Problems of Democracy in Nepal

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Background
Nepal, the only Hindu kingdom in the world, is situated between two giant neighbours, India and China. It was unified by King Prithvi Narayan Shah in 1768. In 1846 Jang Bahadur Rana seized power. He became Prime Minister and devised a hereditary system of prime ministership with an agnatic line of succession. The Ranas became de facto rulers and the King a figurehead. For 104 years Rana Prime Ministers kept the King like a prisoner in a jail.

In order to free themselves from the autocratic Rana rule, people formed political parties with the help of King Tribhuvan and launched a movement during the 1940s. In this movement, the revolutionary forces were supported by the King and also received support from newly independent India. In view of the dangers this development posed, the Prime Minister Padma Shamsher Rana announced a constitution on January 26 1948 and promised to rule according to it. The main characteristic of this constitution was its provision for elections to village and town Panchayats (councils), district assemblies, and the legislature (Lower House). But Padma Shamsher's brothers did not give him a chance to enforce this constitution and forced him to resign. Subsequently, Mohan Shamsher Rana came to power in February 1948. The struggle against the Rana regime reached a climax in 1951 when the Ranas were forced to hand over power to the King and the political parties.

1 This is a revised version of a paper presented at the IIAS in Leiden on 5 February 1999 and at the NIAS in Copenhagen on 19 March 1999. I would like to express my sincere thanks to my friend Bert van den Hoek for his help and valuable comments on this paper. I am also extremely grateful to Dr David Gellner and Dr Michael Hutt, who gave me an opportunity to present this paper at Brunel University and SOAS in London.
The Dawn of Democracy in Nepal

The year 1951 is considered to be the dawn of democracy in the history of Nepal. On February 18 1951 King Tribhuvan formed a Rana-Congress coalition government and proclaimed his desire to govern according to a democratic constitution which was to be framed by the elected representatives of the people themselves (Joshi and Rose 1966: 91). However, the King's intentions were not fulfilled, due to conflicts between three forces: the King himself, the Ranas, and the people. The King wished to be an absolute monarch, the Ranas wanted to regain their lost power, and the people wanted to see neither an absolute monarch nor the re-emergence of the Ranas. In November 1951 the Ranas were ousted from power forever. There were a
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After ending parliamentary democracy

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the King than to the people or to democracy. Thus, the King changed the government several times, and general elections were not held until 18 February 1959. The elected Nepali Congress government then tried to implement its election promises, including the nationalization of forests, abolition of the zamindari system, land reform, a progressive land tax, the fixing of a ceiling on land holdings, and protection of peasants' rights. The landlords reacted against these policies: they successfully lobbied the nominated members of the Upper House of the parliament, receiving support from most of the smaller parties there, and made a nationwide protest which called for the King to intervene in the government. Taking advantage of the shortsightedness of the leaders of most of the small political parties and the persistence of a feudal culture, King Mahendra, the son of Tribhuvan, dismissed the newly formed democratic government and dissolved the parliament on December 15 1960.

The End of Democracy

After ending parliamentary democracy in Nepal, King Mahendra took all the executive, legislative and judiciary powers into his own hands and ruled directly for two years before introducing the partyless Panchayat system. The first elections to the village and town Panchayats (councils) were held in February 1962 without any constitutional provision, because a new constitution was not promulgated until December 1962. Elections were conducted by counting the raised hands of the voters. Subsequently, the 'Back to the Village National Campaign' was made into a constitutional institution and all the authorities relating to the elections were subject to it. This institution controlled the selection of election candidates from village to national level on the basis of their loyalty. This not only excluded the candidates of political parties but also prevented the emergence of an alternative leadership, especially from the younger generation within the partyless system. This created conflicts within the system on the one hand and heavy opposition from outside the system on the other. Due to a students' strike on 6 April 1979, King Birendra was compelled to proclaim a referendum on 24 May 1979, which was held on 2 May 1980. In the referendum two options were offered to the people: a 'multiparty system' or a 'Panchayat system with some changes'. The referendum resulted in 54.8 % voting for the Panchayat system and 45.1 % for a multiparty system, although there were allegations that the government had manipulated the vote. Accordingly, a third amendment to the constitution was made: direct elections on the basis of adult franchise were introduced, but the participation of political parties remained banned. Elections were held in 1981 and 1986 after this amendment to the constitution but, due to the ban on participation by political parties, there was vehement opposition to the system and a Movement for the Restoration of Democracy was launched in February 1990.

The Restoration of Democracy

The Movement for the Restoration of Democracy (MRD) was launched jointly

Panchayat (abolished by the 1st amendment of the constitution), (iii) District Panchayat, (iv) Town and Village Panchayat. The electoral constituencies for the National Panchayat were based on geographical boundaries, i.e. the 75 districts.

4 In the beginning, the 'Back to the Village National Campaign' was a campaign in which King Mahendra called on all the intellectuals as well as bureaucrats to go to work in the villages for one day each year. In the name of this campaign politicians made the BVNC into an institution, and through the second amendment of the constitution it was made a constitutional institution, the Gaun Farka Samiti (committee). Then all the authority involved in elections—candidate selection, candidate invalidation, election cancellation, reelection, etc.—was shifted to it. Mostly, the committee used to conduct elections on the basis of a consensus model, deleting disabled persons from the candidate lists. For this, the committee had formed sub-committees from national to village level. These would conduct elections at each level.
by the Nepali Congress (NC) and the United Left Front (ULF). To support
the MRD, other radical communist parties also formed the United National
Peoples' Movement (UNPM). The MRD was headed by Ganesh Man Singh,
the Supreme Leader of the Nepali Congress. It was started in February 1990
and succeeded in overturning the autocratic Panchayat system within 50 days.
Thus multiparty democracy based on a constitutional monarchy was restored
in April 1990. His Majesty the King immediately proclaimed that there would
be a House of Representatives with 205 seats (a Lower House directly elected
by the people) and a National Assembly or Upper House with 60 members,
of whom 10 would be nominated by the King, 15 elected by the members of
the District Development Committees of the 5 regions, and 35 proportionately
elected by the parties in the Lower House.

