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An Expanding Financial Sector: Continuity and Change Among Dhikur Groups in Lower Mustang

Anna Misenti
SIT Graduate Institute - Study Abroad

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Anna Misenti
Academic Director: Daniel Putnam

Occidental College
Diplomacy and World Affairs

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Abstract

The Thakali people of lower Mustang have a long history of economic success fostered through community systems that function due to cooperation, but are also characterized by competition. One of these traditional systems is *dhikur*, a system of rotating credit composed of approximately twenty members. This study examines the roles of traditional savings and credit institutions within communities in lower Mustang in the context of the emergence of private financial institutions in Jomsom over the last ten years. My research displayed the strength of these community based organizations in the face of a private financial sector where organizational requirements make access unattainable for many of Mustang's residents. Research was conducted through semi-structured interviews in Jomsom, Tukuche, Larjung and Marpha to gain a varied understanding of how financial groups have evolved across communities, in different contexts. The change and continuity that exists within traditional organizations, like *dhikur*, is indicative of both the adaptation and preservation of social, cultural and economic norms in Thakali culture.

keywords: Thakali, Mustang, *dhikur*, credit

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Introduction

The Thakali people, the inhabitants of Nepal's lower Mustang area, are considered one of Nepal's most economically successful ethnic groups (Vinding, 1998). They have been praised by anthropologists for their entrepreneurial character and community unity- which has allowed them to adapt, innovate, and thrive amidst a harsh landscape (Bhattachan, 2015). Although the Thakali are one of Nepal's most studied ethnic groups, their total population is only approximately 13,000 people, half of whom live outside of lower Mustang ("Nepal National Housing and…", 2011). Historically the Thakali people were traders, but also participate in a variety of agricultural activities, such as animal husbandry, as an additional source of income (Vinding, 1998). One of the community systems that has greatly contributed to the economic success of the Thakali is a form of rotating group credit called '*dhikur*', which is derived from the Thakali phrase "*dhu khor*", roughly meaning grain rotating turn by turn (Heide, 1988, 41). While the Thakali people are credited with the foundation of this system, its exact origin remains unclear. *Dhikur* has allowed members to invest in their businesses and improve financial security since long before the rise of micro finance, development banks, and savings and credit cooperatives across Nepal (Vinding, 1998).

Given this Thakali "culture of entrepreneurship" my research sought to examine the roles held by community based organizations such as *dhikur*, in contrast with private savings and credit organizations within villages in Lower Mustang (Parker, 1985). I conducted my research in Tukuche, Larjung and

Marpha, along with Jomsom, the district headquarters of Mustang, to gain a varied understanding of how community based organizations function in different but geographically close villages. In addition to *dhikur* groups, I also interviewed mother's and women's groups to understand the process of credit in another community based organization, which provided added contrast and insight on the *dhikur* system. While the original intent of my research proposal focused on the ways community organizations have adapted in the context of development and changing economic norms, through my research I found that organizations had adopted in minor rather than significant ways- with new private financial sector organizations posing little challenge to the traditional role of *dhikur* within the community. The changes that have occurred are due to economic and social shifts within the village rather than due to a growing number of private financial institutions in Jomsom. The barriers to access loans from private financial groups, such as banks and micro finance, often prove too high for the majority of Mustang's inhabitants. In contrast to bank loans, the *dhikur* credit system is well-established and designed to be easily accessible for Mustang's residents- resulting in a thriving informal financial sector.

Economics Among The Thakali: The Dikur System, Competition, and Gender Roles

Within the Thakali community, the *dhikur* system, a form of rotating credit, serves as "an important means of economic cooperation" (Fisher, 2001, 90). Generally, the person in need of credit organizes the formation of the *dhikur* group by inviting other community members to participate (Fisher, 2001). Once a sufficient number of members are gathered (today *dhikur* groups generally have no fewer than 21 people) an amount of money is agreed upon and contributed by each member so that a collective pool of money is formed (Vinding, 1998). This sum is then given to the founder of the *dhikur* group, who pays it back over a time period and interest rate fixed by the group, after which other members take turns (ibid). Traditionally, members of a *dhikur* group would contribute grain or even animals instead of money, and draw lots for their turn with the credit, but this has since switched over to a money-based system during the 1970s-1980s through which a bidding process for the loan (determined by highest interest rate) is used to allocate subsequent turns with the credit (ibid). The reason for this transition from grain to money has not been thoroughly explored, but is likely indicative of changing realities within the financial sector, both in terms of occupations and value systems. Fisher asserts that *dhikur* "is an institution that supports cooperation as well as encourages competition among its members" (Fisher, 2001, 90). He states that *dhikur* often fosters relationships from members of different castes and socioeconomic statuses; in contrast scholars prior to

Fisher, such as Messerschmidt have asserted that dhikur groups formed by Thakalis are restricted to only members of Thakali ethnicity (Messerschmidt, 1978). Fisher states that ethnicity, age and gender do not prevent members from joining, but argues that groups are often divided based on economic class (Fisher, 2001, 91). This is perhaps a newer opinion on dhikur group composition, but is logical given that loan size between *dhikurs* vary considerably, and not all loans are feasible for poorer members. Regardless of group variety, in both ethnically exclusive and ethnically mixed dhikur groups, members often compete for economic success through the interest rate bidding process (Fisher, 2001, 90). This bidding process causes those members who have the most immediate need of the money (usually the poorest members) to benefit less, because they pay much higher rates back to the group for the privilege of borrowing first (ibid). This shift to a bidding system has decreased the effectiveness of the *dhikur* system as a form of 'social welfare' that past scholars have often cited (Fisher 2001, Vidding 1998).

