enforced.

The Muluki Ain, as well as documents from Malla times, also specified that a debtor could not offer as repayment the enslavement (*kamāra*) or bonded labour (*bandhan*) of his family members, though he could do so for himself (see Höfer 1979: 125, Gaborieau 1981: 146). Mahes Raj Pant has shown on the basis of documents from Rana times and others from the 15th and 16th century that in order to pay back a debt a person could offer a creditor his labour for the rest of his life or until the loan was repaid (Pant 1996, 1997). It is, however, to be remembered that caste must have been an important factor. Thus in the Muluki Ain of 1854 a distinction was drawn between those castes who could be enslaved for reasons of punishment and those who could not, though it was mentioned that even high castes could become enslaved by sale or in becoming bond-servants (Höfer 1979: 121ff.). The general attitude reflects, however, a better standing of the high castes. This also holds true inversely, as noted by Hamilton in the 1820s: "A poor creditor, in general, has no resource against a powerful debtor, except sitting Dherna [*dharnā*] on him; and unless the creditor be a Brahman, he may sit long enough before he attracts any notice" (Hamilton 1971: 104). On the other hand, as we have come to know from the daily media, bonded labour, though abolished officially in 1924 by Prime Minister Chandra Shamsheer Rana (Krämer 1996: 47) and banished from the terminology of the legal code in 1935 (Gaborieau 1981: 146), is still a practice found in many parts of the Tarai. The system is more covert in the practice associated with the term *kamaiyā* (Sharma 1998). In Bardia, for example, where a high proportion of the Tharu population has become indebted to local moneylenders, especially from the high castes, it is still the practice that people who cannot repay their loans and lose their land to the moneylenders work as tenants on what were originally their own fields, while they are also expected to send a daughter to provide free service to the house of the landlord-cum-moneylender. This service is called *kāmlahriya* by the Tharus of Bardia (originally bearing the meaning of 'work-help'), a term which was also in use among the Tharus themselves with a less exploitative connotation.

#### 2.4. The modern period of credit practices

The Land Reform Act of 1964 (2020 vs) was meant to alter the situation

of the tenants in their favour, if they could prove that they were tilling the land at the time the Act was introduced. Tenants could acquire 25 per cent, or according to the recently renewed Act, up to half of the land that they had tilled, if the landowner and tenant agreed to dissolve tenancy relations and share ownership rights (section 26D).<sup>10</sup> Tenants could otherwise receive 25 per cent of the value of the land in the case of its sale. The Land Reform Act of 1964 also changed the practice of informal debt contracts, which from then onward had to be registered at the land tax office (Muluki Ain 1997: 401). The interest rate, to be paid in cash (already fixed at 10 per cent by the old Muluki Ain) was given primacy over arrangements for the use of the land instead, in that lands mortgaged in such a way had to be converted into unsecured loans (Land Reform Act, section 17) or, if the creditor worked the land himself, into tenancy rights (section 25.3).

In theory, the introduction of the Land Reform Act also provided better protection against practices of usury. However, land registration and measurement, as well as the valuation of the land by government authorities and the introduction of compulsory savings, could give rise to many other malpractices. In addition, established loan practices could not be dissolved overnight, since those in need did not have any alternatives to fall back on. Thus the implementation of the Act gave relief only to those who had already been in a situation of bad debt. The banking system introduced in 1937 with Nepal Bank Limited, and expanding beyond the Kathmandu Valley only after 1956 with the foundation of the Rāṣṭriya Bank and its commercial branch, the Rāṣṭriya Bāñijya Bank (Regmi 1978b: 74f.), was still beyond the reach of the greater part of the population. Many private loans were still being given at much higher interest rates, though these were not written down in *tamsuk* documents. In addition, the law did not instigate any severe punishment for practices of usury, since it merely directed that illegal payments of interest above 10 percent were to be counted towards having reduced the repayment of the principal. The ideal of the law and its implementation in reality were and are still far from each other. Modern efforts to meet these challenges, though welcome to the majority of the population, have stirred up controversy of their own. This recalls a point made by Trenk (1991: 41) who summarizes one position regarding the transition to modernity from traditional forms of credit practices. Though often characterized as forms of exploita-

<sup>10</sup> An unofficial English translation of the Land Reform Act of 1964 was made by Mahesh Chandra Regmi, who kindly made this text available to me.



tion, traditional credit practices are embedded in multiplex social relations. These latter enhance the level of trustworthiness, which may even legitimate practices of usury from the perspective of the debtors (see also Hardiman 1996), whereas modern forms of credit are exposed to problems arising from the single-interest orientation of credit programmes. Partakers or shareholders are less bound together by traditional notions of trust, thus increasing the necessity for deposit of collateral as a substitute for traditional relations of trust.