Before the elections, various communist forces had tried to form a single
umbrella organization, but they fell apart into different alliances. These
included: (a) a merging of the Communist Party of Nepal-Marxist (CPN-M)
and the Communist Party of Nepal-Marxist/Leninist (CPN-ML) to form the
Communist Party of Nepal (Unified Marxist-Leninist; henceforth UML); and
(b) the combining of three radical communist forces—the Communist Party of
Nepal-Fourth Convention (CPN-FC), the Communist Party of Nepal (Masal/
Prachanda), and the Communist Party of Nepal (People Oriented/Rupjal)—to
form the Communist Party of Nepal (Unity Centre) for the purpose of
boycotting the elections.

The Unity Centre later formed the United People's Front of Nepal (UPFN)
to bring together those communist forces which differed with the UML,
yet wanted to contest the elections. This Front comprised the members of
eight different communist parties: CPN(Marxist), CPN(Marxist-Leninist),
CPN(Verma), CPN-Democratic(Manandhar), CPN(Tulsil), CPN(Fourth
Convention), Nepal Workers' and Peasants' Party, and independent communists.

According to the origins, natures, and ideologies of the parties,

The ULM was formed by various communist parties: CPN(Marxist), CPN(Marxist-
Leninist), CPN(Verma), CPN-Democratic(Manandhar), CPN(Tulsil), CPN(Fourth
Convention), Nepal Workers' and Peasants' Party, and independent communists.

The UNPM was formed by the CPN (Masal[Prachanda]), CPN (Masal [Mohan Bikram]),
CPN (People Oriented [Rupjal]), CPN (League), and CPN (MLM).

For administrative purposes, Nepal is divided into 75 districts and 5 regional development
centres.

two different names. By playing this double role it showed its lack of faith
in the parliamentary system by remaining in underground politics, but also
kept in touch with the people by participating in the elections. Only the
members of the UPFN came into the public sphere, while the members of
the Unity Centre remained underground. In this way they were engaged in
semi-underground politics. From the very formation of the UPFN, suspicions
and conflicts between the members were apparent. As a result, the Nepali
Workers' and Peasants' Party left the UPFN before the 1991 elections and the
CPN(Marxist-Leninist-Maoist) did so afterwards. The Unity Centre split into
two further groups before the 1994 elections. At present, one faction under
the Unity Centre led by Nirmal Lama participates in the parliamentary process,
but did not win any seats in the 1994 mid-term elections. On the other
hand, the underground Unity Centre led by Prachanda launched a Maoist
insurgency movement in February 1996 but the leadership of the movement
was given to Dr. Baburam Bhattarai.

To contest the 1991 elections, 48 political parties had applied to the Election
Commission for registration, and the Commission recognized 43 of them.
Only seven of these succeeded in winning seats: the NC, the UML, the
UPFN, the Rastriya Prajatantra Party (RPP), the Nepal Sadbhavana Party
(NSP), the NWPP, and the CPN-D. The NC became the majority party, the
UML became the second largest party, and the radical communist UPFN
became the third force in Nepalese politics.

Among these parties, the Nepali Congress Party and the Communist parties
had historical links with the struggle for democracy in Nepal of the 1940s.
The root of all the other communist parties was the same but they had
split into different factions during their period underground in the Panchayat
system. The Nepal Sadbhavana party emerged in the 1970s demanding
regional rights for the Tarai people known as 'Madhesi' (Nepali citizens of
Indian origin). The two Rastriya Prajatantra ('National Democratic') Parties
were formed by members of the Panchayat system's old guard on the same
day and with the same name: Rastriya Prajatantra Party (Thapa) and Rastriya
Prajatantra Party (Chand). In the early 1990s both parties were popularly
known as 'Panchayati Party', 'Mandale Party', or 'Conservative Party'. They
united in 1992 but split again after their national convention in 1998. Only
the Nepali Congress and the UML have nationwide organizational networks,
while the influence of the other parties is confined to particular areas.
According to the origins, natures, and ideologies of the parties, they can
be divided into four categories: social democratic (NC); communist (UML,
General elections for the 205 seats of the House of Representatives were held on 12 May 1991 and the results were as follows:

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
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<tbody>
<tr>
<td>NC</td>
<td>110</td>
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<tr>
<td>UML</td>
<td>69</td>
</tr>
<tr>
<td>UPFN</td>
<td>9</td>
</tr>
<tr>
<td>RPP</td>
<td>4</td>
</tr>
<tr>
<td>NSP</td>
<td>6</td>
</tr>
<tr>
<td>NWPP</td>
<td>2</td>
</tr>
<tr>
<td>CPN-D</td>
<td>2</td>
</tr>
<tr>
<td>Independents</td>
<td>3</td>
</tr>
</tbody>
</table>

Thus, the Nepali Congress formed a government under the premiership of Girija Prasad Koirala. The newly formed government proposed programmes including (i) free education for all up to higher secondary level (tenth level); (ii) an end to the dual-ownership of land; (iii) programmes for squatters and landless people; (iv) health posts in all villages; (v) transportation link roads to district headquarters; (vi) rural development programmes; (vii) the provision of communication facilities in all villages; (viii) privatization, etc.

However, Prime Minister Koirala faced many problems from the opposition as well as within his party from the beginning. In opposition, the UML declared that it would topple the government within two months. Next, a civil servants' strike broke out demanding a salary increase, as well as several other strikes.