Many scholars conclude that the economic success of the Thakalis can be attributed to cultural norms of community cooperation (Manzardo 1982, Vinding 1998, Parker 1985). Manzardo states that the Thakalis have two main principles: "cooperation and unity between the members of the group and opportunism toward those not in the group" (Manzardo, 1978, 581). However, Fisher (2001) argues that the role of cooperation within the Thakali economy has been overstated to the point that the role of economic competition between Thakalis has not been adequately examined. On the subject of economic cooperation and competition among the Thakali he states that “cooperation among individual Thakali is tempered and countered by patterns of both intra- and intergroup competition, as Thakalis compete among themselves for political and economic influence within local, regional, and national contexts (Fisher, 2001, 87). Fisher states that “more than any other institution, *dhikur* may best exemplify the tension between cooperation and competition that characterizes Thakali society” (Fisher, 2001, 90). This debate provided an interesting point of entry for my research when considering competition and community within the context of savings and credit organizations, particularly within community based organizations.

Although Thakali women still live within a patriarchal society, women’s participation in economic and political activities is less restricted than among many other ethnic groups in Nepal. Vinding states that Thakali women often “engage in income generating activities” such as running inns or guest houses, and “wield considerable political influence through their husbands” (Vinding, 1998, 211). In addition, it is acceptable for them to speak and interact more freely in social settings with men in comparison to the gender dynamics among many other Nepalese ethnic groups (Vinding, 1998). Traditionally, the majority of the participants within the *dhikur* system are men, but Vinding states that widows and single women also participate (Vinding, 1998). Heide states that both men and women can participate, qualifying the statement "women who are not well off financially often acquire a sponsor who lends them the necessary capital" (Heide, 1988, 43). However, this personal lending is often at such a high interest rate that it decreases the effectiveness of dhikur as a form of social welfare (Fisher, 2001). Due to the presence of Thakali women in income generating activities, female participation in credit and savings organizations in Mustang may be more prominent that in other rural communities.

Ultimately, scholars conclude that the purpose and benefits of dhikur are multi-fold; *dhikur* groups functions as saving, credit, investment and welfare resources where banks are still unavailable, or inaccessible for many. Chhetri states that "the social embeddedness of this institution has facilitated its fulfilling of the multifaceted role of saving to save (social relations), as an instrument of credit, as a mechanism for reciprocity and redistribution, and above all, as an alternative to modern day banking institutions, where people are not yet accustomed to impersonal institutions or where access is still difficult" (Chetri, 1996, 453). Similarly, reflecting the importance of social ties within *dhikur*, Fisher states "rotating credit associations have social as well as financial functions and are a form of social welfare" (Fisher, 2001, 90). These themes of cooperation, innovation, and competition among *dhikur* and the Thakali people are emphasized by all of *dhikur*'s major scholars.

Methodology:

I conducted 19 semi-structured interviews total; 18 over three weeks in Lower Mustang and the final interview upon returning to Kathmandu, with an anthropology professor at Tribhuvan University who has published academic articles on dhikur and rotating credit associations. Interview participants in Lower Mustang included members, employees and position holding members of community based financial organizations, such as *dhikur* groups and women's/mother's groups, along with the private financial sector, such as banks and micro finance organizations. My methods for finding interview participants mainly included talking with those whom I had established relationships with within the community- guest house owners, shopkeepers, my home stay family- to find out who was knowledgeable and involved in *dhikur* and/or mothers/women's group. I would then locate these people and explain my project. If they agreed to participate I would orally explain my participant informed consent form in Nepali, emphasizing that participation was voluntary and that they could refuse to answer any of my questions. I would also ask if I could use their name in my research before including it in my field journal and list of interviews.

Despite my best efforts, there were several limitations to my research project. Accessing sources proved difficult for my literature review beyond the handful of sources in the library. Although many scholars have written on the Thakali people their sections on dhikur generally cite the work of only four main scholars-Vinding, Fisher, Messerschmidt, and Manzardo. Of my 19 interviews, only one was entirely in English, the other 18 were conducted in Nepali, 5 of which were a mixture of Nepali and English. Only one of my interview participants was interviewed twice. While I was able to talk with many people (many others informally aside from these 18) the language barrier provided a significant limitation on the quality of information I was able to collect. Gathering information on trends, changes, and roles- essentially qualitative date- proved more difficult than quantitative data. Reflecting on my research and interview notes, I acknowledge that the information I gathering in Nepali is more simplistic than information I would have been content gathering in English. However, this is a natural limitation for a language of which I did not speak a single word less than 15 weeks ago. During interviews, I would generally try and reconfirm information and numbers to make sure that I had understood correctly. I take full responsibility for any misrepresented or inaccurate information contained within this document caused by my limited grasp of the Nepali language. In addition, I have little background on financial systems asides from a few intermediate economics classes- therefore the questions I asked were more simplistic than those of someone with prior experience and academic knowledge of the operations of financial systems. Numbers provided by interview participants were most often approximate and given in ranges- therefore the purpose of this data is less for drawing precise economic conclusions and more for understanding how organizations function within a community.