### 3. Examples of traditional credit systems

We will turn our attention now to traditional forms of mutual help. In addition to the assumptions regarding the origin of credit systems given in the introductory note, the ethnographic evidence from Nepal suggests that traditional credit systems may to some degree also have a ritual connection. Membership in some of these associations is complemented by the notion of debt, as well as its material manifestation in the form of nominal or substantial sums of credit, that individual members share in relation to the god of their ritual association.<sup>11</sup> It is this embeddedness of the economic sphere in a sphere of religiously founded values that may have incidentally brought about systems of mutual help to protect people from the effects of crop loss, loss of investment in trade, or other misfortunes.

In this context my data also suggest that the religious and social functions associated with communal associations in Nepal, especially in respect of the *guthi* system of the Newars, have to be complemented with a perspective that until now has not been seen as contributing to understanding their *raison d'être*, that is, their importance for financing ritual traditions as well as their importance for mutual economic support in times of need. The question of whether the systems proposed here to be studied as an inclusive category of associations related in some way or the other to practices of credit are absolutely different from each other, as Quigley proposed in his study of the *guthi* organizations of the Dhulikhel Shresthas (1985: 57), seems to me to be answerable in the negative: it is a question of difference of degree rather than kind. As Quigley states, the comparison of the *guthi* system with rotating credit associations, such as the *dhikur* (*dhi.gur*) of the Annapurna area, would not be justified, since in the *dhikur* system membership is motivated

<sup>11</sup> Comparative evidence for South Asia is provided by Schrader (1996: 107f.), with regard to the Chettiar temple as a religious and economic institution. I will elaborate on this point concerning Nepal in a future contribution.

by access to financial means, while there is no restriction on the use of the funds and usually no limitation on group formation by age, with groups even being formed by women and children. On the other hand, while Quigley also contends that other ethnographers have found evidence of credit relations related to *guthis* among the Newar farmer caste, for example, he holds that this would not be of major significance, given the "customary poverty" (1985: 54) of most such associations. In his well-founded contribution on 'caste' a more important reason for the adherence of Newars to their *guthi* organizations is explained by the fact that they provide a corporate identity for their members in a socio-political situation, where access to the higher ranks in society through hypergamous alliances is possible only for the higher Hindu castes. The *guthi* system would thus provide the Newar castes (especially the higher ones among them) with a means of retaining a degree of exclusivity, and not conforming to the demands of one's local *guthi* organization would mean jeopardizing future prospects of proper marriage alliances for one's offspring (Quigley 1993: 108). As I see it, the aspect of credit need not contradict this perspective, since the credit involved in ritual relations may also help to foster ties of membership, while it also generates the possibility that achieved surplus funds will provide a resource to fall back on in times of need. As one Newar friend told me with regard to this aspect of their *guthis*: "This is how we survive." The members of some such associations may receive what could be called a sacred credit—a credit, given from the funds of the association, that is constitutive of continued membership and regarded as an auspicious prospect for success.<sup>12</sup> Since such credit is usually given without a need for the deposit of collateral, it is especially helpful for those in actual need who, though without means at present, are considered reliable and trustworthy by the other members of the association.

A similar stance can be taken with regard to the *kidu* system of the Tibetan-oriented populations. In her description of craftsmen's associations originating in Tibet, Ronge (1979: 132ff.) has pointed out that the *kidu* (*skyid-sdug*, 'happiness and sorrow', Ronge 1978: 96) system of locality-bound or originally regional Tibetan groups of mutual aid may have developed by learning from the *pālā* (or *pārā*) organizations of Newar traders in Lhasa.<sup>13</sup> On the other hand, Miller (1956) supposed that the *kidu* system developed originally as a system of mutual aid in Tibet, similar to the more individualized system of

<sup>12</sup> This point of view was related by informants of Tuladhar and Shrestha castes in Kathmandu.

<sup>13</sup> My thanks are due to Christoph Cüppers for this reference.

mutual support called *ganye*. Quigley (1985: 56) quotes Doherty (1978) as holding that the *kidu* organizations as described by Miller bring to mind the *guthi* system of the Newars. However, the *guthi* system, as Quigley (1985: 57) states, emphasizes exclusivity of membership and upholds the values of the religious community, while, by contrast, *kidu* organizations would only require that members be Lamaist and not be in the Tibetan monkhood. To assume that such systems of mutual help are of a very different nature when compared to the *guthi* system seems to neglect processes of cultural adaptation, as well as the possibility of generating communal institutions with comparable social functions in cultural settings relatively independently of each other.