The Land Reform Act of 1964 had provided tenants with security of tenure and part ownership. Under the law, if a landlord wanted to remove his tenant he was obliged to compensate the tenant with 25% of the land. After 1990, tenants were demanding that the legal provision be changed to 50% instead of 25%, while, on the other hand, communists were encouraging the tenants to demand 'land to the tillers'. The NC government brought in a programme to end the dual ownership of land. Land was categorized into three regions: hill, Tarai, and Kathmandu Valley. On the basis of this categorization, levels of compensation were fixed at 30% for the hills, 40% for the Tarai, and 50% for the Valley. Accordingly, any party, whether landlord, tenant, or jointly, can submit an application to the office concerned to remove the dual ownership of land.

When Koirala concluded a treaty on water resources with India, the Tanakpur Barrage Project, this was strongly contested by the opposition parties. As supreme leader of the Nepali Congress, Ganesh Man Singh warned the Prime Minister that he should present all the documents relating to the treaty in the parliament because, according to the constitution, any treaty concluded by the government regarding national resources had to be ratified by a two-thirds majority in parliament. Until the Supreme Court's decision in this case, the Prime Minister hesitated to bring it to parliament and made many efforts to ratify the treaty by a simple majority. In 1992 the Unity Centre called a strike in memory of the 'martyrs' who had died in the movement for the restoration of democracy. In this strike more than a dozen people were killed in encounters with the police and a curfew was imposed for 24 hours. The problem was solved only with the help of the party president and supreme leader of the Nepali Congress, through an agreement with the UML. Later in 1992, expecting to receive support from dissident Congress MPs, the UML tabled a vote of no-confidence motion against the Koirala government. In this case, Ganesh Man Singh supported Koirala. Though he condemned the Prime Minister in a number of cases, he always supported the government when it ran into trouble. However, when Koirala could not get the support of 36 MPs of his Nepali Congress in the vote of thanks motion to his Majesty the King for his royal address in parliament, he dissolved the parliament and unexpectedly called a mid-term poll.

Mid-term elections were held in November 1994, and produced a hung parliament along the following lines:

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
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<tbody>
<tr>
<td>UML</td>
<td>88</td>
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<tr>
<td>NC</td>
<td>83</td>
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<td>RPP</td>
<td>20</td>
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<td>NWPP</td>
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<td>NSP</td>
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<td>Independents</td>
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</table>

A 'Nepal-bandh' is a kind of strike. Bandh means 'closed'. In a bandh, a political party or parties calls for shops to be closed throughout Nepal. If they find shops opening they may harm them. (Sometimes a bandh may occur only on a local level.)
This hung parliament became an unfortunate state of affairs for the Nepalese democratic process. It produced seven different governments in less than five years:

1. UML minority government in November 1994;
2. NC-RPP-NSP coalition government in September 1995;
3. RPP-UML-NSP coalition government in March 1997;
4. RPP-NC-NSP coalition government in October 1997;
5. NC minority government in April-May 1998;
6. NC-ML government in August 1998;

The Minority Government 1994-5
Due to the lack of a majority party, the largest party in parliament, the UML, formed a minority government in November 1994. Historically, this was Nepal's first communist government. For a minority government it introduced a large number of programmes. Among them were 'Build Our Village Ourselves' (BOVO); a monthly allowance of 100 rupees for the elderly; programmes for squatters and landless people; programmes for depressed and suppressed communities; and other programmes in the fields of education, culture, health, and irrigation. However, all these were more in the nature of propaganda to catch the sentiments of the elderly and rural people. Accordingly, the government allocated Rs. 500,000 to each village under the BOVO. These funds were distributed without any policy, programme, or planning through the hands of political cadres with a political and ethnic bias (the party is dominated by Brahmins, and this was reflected in the distribution of these funds. Even in their home territory, known as the 'red fort' Jhapa district in eastern Nepal, for instance, they hesitated to distribute even a little in villages dominated by the Tamang hill ethnic group) (Maharjan 1998a: 178). The UML government was politicizing every field—the bureaucracy, the police, education, corporations, the media, etc. It ignored the other parties and forgot the reality of being a minority government which could collapse at any time. These things worried the other parties and compelled the NC, RPP, and NSP to unite in voting for a no-confidence motion in September 1995. The minority government collapsed after nine months.

Coalition Governments
After the success of the no-confidence motion, a coalition government of NC-RPP-NSP was formed under the leadership of Sher Bahadur Deuba (NC) on 13 September 1995. After the formation of the government, the three coalition partners agreed on a 10-point programme to run the government. These were:

1. Commitment to strengthen democratic norms and values based on constitutional monarchy and parliamentary system;
2. Emphasis on sustainable development;
3. Maintenance of a balanced foreign policy;
4. Encouragement to the private sector in development activities;
5. Utilization of water resources through bilateral, regional, and multilateral cooperation, keeping the national interest as a topmost priority;
6. Making the village a focal point of development activities;
7. Depoliticization of educational institutions, including universities;
8. Respect for the liberty, integrity, and impartiality of the media with a policy of developing the government-run media into national media;
9. Arrangement to provide citizenship to all Nepalis born and residing in the country;
10. Launching a specific program to uplift the living standards of the backward and deprived section of the people including the scheduled castes [sic], Janajati [minority groups] and the Madheshi community [Tarai people] (CNAS 1996: 19).

