

Project :
Credit Systems and Urban Development in Nepal

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The proposed study¹ connects two fundamental topics, of general theoretical as well as Nepal-specific value: the transformation of traditional into modern, of "old" into "new" regional centres, focused on through research on the transition of socio-ritual credit relations into secularised credit systems. This seems to be a central field of study as the historically classical situation in Nepal may allow conclusions about the transformation of traditional into modern forms of exchange. The situation in Nepal, compared to that of other still traditional societies, seems to be exceptional from a historical point of view as Nepal was until recently relatively independent from external political influences. Although Nepal's social order was based on early Indian caste hierarchy, the country developed a less rigid model. With the exception of state-controlled corporations during the historical epoch and then especially under Rana rule as well as later on, nearly no forms of co-operation existed which went beyond ritually or ethnically informed institutions. Other organisations, such as culture centres or self-help groups and NGOs, were restricted, because they might have led to political opposition. The democratic changes in the country since 1990 have allowed mutual help relations to be extended.

The study's objective is to analyse to what extent urban and regional credit systems and their mediums of exchange are a result of development from ritual forms of exchange or from the advancing market economy. Within this analysis, the aspect of regionality will receive special attention, because clues are anticipated in relation to the geographical separateness of certain regions.

With this objective, the study will also contribute to discussion on the origin of mediums of exchange as a necessity of pre-monetary exchange as well. This topic is as important in economics as in ethnology, because in addition to the monetary system in developing countries, a "shadow economy" also exists. In Nepal one finds the *dhikur* and *guthi* systems, in which money as well as other forms of credit circulate. These informal credit systems, viewed as shadow economies from an external

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perspective, connote distrust in the monetary system in comparison with an equally possible internal view of trust that informal sectors provide for regional economies. Writing on the subject, Trenk² (1991) pointed to the implications of informal credit relations for the economy as a whole, which can only be understood through their social "embeddedness".

This study will examine how far extended trust is created through the establishment of informal credit relations in developing urban and regional environments, and which might lead to co-operation on a general social level beyond ethnic boundaries. Therefore, a central objective of the study is to establish the meaning of regionality and its character in the development of informal credit systems, as well as its connection to the general social value system, as far as relations of trust are concerned.



² Trenk, M. 1991, *Der Schatten der Verschuldung. Komplexe Kreditbeziehungen des informellen Finanzsektors*, Saarbrücken.