### 3.1. The *dhikur* system: continuity and change

The first example under this assessment may show that in those associations that are seemingly motivated only by financial reasons, there are still also ritual, and not simply purely economic, aspects involved, which help to build credit relations on notions of trust. One such example is the *dhikur* system among the Gurungs, Thakalis, and Manangis of the Annapurna area (Messerschmidt 1978). The lexical meaning of this term is literally a 'circle in times of need' or otherwise a 'circle of grain'. This system was transported, either by acculturation or cultural contact, to other groups, especially through migration to the Kathmandu Valley. Thus it became very popular among Kathmandu residents under the name of the *dhukuṭi* system, referring to the creation of a 'treasure' by means of it (Mühlich 1997). There are different varieties of the system: it is usually connected with a kind of rotational fund of money, though in its area of origin loans of grain are also given. In order to run the *dhikur* system, the treasure (or *dhukuṭi*) is stocked by equal shares among partaking persons. This money is first received by the one who starts the *dhukuṭi*, usually the person in actual need of credit, who has to provide a *jamāni*, a guarantor, for the payment of his further shares. In the second round a secret bid decides who will receive the treasure next, and so on.<sup>14</sup>

In the original variant of the *dhikur* system, called *dhukor* by the Manangis, which is still prevalent among migrants to Kathmandu, money is collected in order to help members of their *kidu* group. The debtor has to provide a *jamāni*, the guarantor of the loan if the debtor is not able to repay. Then

<sup>14</sup> For this secret bidding the participants write down the amount that they would pay for receiving the credit. For example, if the treasure collected by 10 people is 50,000 rupees, then someone who wants to win the bid might ask to receive the credit for 42,000 rupees, meaning that he himself would pay 8,000 rupees in the next round, while the other nine

he will visit his friends with bottles of homemade beer (*chang* or *phyi*) to request their help ritually. Some of them may not be able to help out with credit, but are supposed nevertheless to give a small contribution for free. At an initial feast, the shares of the creditors will be settled upon, to be repaid either according to the *dhukuṭi* formula or according to the principle of 'glory' (*kīrti*) in one total sum after a period of several years, when a feast is again organized, with all services being attended to by the debtor himself.

While the *dhikur* system in the hill areas, as well as among migrant Manangis in Kathmandu, functioned among people known to each other through long-term ritual relations, the so-called *dhukuṭi* system that was assimilated by other people in Kathmandu arose in an environment of more short-term business relations. In addition, there was a decrease in the emphasis that was traditionally put on the presence of guarantors. Alternatively, if that aspect was continued, then the principle of help offered in times of need that has guided the community-based *dhikur* system disappeared and was replaced by a motivation for quick profits from investment in business. Thus quite a few conflicts and personal tragedies occurred from this aberrant system. However, sometimes, when the *dhukuṭi* system is introduced to support neighbourhood-based cultural or other types of activities, it has worked to cement traditional mutual help relations.

### 3.2. Attached credit relations in the *guthi* system of the Newars

The term *guthi* is related to the Sanskrit word *goṣṭhī*, meaning 'association' (Gellner 1994: 231) or 'the committee of trustees in charge of a temple or of a charitable foundation', as Bühler translates the term in early inscriptions at the stupa of Sanchi (see Nath 1987: 68 referring to Bühler 1894). The financing of these associations could be achieved in various ways, such as land endowments and donations, tenancy arrangements, and also by the evolution of credit relations. In Nepal the term first appeared in Licchavi inscriptions of the fifth to the eighth centuries AD (Toffin 1984: 177). As indicated, among the Newars one important function of the *guthis* is to finance the organization of religious, social, and economic traditions (Toffin 1984: 179), during

participants would have to divide the rest of the money, the payable 42,000 rupees, among themselves, the shares being thus about 4,660 rupees per partaker. At the start of the credit round the shares of the participants start low, while they become bigger towards the end of the credit round, when someone might, for example, receive the credit for a bid of 49,000 rupees. Further detailed information on the principles involved in mutual help systems among the Thakali may be obtained in the recent contribution by Vinding (1998).



which credit relations may sometimes evolve by lending out reserve money (*jagedā paisā*) from the funds of the *guthī* to its individual members, the interest from which is then used for the sponsoring of ceremonies related to the *guthī* organization. The Newars have *guthīs* of various kinds, such as those responsible for conducting death rituals (*sī guthī* or *sanā guthī*), for conducting lineage rituals (*dya guthī*), overseeing certain temple festivals, and maintaining public services (drinking water tanks, rest-houses, and so on).