From the formation of the government onward, the Prime Minister had to face problems not on policy matters but in terms of power. His Nepali Congress colleagues, and coalition partners who were not included in the cabinet, started to threaten his government. Those who were included in the cabinet as assistant ministers were not satisfied with their positions and demanded to be upgraded. In order to maintain the government, the Prime Minister expanded the cabinet three times to include as many as 48 members. He was not only compelled to enlarge the cabinet, but also pressured to upgrade some members who were in cabinet positions. He was heavily criticized in all sectors—by intellectuals, in the press, by opposition parties, and even by his party president because of his 'Jumbo Cabinet'. In
reaction to this he said that he had been compelled to take these measures. None the less, two major treaties with India—the Mahakali treaty on water resources and the Trade and Transit treaty—were concluded during his term and should be considered noteworthy achievements. However, these were not assessed highly by others and did not give him a chance to work properly. He was pressured to include more persons in the cabinet, to upgrade positions, or to provide privileges such as increments in the allowances paid to the law makers, the purchase of duty-free Pajero motors (later this came to be termed the 'Pajero Culture'), chances to travel abroad, etc. In order to save the government he encouraged dirty politics and corruption. Deuba's colleague and vice-president of the Nepali Congress, Shailaja Acharya, made a nationwide march to make the people aware of corruption and dirty politics.

At the same time the UML, Deuba's coalition partner the NSP, and the Chand faction of the RPP, tabled motions of no confidence in March 1996, December 1996 and March 1997. Deuba could easily survive the first no-confidence motion with the help of his senior colleagues Girija Prasad Koirala and Krishna Prasad Bhattarai, but the UML and RPP-Chand were angered and did not stay aloof from a plot to bring another motion. For this, the RPP (Chand) group offered 5 million rupees to four RPP central committee members (Renu Yadav, Thakur Singh Tharu, Ramchandra Raya, and Ramlochan Mahato) if they would change their loyalty from Thapa to Chand. With much effort, the UML, the RPP(Chand), and the NSP tabled a second no-confidence motion in December 1996. To defeat the motion the government had sent five MPs abroad, keeping some at unknown places, and blackmailing another. In spite of all these efforts, the vote of no confidence created a constitutional problem. 101 MPs stood in favour and 86 against the motion. Constitutionally, 103 votes are required to pass a no-confidence motion, but 86 votes against the motion meant that Deuba had not secured sufficient votes of confidence. All the opposition parties called on him to resign on moral grounds, but he refused because of the lack of any constitutional provision to cover this case. In March 1997, however, he could not survive due to the absence of two MPs (Chakra B. Shahi and Deepak Jung Shah) belonging to his own party. The RPP had successfully persuaded these two Nepali Congress MPs to absent themselves during the motion.

After the motion, an RPP-led coalition government consisting of UML-RPP-NSP was formed. This government held local elections in 1997. Due to over-

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Problems of Democracy

A hung parliament and its consequences—minority governments, coalition governments, the tabling of no-confidence motions, and the splitting of parties—should not be considered problems of democracy. These are the corrective measures of the democratic process when the executive and the parties neglect democratic norms. Unfortunately, a side effect of these 'corrective measures' has been an increase of corruption and instability. That a decline in moral values certainly destroys democratic norms must be considered a problem of democracy. All these things are happening in Nepal's democratic process only because of an undemocratic culture among the politicians. Their undemocratic behaviour caused political enmities to develop among the politicians at both inter-party and intra-party levels. The instability of the government as well as all the no-confidence motions tabled in the House were produced solely by inter-party and intra-party enmities among the politicians,
which aggravated problems such as price increases, unemployment, corruption, politicization, insecurity, a Maoist insurgency, and ethnic problems. These have become the problems of democracy in Nepal. They are the by-products of the undemocratic political culture of the politicians. These problems have been increasing very rapidly since the formation of the majority government of the Nepali Congress in 1991.

Inter-party enmity
After the formation of the Nepali Congress government in 1991, the UML declared that it would topple the government within two months. This was done not merely because of any policy or programmes, but because of an ideological difference, i.e. inter-party enmity. Other examples of inter-party enmity are the UML-supported strike by civil servants; the opposition parties’ condemnation of the treaty on the Tanakpur Barrage concluded with India in 1991; and the 1992 strike organised by the CPN(Unity Centre).

After the mid-term election of 1994, all the no-confidence motions tabled in the House were basically guided by inter-party enmity rather than being based on policies or programmes. The RPP’s support for the first no-confidence motion tabled against the minority government was based on inter-party enmity because, at the beginning of the restoration of democracy, the UML had accused the RPP of being a ‘reactionary party’ and a ‘Mandale party’. The UML treated the RPP as second-class citizens, hence the RPP had an attitude of enmity towards the UML. It therefore supported the motion and became a coalition partner of the Nepali Congress. However, in subsequent no-confidence motions, the UML also sided with the RPP to take revenge on the Nepali Congress. Next, the Nepal Workers’ and Peasants’ Party (NWPP) did not vote for the UML during the no-confidence motion, because it resented the deflection by its Dailekh MP to the UML. Similarly, it did not vote in the no-confidence motion for the Nepali Congress either, because the NC had sent one NWPP MP (Bhakta B. Rokaya from Jumla district) to India during the motion. Similarly, the ML joined with the Nepali Congress government due to its enmity with the UML, and the UML joined the Nepali Congress coalition government only because of its enmity with ML.

Intra-party enmity
This is the problem to which most of the parties in the parliament are most vulnerable, and it has existed since the majority government of the Nepali Congress in 1991. In the beginning, Ganesh Man Singh, who had been given the honorary title of ‘Supreme Leader’ of the Nepali Congress, advised the Prime Minister not to appoint corrupt people or defeated candidates and to achieve an ethnic balance in political appointments. These were the best suggestions for running the government under the new democracy. But Koirala took it negatively and argued that the Supreme Leader always created trouble and spoke against the Brahmins. Ganesh Man Singh suggested that all the documents on the Tanakpur barrage treaty should be presented in parliament. If the parliament considered it to be a treaty, i.e. not just an agreement, it should be ratified by a two-thirds majority in the parliament. The Prime Minister retorted that the Supreme Leader always spoke against the party. In this way enmity between the leaders developed. Later, Ganesh Man Singh left the party to which he had devoted his whole life.