A detailed classification of Newar *guthīs* has been given by Gellner (1992: 235ff.). He also points to the category of economic *guthīs*, which he cites as a rare case in contrast to the ritual preoccupation of *guthīs* in general. Such associations, founded on the principle of voluntary membership, in being still related to a cult, are or have been more frequent than assumed, especially among farmers, while in former times they may have also been more prominent among artisan and trader castes. Gellner (1992: 236) also states that a few *guthīs* do occasionally give loans, but this would just be seen as a way of managing their capital (for financing their rituals). The preoccupation of *guthīs* with ritual functions and their moral collectivism has been emphasized by Quigley (1985), who assumes that the amounts involved in occasional credit transactions from the funds of the associations are too small to be accounted for as banking activities. Nevertheless, some *guthī* funds involve substantial amounts of money nowadays, as may have been the case in earlier times, and it seems to be a question of some relevance under what conditions this money is given as credit in contrast to those practices found outside one's community or in a bank. The economic associations, as mentioned by Gellner (1992: 236), also include ritual groups maintained by investing wages collected from labour contributions in the fields of its members, as among the Maharjans or Jyapus (farmers), who thereby also gain access to labour support for moderate wages. These associations are called *mankāḥ guthī* ('collective associations') or *mankāḥ khala* ('team of volunteers', 'cooperative group'). These economic and, at the same time, ritual organizations of the Newars are not necessarily bound to family, clan, or sub-caste membership. Often they are founded on the principle of locality, that is, either on actual or original common residence, though they may define membership sometimes on the basis of caste boundaries or caste-group boundaries, and so are able theoretically to incorporate a large number of persons (usually between 20 and 25, sometimes more). Nearly every *guthī* runs either on the income that it receives from former land donations (and a share of the tenant's harvest) or on a cash fund, which is, in ideal terms, continually

growing from additional donations and collected fines, as well as the interest received from lending the surplus amount of money to private members of the *guthī*.<sup>15</sup> In case the surplus amount is not disbursed as credit to single members of the association, it was and still is sometimes customarily the duty of the *pālā* ('feast organizer'), selected on a yearly rotating basis, to take the excess money as credit and to pay it back with a moderate interest payment until the *guthī*'s meeting the next year. This responsibility is nowadays, however, more often discharged by depositing the *guthī*'s fund in a bank account.

My data suggest that the possibility of attached credit relations in *guthī* organizations may occur among all groups or castes of the Newars. Detailed documented evidence was found for a *sī guthī* called *Śrī Kankeśvarī Sī Guthī* among Shresthas in Naradevī (Kathmandu), who originally migrated to Kathmandu from Thimi. Further documented examples are from among the Shresthas in Sankhu, while detailed interview information was also received on a *dya guthī* (lineage *guthī*) among Jyapus (Maharjan, farmers) in Jyatha Tol (Kathmandu) and in Khokana as well as among the Shilpakars (carpenters) in Patan. Outside the Kathmandu Valley documents and other forms of informations were available in Tansen for *sī guthīs* of the high Buddhist castes of Sakya and Vajracarya. There was also the case of the *Śrī Sanāthan Samāj Guthī* (*sanā guthī*), likewise involved with caring for mortuary rites, and comprising members of different higher castes (Shrestha, Joshi, Pradhan, Amatya, Rajbhandari), all of whose members took a nominal debt from the *guthī* which is passed on to one's offspring as long as membership is continued in the association.

<sup>15</sup> In some *guthīs*, to whose accounts I was granted access, the interest on the reserve money (*jagedā paisā*) that is lent to its members usually ranges between 15 and 20 per cent per year, but, as one case indicates, it may be bargained over and so sometimes reaches much higher rates (of up to 38 per cent per year). The sums borrowed currently range between Rs. 25,000 and 50,000. The interest rates were for various reasons smaller but equally fluctuating in former times (see Frese 1994). While in cases of moderate interest payments, the primary advantage for the debtor lies in the fact that, according to tradition, it is not usually necessary to offer any material security for the credit if taken from the *guthī*, in the exceptional case of much higher interest another motivation seems to be uppermost in people's minds. Here, the bargaining over interest that is conducted in order to receive the credit seems to be related to the notion of auspiciousness, the credit being explained as a *śubha lakṣana*, 'auspicious sign', for the success of one's envisaged investment or endeavour.

It is difficult to assess whether the possibility of attached credit relations in *guthīs* depends on the specific background of caste. If one compares the data from twelve *guthī* associations of the Tuladhars of Asan in Kathmandu, as presented by Lewis (1984: 80-2), one will notice that only one instance concerned lending the excess funds of an association as credit among its members, while all other cited associations have kept their funds in bank accounts or received income from land endowments and individual contributions. The situation is not very different for Vajracaryas of Kathmandu. As indicated, among Shresthas involved in farming, such as in Sankhu, or Maharjan (farmers) of Kathmandu, I could find more instances of credit related to *guthīs*. Outside the Kathmandu Valley, especially in Tansen, this picture of a difference between farmers and other Newar castes has dissolved again, since credit relations were there also found related to *guthīs* of Sakya, Vajracarya, and other Newar castes. In addition, one has to remember, as shown above, that the banking system is a relatively recent invention in Nepal.