The enmity in the party heightened further when the Prime Minister sacked six ministers in December 1991 without consulting the Supreme Leader or the party president, Krishna Prasad Bhattarai. In this case the party supremo’s reaction was that it was a massacre of his own friends. This not only hurt Ganesh Man Singh, but also hurt the party president Krishna Prasad Bhattarai. Because of this perceived arrogance on the part of the Prime Minister, one group in the Nepali Congress started to persuade Bhattarai to contest the by-elections in February 1994 in order to counter the Prime Minister in parliament. This conspiracy was made in fail by a counter-conspiracy of the Prime Minister. The incident further magnified the problem of enmity, and revenge was taken on the Prime Minister by abstentions from the vote of thanks motion in July 1994. Purely because of the enmity between the two leaders, the Prime Minister dissolved parliament and went to the polls. Later, intra-party tensions were exacerbated by the attempts to form coalition governments. Everyone would demand positions in the cabinet. Those who were not given the chance would threaten to go against the government. It was proved by the Deuba cabinet, which the Prime Minister was compelled to enlarge and enlarge, as he publicly stated.

In the UML, there was also a difference between majority and minority groups. The majority group belonged to the party’s general secretary, Madhav Kumar Nepal, and the minority group to Chandra Prakash Mainali (previously the general secretary of the party). They differed in their voting on the Mahakali treaty in parliament and intra-party differences became a major problem when Bamdev Gautam tried to become general secretary of the party during his deputy premiership, thus threatening the incumbent general secretary, Madhav Kumar Nepal. Through a decision of a Central Committee meeting, Bamdev Gautam was degraded from his position of deputy general
secretary. This hurt Bamdev Gautam so badly that he successfully persuaded a minority group to split from the party.

In the Rastriya Prajatantra Party, Lokendra Bahadur Chand and Surya Bahadur Thapa had been political enemies ever since the Panchayat system. Therefore, in the beginning, they had formed two different parties. Though they later merged, Thapa was sympathetic to the Nepali Congress and Chand to the UML and at last they had to split because of their historical enmity.

Even in a small party such as the Nepal Sadbhavana Party, which had only three representatives in parliament, the general secretary Hridayesh Tripathi showed sympathy for the UML whereas the party president Gajendra Narayan Singh had a soft spot for the Nepali Congress. This problem created political enmity between the two top leaders of the party. Later, Tripathi formed his own party, the Nepal Samajbadi Janata Dal, but formally he is still representing the NSP in the parliament.

Rising prices, corruption, unemployment, insecurity, politicization, the Maoist problem, and ethnic problems are the most burning issues in Nepal today. While tabling no-confidence motions, all the opposition parties charged the government with increasing these problems rather than solving them, but as soon as they became a part of the government themselves, they would leave these matters alone rather than trying to solve them. When Shalita Acharya spoke the truth about the corruption prevailing in the ministries she was forced to resign from the post on charges of having spoken against her party's government.

Corruption

While Girija Prasad Koirala was Prime Minister in 1991, reportedly, the Royal Nepal Airlines Corporation (RNAC) appointed an incompetent agent in Europe on the recommendation of Sujata Koirala, the daughter of the Prime Minister, and this led to a heavy financial loss to RNAC. Later the government formed an inquiry commission to find out the facts and Koirala had to face this inquiry commission during the UML's period in office. During the Nepali Congress-ML government, the ML tourism minister was charged with indulging in the misuse of money by hiring a plane from the Chase air company. In this case, RNAC had misused US$700,000 to hire the plane in contravention of official rules and regulations. Later, RNAC neither got the plane nor was it refunded the money. In this case also an inquiry commission was formed and the inquiry is still going on. Similarly, at the time of the NC-RPP-NSP coalition government, the agriculture minister Padma Sundar

Lawati (of the RPP) concluded an agreement with the Nichimen Company for the supply of fertilizer and cancelled the tender of Pearl Developers Company, despite the fact that the latter company was ready to deliver the fertilizer at a lower cost. Through this deal it is alleged that the minister expected to receive 40 million rupees. The abuse of Letters of Credit also became a most notorious scandal. In this case 2000 letters of credit (July 1994-October 1995) were issued to a total value of US$536.1 million (CNAS 1996). Other scandals such as the purchase of Landrovers and smokeless stoves by the Ministry of Defence were also recorded in the auditor's report under the heading of financial irregularities.

Numerous cases could be adduced to demonstrate corruption. A most burning problem of Nepal today is not only straight financial corruption, but also the time has come to redefine the term 'corruption' in a new way, i.e. the performance of technically legal acts with a corrupt motive. Functions performed by persons with corrupt motives should be counted as corruption. For instance, the MP's purchasing of Pajero motors under the privilege of duty free import (243 MPs—60 from the Upper House and 183 from the Lower—received this privilege); going abroad without reason; drawing a huge amount of money for medical expenditure without being sick or incurring such expenses; selling diplomatic passports. The return of Bharat Gurung's assets is another case in point. (Bharat Gurung was an ADC of former Prince Dhirendra: his assets had been seized by the government under a court order charging that they were acquired corruptly during the Panchayat period.)

In the field of finance, according to the Auditor General's Report, the amount of the budget spent on financial irregularities since the very beginning increased to 22.7 billion rupees in 1996. The total budget of Nepal was just 51.6 billion rupees in 1995–6. To compare, with regard to abuse of authority, the Home Minister presented a report to parliament recording that 544 cases had been submitted to the Commission for Investigation of Abuse of Authority (CIAA). The CIAA received 718 complaints from the public in 1996 whereas in 1997 it had already received 1,645 complaints (Dahal 1997).

Politicians have blamed themselves for the corruption, as follows:

Mr. Chandra Prakash Mainali (ML): "Political parties are the main source of corruption."

Dr. Prakash Chandra Lohani (RPP): "There is a rock-solid alliance between
smugglers, politicians, and intellectuals that has formed a class involved in encouraging corruption."

Dr. Ramsharan Mahat (NC): "We are not sincere, this is the bitter truth. Even though parliamentarians give anti-corruption speeches, they fail to implement it in reality."

Mr. Ramchandra Poudyal (Speaker): "Unless we develop a culture to limit the expectations of the people from their constituency, corruption cannot be brought under control" (Kathmandu Post, 20 January 1999 (internet service)).

Price Rises
Prices are artificially made to increase at any time and rate. For instance, in 1998 the price of one kilogramme of potatoes increased by 300% (Rs. 10 to Rs. 40), one kilogramme of onions by 400% (Rs. 10 to Rs. 50), one kilogramme of rice by 66% (Rs. 15 to Rs. 25). Similarly, the price of one kilogramme of salt increased 477% (Rs. 7 to Rs. 40). There is no food item which is not affected by price rises. In 1999, the nation may face a serious shortage of rice: although it is a rice importing country, it exported most of its own rice production to Bangladesh. Government has no time to control this because it is busy politicking or is itself involved in corrupt practices.

Politization
Politization has become a serious problem in the bureaucracy as well as in other public institutions. Every new government has controlled all these institutions by changing personnel through appointments and transfers from the highest level (secretary) to the lowest. The bureaucracy and the educational institutions are controlled by organizations affiliated to the parties. On the recommendation of these organizations, every government has changed numerous official personnel. In this way personnel numbering from 2,000 to 12,000 persons were transferred in 1997 (Dahal 1997). This creates a big problem for the functioning of government offices.

Security
Life is really made very difficult by inter-party conflicts in rural areas. Furthermore, the withdrawal of criminal cases from the courts by the political parties boosts the morale of the criminals on the one hand and demoralizes the police and the courts to handle new cases on the other.11 This process has endangered the security of the rural people. In the Maoist case, people are trapped between the police and the Maoists. There is no mechanism for providing security to the general people in the Maoist-affected areas.

Unemployment
The nation is producing a huge amount of manpower, both educated and uneducated, but due to the lack of development projects the government is unable to employ it. In 1998 the government publicly apologized for its policy of exporting labour abroad.

Problems of the Maoist Insurgency12
The Maoist group intensified violence in the country after the start of its People’s War on 13 February 1996. The Maoists’ main objective is to establish a republican state and their strategy is to establish rural bases first. Therefore, they choose their battle ground mostly in remote districts where the police force is very limited and where it is difficult to control the whole area. Their stronghold areas are the western hill districts—Rukum, Rolpa, Jajarkot, Salyan, Sindhuli, and Gorkha. At present, the Maoists have expanded their activities to more than 44 of Nepal’s 75 districts. They use guns, hammers, khukuri (curved Nepali knife), and explosives. With their faces masked, they have attacked innocent village people13 with these weapons, killing or injuring them very badly by cutting and chopping their hands and legs. They have also burnt commoners’ houses and looted their property, according to some weekly papers.

The Maoists have created a serious law and order problem and threatened the security of the people. Between the beginning of the Maoist People’s War on 13 February 1996 and 2 November 1998, 380 people were killed. Among them, 270 were killed by police (16 suspected), 104 by Maoists (1 suspected), and 3 arrested by police; but no information exists on the whereabouts of missing people, and 3 Maoists accidentally died in an ambush, according to the Informal Sector Service Centre (INSEC), a human rights NGO.

Up until the 1997 local elections, the Maoists’ target was only the Nepali Congress political workers and supporters (Maharjan 1998b). After the elections, they also started to attack workers of other parties. According to cases against their own party members from the courts on political grounds. Among 563 such cases of robbery, girl-trafficking, drug dealing, murder, official corruption, smuggling, forgery, etc. 243 cases related to NC and UML leaders (Dahal 1997).

This section is taken from Maharjan (1998c).

The government alleged that they were innocent people, but the Maoists said they were informants of the police and suspected people.
information provided by INSEC, the people killed in the Maoist war include 161 farmers (42.89% of total), 50 political workers (13.16%), 31 police (8.16%), 18 people's representatives (4.74%), 14 students (3.68%), 13 teachers (3.42%), and 9 others (2.37%). 145 (38.16%) of the people killed were under 40 years of age.

The Maoists' People's War has brought about an earthquake in Nepalese politics since the formation of the Deuba-led coalition government, and has created terror in Nepalese society. The government has been criticized from different sides with regard to the security of the people. On the one hand, sympathizers of the Maoists have charged the government with killing innocent people. On the other hand, some sections of the people have accused the Maoists of killing innocent people and have criticized the government for not providing the people with security. If we evaluate the government's actions seriously, we find that the government has never tried to tackle the roots of the Maoist problem. To show its concern over the Maoist problem, the government also arrested innocent people, some of whom were even killed in police custody. Similarly, the government said that there was a lack of adequate laws to punish the Maoists. Therefore, to control the situation, the government tried to pass the Terrorist Bill 2053 on the one hand, but invited Maoists to talks on the other, and a committee was formed to mediate. However, the terms and conditions, responsibilities, rights, and duties of the panel members were not defined by the government. Furthermore, the government never issued a formal letter of invitation to the Maoist party for the proposed negotiation. The government's condition that top Maoist leaders such as Prachanda and Baburam Bhattarai should be involved in the negotiations was not acceptable to them without a letter of safe conduct. Due to this, the negotiations are yet to be held. Meanwhile, some MPs have tried to solve the problem by proposing a package of development projects in the affected districts, but this has been rejected. Prime Minister Deuba said that if such projects were initiated in these districts, other districts would also demand the same, and that this would be impossible to fulfill (Padma Ratra Tuladhar, personal communication).