A detailed analysis of documents concerning the financial organization of one economically oriented *guthī* in Kathmandu, dating from the years 997-1026 NS (1876-1905 AD), was conducted by Frese (1994). The study involves a *mankāḥ guthī*, which Frese supposed may have been primarily founded for financial reasons, though it also dedicated part of its surplus income to purchasing communally used working tools (e.g. for metalworking), and also for conducting feasts and rituals of the Buddhist Tantric tradition (*ibid.*:5). Membership in this association fluctuated and was on a voluntary basis, and an entrance fee had to be paid (1994: 6). The 24 persons maximally involved came from Buddhist householders of monasteries (Jhvā Bāhāl, Nani Bāhāl, Takṣa Bāhāl, Dagu Bāhāl, and Madu Bahī) or were Buddhist laymen from various places in Kathmandu. According to the documents, the interest was usually thought to be fixed at 10 per cent per year, though in fact the effective interest payments were sometimes a little less. According to Heiko Frese (personal communication) this may reflect an ideal, with the debtor usually paying what he could offer at the time of repaying the credit, whereas to outsiders or newcomers it probably gave the impression of an upper limit not to be exceeded. While it is difficult to assess the effective economic importance of such *guthīs* at that time, since the credits in the documented case did not exceed much more than 120 *taka adhari* (1 *taka* = 1 rupee = 2 *taka adhari/takā moha(r)* or 2 *moha* rupee), it is evident that by the end of the period mentioned the *guthī* had accumulated an amount of nearly

800 *moha* rupees (Rs. 400). This must have been considered a substantial sum of money at that time. As Frese (1994: 79) further states, the *guthī* had supplied credit in a yearly rotating manner to all of its members. Such rotating credit associations exist nowadays in the form of *mankāḥ guthīs* also among farmer castes, as was witnessed in the case of a group established by Maharjan (farmers) and Dangol (potters) in Yetkha and Naradevī in Kathmandu. However, similar developments may also be observed in the context of cultural adaptation.

It is in relation to the aforementioned notion of neighbourhood support that I would like to highlight one successful case of borrowing or acculturation within the *guthī* system of the Newars. An interesting configuration arose when the members of such a *guthī* privately started up a *dhukuṭī* credit round. This happened a few years back in Patan's Padmāvati Mahāvihāra. The younger generation of this monastic lay community from among the Sakya caste participated in the credit round, which worked so well that it inspired the founding members to extend credit operations by learning how to manage a cooperative bank. Through ties of friendship they met members of the SCOPE cooperative of Nyakha Bāhā, from whom they received training on the subject, the trainers themselves having connections with or being part of the GTZ project concerned with the Small Farmers Development Programme. Thus, thanks to their own motivation and relation to a traditional ritual organization, a network of trust evolved that now, in the form of a savings and credit cooperative, has extended its circle of membership to all inhabitants of Ward No. 20 in Patan. This is just one example of local initiative exhibiting traditional as well as modern forms of cooperation (there are a couple of other such examples in Patan and the district of Lalitpur).

### 3.3. *Ritual and credit in the kidu system of the Sherpas*

My third example refers to the system of mutual help current among the Sherpas of Solu-Khumbu. This example nicely demonstrates the interaction between ritual and economic spheres, with the ritual providing a model for the latter. Among the Sherpas, as among most other Tibetan-oriented communities of Nepal, the expression *kidu* signifies a system, either an institution or a less formal structure, embodying adherence to the principle of 'mutual help that is offered in good and bad times'. If it is an institution it does not necessarily bear the actual name of *kidu*, but it will have a name that connotes the same thing: *sevā kendra* (service centre) or *kalyāṅkāri samiti* (welfare organization). More generally, the term functions globally for different (sub-) systems of group help, graded by short-term or long-term reciproc-



ity, type (that is, for good or bad times), and residential proximity.