After the fall of the Deuba coalition government, the Chand government did not take the problem seriously either. The main intention of this government was to conduct local elections in its favour. Some people even accused the government of being soft-hearted towards the Maoist party, in order to take advantage from the Maoists in the local elections. Consequently, the UML captured more seats in the Maoist-affected areas (Maharjan 1998b). The Maoists' demand for donations from the UML is also evidence of the government's intriguing role and its unwillingness to control the Maoist problem.15

Soon, the Chand government was replaced by a coalition led by RPP president Thapa. At first, Thapa gave a statement that there was no need for an Anti-Terrorist Bill to control the Maoist problem. However, the Thapa government tried to bring in another bill, which was not called an anti-terrorist bill, but which was more subject to abuses of power than the bill presented in the previous cabinet (Padma Ratra Tuladhar, personal communication). Police personnel were trained by military commandos for the purpose of suppressing the Maoist insurgency, but during this period nothing was heard of either Maoist actions or government reprisals.

After Girija Prasad Koirala took office in April 1998, the ‘Kilo Sera Two Operation’ (KS2) was carried out to solve the Maoist problem. During this operation, more than 40 people were killed by the police (Jana desh, 27 October 1998). The police denied this and even the existence of ‘Kilo Sera Two Operation’. According to them, they had just mobilized more police forces and made them more active. After the KS2 operation, people began to say that the Maoist problem was decreasing day by day. Koirala declared his commitment to solving the problem and called upon the people to participate in national development in order to cut off terrorism. Within three days, after the Maoists had announced the formation of ‘base zones’ in several areas of the country, 19 people had been killed. The number of deaths increased after the ML joined the Nepali Congress government and assured Congress of its help in solving the Maoist problem, and soon exceeded more than 600 in total.

15 The Maoist Party sent a letter to the UML demanding a donation. This letter was sent with an active worker of the Maoist party, who went to deliver it to the Party Secretariat. But, after opening the letter, it was sent to the Singhadurb for the Party General Secretary Madhav Kumar Nepal. Madhav Kumar Nepal called three members of his party who had defected to the UML from the UPFN. Then they decided to donate Rs. 8,00,000/- to the UML. A committee of UML which was formed for the study of Maoists was also informed. It seems that the party feared that the Maoists could create a problem for the UML coalition government (Deshantar, 13 July 1997).

16 This section is taken from Maharjan 1998c.
Problems of Ethnic Groups

Ethnic problems in South Asia are classic examples of majority groups suppressing minority groups. Nepal should learn from the ethnic violence in South Asia. If this type of problem is underestimated in our prevalent political process, it will be difficult to stop the ethnic insurgency which is boiling up for the future. Since the MRD, the aspirations of the ethnic groups have been rising. Instead of fulfilling these aspirations, political elites are engaged in wiping out the minorities in every field, which may be fuel for the Maoist insurgency. Ethnic groups are searching and waiting for a strong dynamic leadership. The Maoists have already declared that they are also searching for an understanding with the government. If these two different lines should meet in a certain point in the future, it will not be difficult to predict the consequences. Here, I would like to present three cases of ethnic issues, which, if underestimated by the government, may lead to ethnic violence and to the possibility of an ethnic-Maoist alliance.

(i) Language Issues

After the reestablishment of democracy, most of the ethnic organizations came out unitely demanding their constitutional rights—language, religion, and autonomy. Consequently, the interim government made a gesture by removing the Nepali language from the syllabus of the Public Service Commission's examination. However, this decision did not last long. Through the Supreme Court's (SC) decision on a Brahmin's writ petition, the Nepali language was reintroduced as compulsory in the syllabus of the Public Service Commission's examination.

The language issue became more serious when some candidates fulfilled their electoral assurances by recognizing local languages in local institutions. In this regard, they used Newari in the Kathmandu Municipalities, and Maithili in the Janakpur and Rajbiraj Municipalities and in Dhanusa District Development Committee. Later this was prohibited by the Supreme Court's decision of 14 April 1998.

In reaction to the SC verdict, the 'United Struggle Committee for Language Rights' was formed. In order to proceed with the campaign, this committee organized a seminar on 'Use of National Languages in Local Bodies and the Supreme Court's Order'. In this programme political leaders spoke against the SC verdict and the meeting concluded with a commitment to struggle against the court's order and a decision to hold meetings in different parts of the country. A follow-up meeting was held in Rajbiraj on 11 May 1998. Similarly, the Akhil Nepal Janajati Sangh submitted a memorandum to the Prime Minister on 31 March 1998 against the Supreme Court's order. The General Secretary of ML and the Unity Centre also condemned the Supreme Court's decision (Sandhya Times (Newari daily paper), 31 March 1998).

This case was pending in the Supreme Court and people were waiting for a second decision on the same issue. Malla K Sundar said, "We are not so concerned about the coming verdict of the court, but we are more sensitive about the way in which some Brahmins are lobbying the judges of the..."
court to turn the decision in their favour."

The insensitivity of the ruling elites towards the language issue has compelled the ethnic groups to organize themselves and to assert their rights strongly, in a way that may invite ethnic insurgencies in future.

(ii) **Lack of Equal Opportunities**

Nepal is composed of different nationalities or ethnic groups. Constitutionally, all nationalities have equal rights in every field, but it is difficult to bring these constitutional provisions into practice. Demographically, there is a lopsided representation of the Brahmins in the bureaucracy and other fields. Brahmins constitute 12.9% of the total population, Chetris 16.1%, Newars 5.6%, Tamangs 5.5%, Magars 7.3%, etc., but their representation in the bureaucracy shows very different percentages (see Tables 1 and 2). The selection of the Public Service Commission for the post of Section Officer gives an indication of the Brahmins’ future domination in the policy making process, i.e. Brahmin 73.5%, Chetri 16%, Newar 8.5% (only in technical posts, which cannot be upgraded to policy level in the future), others 2%. These new officers will be policy makers in the near future. Without any representation of the other ethnic groups at the policy level, it is difficult to foresee positive decisions from communal Brahmins, as Malla said. After the restoration of democracy, a trend appeared in the selection procedures that indicated the vulnerability of the right to equal opportunities, which requires a rethinking.

### Table No. 1

<table>
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<tr>
<th>Type of Appointment</th>
<th>Ethnic/Caste Representation</th>
<th>Brahmin</th>
<th>Chetri</th>
<th>Newar</th>
<th>Other</th>
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<td>5</td>
<td>3**</td>
<td>3++</td>
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<tr>
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<td>6</td>
<td>12</td>
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</tr>
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<td>8.3</td>
<td>16.7</td>
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<td>66</td>
<td>65</td>
<td>23</td>
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<td></td>
<td>71.5</td>
<td>12.2</td>
<td>12.0</td>
<td>4.3</td>
<td>100%</td>
</tr>
</tbody>
</table>

* Statistician 6, Computer Officer 8, Sociologist 3.
** Computer Officer.
+ Tarai people.
++ Magar 2, Muslim 1.

Source: Nepal Rajpatra, HMG, Nepal. (Decision Date: 2050.1.28 - 2053.2.17).
Table No. 2

<table>
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<td>U.T.</td>
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<td>3. Chetri</td>
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<td>100.00</td>
<td>100.00</td>
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</tr>
</tbody>
</table>

Note: S.O. = Section Officer
D.S. = Deputy Secretary
S. = Secretary
U.T. = Tribhuvan University Teachers
RLMG = Rai, Limbu, Magar, Gurung, Tamang

Source: Poudyal (1992)

(iii) A case study of heightened ethnic feelings: the Vegetable Market Management Committee, Kalimati

A vegetable market was established at Kalimati, Kathmandu, to manage the farmers' marketing problem. Since a few years ago, attitudinal problems along ethnic lines have started to emerge between the retailers (Parbates: Brahmin and Chetris) and the local farmers (Jyapus). Parbates are trying to displace the Jyapus by pleasing the Parbate officials of the committee. Most places of the market became occupied by the retailers, who started to misbehave towards the Jyapus of Kathmandu. The Jyapus would need the place only for a few hours in the morning but, through their links with the authorities concerned, the retailers created a lot of problems for the Jyapus at all hours. In 1997 a serious confrontation between the Jyapus and the ward authorities and others, was avoided through an informal negotiation between the municipality authority, the Mayor, the ward authorities, and the Jyapu Maha Guthi (an organization of the Jyapu community). The Vegetable Market Management Committee suggested to the farmers that they should form a committee and register it in the relevant office, and promised to deal with that committee at an official level, with regard to the allocation of space. The management committee, however, neglected all the rules it had previously made, and once again it undermined the Jyapus. The Jyapu community is taking this issue seriously on an ethnic basis, because the market place is now filled with Parbates and Madheshis. In this way, people are compelled to think on an ethnic basis, which cannot be considered a healthy sign for the consolidation of democracy.

Problems of Free and Fair Elections

Since the restoration of democracy, two general elections and two local elections have been held (the May 1999 election had not taken place at the time of writing). Three elections were conducted by the Nepali Congress government and one by the UML. There were no political parties who did not criticize the government on electoral matters, and there was no political party in the parliament which did not use its money and muscle power in the elections according to its strength. In the 1997 local elections, the

21 The author is a member of the Advisory Board of the Farmers' Vegetable Market Management Committee, and the farmers of Kathmandu, Thimi, and Bhaktapur are the general members of this committee. The author is also the Coordinator of the Advisory Board of the Jyapu Maha Guthi, town unit, Kathmandu.
unstable governments a lot of problems have increased which directly affect
the people. These problems became a serious obstacle to the consolidation
of democracy in Nepal, simply because of the politics of inter-party and
intra-party enmity. These are a by-product of the undemocratic culture of the
politicians.

The Maoist problem is an outcome of bad governance as well as the bad
performance of the democratic forces. Therefore, the future of democracy in
Nepal will depend on the Maoist insurgency. The Maoists can be defined in
two ways—either they are real Maoists or they are handled by some unseen
factors. If they are real Maoists in the sense that they are really committed
to the people and to national development through a people’s republic, it will
be unfortunate for the democratic forces, because the Maoists have been
getting increasing moral support from the rural people as well as from ethnic
groups. If the government of any party or parties tries to solve the problem
by means of force, terrorism or ethnic violence may occur in future.

On the other hand, some intellectuals have speculated that the Maoists are
handled by some unseen factors to create a problem in the democratic system,
which may frustrate the people’s hopes for democracy and provide grounds
for the old guard of the Panchayat to reverse the system. This speculation
cannot be easily discarded if we recall the Gorkha and Bajhang incidents
in 1959-60, and some Panchayat old guards’ demands for the King’s direct
involvement in politics at present.

Whatever may be, both of these factors should not be underestimated or
neglected because the Maoist insurgency has become a serious threat to
democracy in Nepal. Without solving the Maoist problem, the consolidation
of democracy in future is impossible. This problem can be solved only through:

1. commitment and agreement of all the political parties to solve the Maoist
   problem;
2. negotiation with the Maoist party;
3. winning the people’s hearts by solving the national problems outlined
   above.

However, unless the politicians improve their own morality themselves, it

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Yogi Naraharinath and the Bajhangi king created law and order problems in Gorkha and
Bajhang districts respectively in 1959-60.
will be difficult for them to reach these solutions. Democracy can only be consolidated if the politicians improve their morality first.

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Credit relations in Nepal: social embeddedness and sacred money

Michael Mühlích

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 kusida and vārāhūṣka, 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)