For the help offered by the system of *martsa* the Sherpas have applied a term meaning 'support for a common interest' (*chisa martsa*, 'communal fund') for which contributions are requested from households inhabiting a widely scattered village or valley area.<sup>16</sup> In particular, a fund called *martsa* is established, either by equal contributions or donations. This fund is lent out on interest to villagers, the profit from the interest payments being used for a common project. For example, village monasteries, yearly ceremonies (such as the *dumji* or *drub-chen* in former times, or the *nyungne* nowadays), bridges or rest-houses, may be sponsored from *martsa* funds, with the merit from such works accruing to the interest payers and donors. In the case of the former *dumji martsa* and the modern *nyungne martsa*, villagers of the Junbesi valley in Solu have either taken a real loan from the fund, on which they pay the interest, or are charged yearly interest on a fictive loan. In both cases the collected interest is used to co-sponsor the yearly ceremony, the unmet costs being borne by the organizing householders (*chiwa*, (*spyi-ba*)) of that year. In addition, the necessary sacred objects or voluntary labour are donated by members and original residents of a widely scattered locality (called *yül*).<sup>17</sup>

In a small locality, one shares a stronger sense of mutual cooperation with people of one's own neighbourhood, the *yülowa*. The *yülowa* group usually consists of about 10 to 25 households, who may be of different clans. These are households that send one another special invitations to feasts in the neighbourhood called *dhen*. They are also bound together by a complementary system of *kapchang*. The lexical meaning of the word *kapchang* is 'help given

<sup>16</sup> There seems to be no Tibetan equivalent for the Sherpa term *martsa*, which may also be pronounced 'matsa'. In a future contribution I will, however, show evidence that this term and its concept of establishing a fund for the finance of ceremonies was continually applied by Sherpas in documents concerning the rules for contributions and the dedication of such funds.

<sup>17</sup> Ramble (1990: 192), from his data on Lubra, reports an even more surprising case of sponsoring village ceremonies by payments of money. These are treated similarly to a capital loan by the priests who accepted the payments, the yearly interest of 10 per cent being used to perform the ceremonies, while the donors receive their share of interest in the form of merit. What is especially worth mentioning here is that the obligation of the priests to continually perform these ceremonies is inherited through generations, even though the original patrons may have long since passed away. (My thanks to the *European Bulletin of Himalayan Research* for this reference.) A further case, similar to that of the Sherpas,

upon occasion', especially during life-cycle events. Sherpas relate the word to three different kinds of help.

The first meaning is related to a wedding or funeral ceremony, on the day following which neighbours will invite guests to their own house for the feast called *dhen*. In return for these invitations the guests are expected to give presents of *khatag* (white scarf) and money to the hosts.

The second meaning is used in connection with the construction of a house. Thus one Sherpa explained:

At the beginning of building a house I conduct a *sang* (smoke sacrifice), for which I invite all my fellow villagers, all my relatives, and then I start to build my house. Then the villagers bring *kapchang*. Suppose there are 40-50 labourers and the carpenters; then the villagers will bring *kapchang* and feed them. They bring food and beer (*chang*) and will also give some help and work for one day.<sup>18</sup>

A third application of *kapchang* arises again in connection with house construction. The whole process of building a house is traditionally embedded in a kind of *rite de passage*. Before the start of construction the site must

is reported for Helambu by Clarke (1991: 49), who explains that all households that have membership in the village perform the duty of rotationally sponsoring the yearly *na-rag* festival. He writes: "This duty accompanies a right to a loan from the village temple. Blessed money may be regarded as more effective in trade than a private loan, and the costs of this day are seen locally as the annual interest on the loan as well as an opportunity to make merit by giving." (My thanks to Franz-Karl Ehrhard for this reference.)

<sup>18</sup> If they give more days of work this would then be considered as *roa*, a system of voluntary help which builds on long-term reciprocity. This may as well refer to help given for ceremonial occasions, such as service at feasts of the life cycle. This again would be distinguished from the short-term reciprocal form of mutual help called *naglag* that applies especially to working on the fields. Apart from these forms of help, there are also ceremonial gifts specified according to the type of the event, e.g. *sorok* (gift of money) during funeral rites or *dusok* (gift of money) at marriage. All these gifts are expected to be reciprocated at a similar event, while the ideal is to give a little bit more than one received, of course, according to one's means. In other words, the balance should not be settled. In the case of *dusok* these gifts may be considered analogous to credit, since they are written down in an account book by the householder and read out loudly to the audience at the end of the feast. Thus the obligation to reciprocate them (with voluntary interest) is implicitly formalized.



be ritually purified by appeasing the forces of nature (the *lu-sabdag*) at which time *kapchang* is offered for the first time. In the second stage, the householders who are being supported by relatives and villagers experience a situation of liminality. They experience an inversion of the role of the ideally generous householder (*jindhag* (*sbyin-bdhag*)) and are now invited by the neighbours to the site of their new house, where they are even fed. Finally, in order to conduct a second *sang* at the inauguration of the new house, villagers will come together once more, as the same man told:

On the day when I finished building my house I did a very big *puja*, for which I invited all my relatives and villagers. This *puja* is also called the *sang* for the *khangbi tsoa(g)* (i.e. when the *darchen* (flagpole) is erected in front of the house). At that time they will also bring *kapchang*, [but as the house is already built] this will be money. The *nangba* (the patri-group) will give more *kapchang* than neighbours.

What we can infer from this ritual process is that a domestic commodity, i.e. *chang*, is imbued with ritual, or sacred, meaning as a medium of exchange. *Chang* is used in many ritual contexts among the Sherpas (Mühlich 1995), while it was occasionally used, in the form of *cadle* (yeast made from *chang*), as a means of payment in former times (Mühlich 1996: 189). In the process of building a house, however, we can see how the meaning of *chang* is extended, in *kapchang*, to include various contextually dependent forms of help and gifts which are to be reciprocated in a delayed exchange, similar to a credit and sometimes topped (replacing our understanding of 'interest'). The ritual process accompanying the construction of a house thus transforms the new householder couple, formerly dependent on their own family, into members of a community-based system of mutual help.<sup>19</sup> We might also note briefly that this system of mutual help reduces the costs of building a standard house by two thirds of the costs that would otherwise arise when all labour is being paid for. Viewing this from an economic perspective, the Sherpas' ritual involvement with people of their neighbourhood as well as with the wider locality generates a natural basis for credit-worthiness, so that,

<sup>19</sup> A similar observation has been made by Wangmo in her description of the Bhutanese tradition and rites accompanying the construction of a house. As she states (1985: 114), the consecration ceremony of the house construction can be seen as similar in importance to those ceremonies held at marriage and death, thus corresponding to a *rite de passage*. (My thanks to Christoph Cüppers for this reference.)

in general, no one is forced to become dependent on mortgaging land or other valuables. Credit is usually given informally at yearly interest rates of 20 per cent, there being no compound interest if there is a delay in repayment. Sometimes the creditor himself will have to bear the burden of default. In general terms, however, the sanction to be expected by exclusion from systems of mutual help related to ritual and labour support still seems a higher risk for the individual debtor than any loss of investment for the creditor. This holds true, as far as I could see, also for other *kidu* systems, as among the Manangis, the Khatsaras (or Newar-Tibetans), the Newar *guhīs*, and probably for other northern groups of Nepal as well.

#### 3.4. *The parma system and attached relations of credit among Chetris*

The dominant culture in Nepal, that of the Chetri and Brahman castes, has a rather different ethic underpinning mutual help, credit, and credit-worthiness (see, for instance, Bennett 1983, 1994; Caplan 1972; Pfaff-Czarnecka 1989; Miller 1990; Gray 1995). While the original religious tradition forbade activities of moneylending for priests, or permitted only lenient interest rates for members of the high castes, reality has shown that for the high-caste peasantry moneylending was a means to achieve dominance over ethnic populations (see Sagant 1996). Regarding internal community credit relations, moneylending is considered to be unworthy or with reluctance in one part of the culture; and as an opportunity, but only if conducted according to moral standards of reciprocity, in another. Among the Chetris the reciprocal system of mutual help and agricultural labour exchange, called *parma*, is complemented by their system of voluntary help called *śramadān* or *samradān* which is used for the construction of bridges, paths, and other community projects under the guidance of the ward representative.

As Gray (1995: 179) states, *parma* with its emphasis on perfectly balanced reciprocity is conceived separately from relations of generalized reciprocity within the *santān* or extended household group, where solidarity is exhibited by entitlements to property. Even though the members of *parma* groups do not share such interests, there is an appeal to values of the brotherhood (*dāju-bhāi*). It is a system of help that is also meant to offer support for ritual services, such as attending to guests and preparing meals. In some communities *parma* groups seem only to be recruited by female members of the households of the locality and the same caste, while in others they are more extensive. Usually, the members of the groups will match ties anew each year. Membership may fluctuate according to the size and wealth of the households involved, landholding patterns, and also changing ties of

friendship. The boundary between mutual help related to ritual and labour exchange, on the one hand, and long-term economic support, on the other, thus seems to be more strict. For example, in a community of Chetris in the western part of the Kathmandu Valley, those people who are in need of support for 'social loans' related to life-cycle ceremonies may turn to their neighbours who do not hold back in providing help. Interest-free loans are given, called *painco* for small short-term loans and *sāpaṭī* for bigger amounts for a somewhat longer period. After one year, the loan taken in the context of mutual support, however, may change into a market-type one, a *karjā* or *rin*. In the second year it bears an interest rate of 36 per cent, which is still tolerable considering the first interest-free year; but in the third year, the interest rises to 60 per cent. Besides these ritually effected credit relations, I have noticed cases of mortgaging land, including ceding use of the land, in contracts between neighbours or near relatives, a practice that, given the importance of enduring systems of mutual help, is probably less common among the northern people of Nepal.

Taken together, the system of mutual help in the Chetri community I visited tends to be restricted to the *parma* groups. Still, in these groups, members of all castes interrelate to provide help for agriculture and also for feasts and house construction. Where these relations are functioning, material support and credit may be offered without formal contracts. The pressure for repayment is more intense, however. In contrast to these traditional *parma*-related groups of householders involving members of all castes of the locality, the more modernized system of the forest-user group of the same visited area, representing in ideal terms the whole village, has not attracted people from the lower castes.

#### 4. Conclusion

Following this brief contribution on credit practices and systems in Nepal, two major aspects, those of social embeddedness and sacred money given as credit, will be summarized. In the first section of this article, the notion of the social embeddedness of credit relations in Nepal was understood in analogy to the wider social frame provided by the society's institutions and changing practices of law. The treatment of the subject thus followed the outline of an ethnographic history presented by Polanyi (1977) in his treatment of the change from a non-market to a market economy in 17th- and 18th-century Europe. Polanyi showed that there was a change in the power of institutions and practices of law which supported a change from an "embedded" to a "disembedded" economy, where most goods, including land,

become transformed into commodities (Polanyi 1977: 104ff.). In Nepal, by contrast, religious institutions and the civil law, constituted at first by the king and then by his administration, have somehow continued to influence the economic sphere up until the recent present, or at least until the 1960s. Only then was the economic sphere, and with it relations of credit, made relatively independent of recognition of status, caste, and patronage relations. The drift towards a market economy has not, however, resolved the inequalities that were tolerated under the former traditional system. Indeed, as in other traditional societies, such as in parts of India (see Hardiman 1996, Trenk 1991), relations between moneylenders or rich people and peasants or commoners are still sometimes structured according to old patterns, despite measures to improve access to credit for the common people. The reasons for this are manifold and beyond the scope of this article. One clue can, however, be seen in the multiplex character of the long-term relations between creditor and debtor that sometimes rely less on a material basis than on mutual trust.

This latter point leads to the second aspect presented in introducing the different forms of credit systems that exist apart from private credit relations. This aspect concerns the sacredness of the credit that is received by the members of ritual associations. Of course, we cannot term such practices as banking activities, because access to credit is restricted to the membership of the association concerned. Under such circumstances, it may sound exaggerated to call such money received in credit 'sacred money', because this would evoke a metaphor introduced by Laum (1924) in describing the evolution of money from sacrifice in ancient Greece. In ancient Greece, the atmosphere at the king's court where attendants received their portions in line with their status and rank must have been much more public, whereas the meeting of a ritual association in Nepal is usually a secret affair. In some of these associations the credit to be disbursed, however, is considered the possession of the god of the association, and in this sense it is sacred. What is derived as benefit is not only interest, but for the debtor the accumulation of merit and the belief in the power of what has been called blessed or auspicious money. Examples, such as credit practices related to the *guthīs* of the Newars and those related to the village monastery among the Sherpas, among the Lubragpas (Ramble 1990) and the Helambu Sherpas (Clarke 1991), bear witness to these sacred aspects of credit. A vivid description of the meeting of a *guthī*, given by one informant, verifies this perspective:

Until the meeting has decided who will receive the fund next, nobody may touch it. If somebody does not return the credit in time he may fear punishment by the god. If his business or endeavour is successful he may attribute this to the auspiciousness of the credit.

Thus he will feel obliged to redistribute a part of his gains by sponsoring a ritual or making a donation in return for the boon or credit obtained. I suppose that it is under such conditions that attached credit relations could evolve in ritual associations in a manner where credit-worthiness is not based primarily on the material security or the public status that an applicant for credit can offer, but on relations of trust. In a similar way, among other traditional groups of mutual help, such as among people related in *kidu* and *dhikur* systems, somebody who has received credit in the form of help, in cash or kind, will feel obliged to pay it back at a similar ritual or ceremonial event for the donor, sometimes with an increment, thus bringing out the notion of voluntary payment of interest. A reader with a formalist understanding of economics might oppose this understanding of credit and interest. But just how appropriate is a formalist understanding of money, credit, and interest when dealing with the economic requirements of a traditional society and its regional differences and variations? Modern definitions of interest, as a compensation for delayed consumption, for loss of security (by giving away one's savings) or as a compensation for lost opportunity of investment, are not easily applicable to the setting of a traditional economy, where saving focuses less on personal accumulation of wealth and more on enhancing one's social esteem and relations with relatives, neighbours, and friends, and, not least, one's relations with the gods, who, from a traditional perspective, still provide a source to fall back on in times of need. Thus saving often turns into credit, which may be conceived, on the one hand, as a form of creating unity among the members of a cult, replacing in a sense the notion of descent, and, on the other hand, as a means of providing security by lending.

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