Research Findings:

The following research findings examine organizational structure and loan requirements of a variety of organizations with which I interviewed- with a particular focus on community based organizations in comparison to private financial institutions, and the dynamics of the current financial network for loans within lower Mustang. While my original research questions were largely based around the impact of a growing number of financial institutions, I found that changes in community based organizations were due to economic shifts within the community rather than due to the presence of private financial groups. Across groups- dhikur, mothers/women's groups, micro finance organizations, and banks- the stated purpose for loans by members and employees was largely the same: medicine, agriculture, farm animals, marriage, investing in business (store, guesthouse, etc), building a home, or buying a vehicle. Some groups generally give loans for smaller amounts (ex: women/mother's groups) are more suited to smaller tasks, such as purchasing medicine, compared to bank loans, which are generally for smaller amounts, and are therefore more suited to invest in guest house, build a new home or purchase a vehicle.

Dhikur in Lower Mustang: Organizational Structure, Ethnicity and Gender

The dhikur system in Mustang has been a form of saving, credit, investment and welfare among the Thakali for hundreds of years. Its success lies in the strength of community ties as an accountability mechanism, and minimal requirements to participate. The comparatively strict requirements of banks and micro finance organizations have served as barriers of access to the formal financial sector for the majority of Mustang's residents, allowing the informal financial sector to thrive as a source of credit. A study done by the Nepali government estimates “that the volume of transaction through the informal *dhikurs*… exceeds that through regular banking system” (“Indigenous…”, 2013, 247). The number of *dhikur* groups within any given village fluctuates based on the economic situation within the community. Currently, the economic situation in Nepal is more difficult than in previous years- due to post earthquake destruction and the midst of the petrol crisis imposed by India- therefore more *dhikur* groups have been formed or in the process of forming to meet the growing need for credit (Sherchan, Santosh, 2015). Due to the fact that groups form and conclude every few years the exact number of *dhikur* groups at any given time is very difficult to pin down. Frequently, when I inquired about the number of *dhikur* groups within a certain village the answers I received were unspecific and uncertain- generally amounting to “*dherai*” or “a lot, or many”. The estimates I did receive ranged from four to six groups in Tukuche, and around five to six in Marpha (Thakali, Bijay, 2015; Thakali, Bishna 2015; Tsewang, 2015). None of my interview participants in Larjung or Jomsom were able to give specific estimates. It is possible that there are more groups in Tukuche and Marpha that were overlooked by interview participants due to the fluid nature of the *dhikur* formation process. Thakali participants may also have overlooked *dhikur* groups that were outside the Thakali community (such as the Dalit *dhikur* group that was entirely composed of women in Marpha) if they are outside their social/community sphere.

The amount contributed by each member and the amount of the loan is dependent on the group, with the amount varying greatly. Of the *Dhikur* groups I interviewed with, loan size ranged from several thousand rupees to several *lakh*

(100,000) (Thakali, Somar, 2015). If shares are too large for members they can be split between several members, who then split payments to the group and divide the loan they receive (Ibid). The length of loans and the frequency of meetings also varied greatly, I spoke with members of six month, four month, three month, and monthly *dhikur* groups. For example, in three month *dhikur*, members meet and make payments four times a year, at the meetings the previous loan is re-payed, and the new loan is distributed. Traditionally, *dhikur* groups occurred either biannually or annually (Fisher, 2001). Lastly, people often participate in multiple *dhikur* groups simultaneously (Thakali, Somer, 2015). Of my seven *dhikur* interview participants five were involved in more than one, responses ranging from membership in two to five groups.

Dhikur groups are generally comprised of 20-40 members who are recruited by the person who is in need of money, who then proposes the amount and duration of the group to prospective members (Thakali, Bijna, 2015). Usually 50% of people offered membership in the *dhikur* group will accept. Members are required to have two *jamani*, or guarantors, who will repay their loan to the group if they are unable to repay (Thakali, Somar, 2015). Years ago, only one *jamani* was required, this has since been changed to two as a form of greater security against default (Ibid). If one *jamani* dies or migrates, or is otherwise unavailable or unable to pay, there is another guarantor to rely on. The majority of groups require *jamani* that are not members within the same *dhikur* group and are permanent residents within the community. The only requirement to join a *dhikur* group, aside from the *jamani*, is to contribute the payments at each meetings.

After the group is formed, a *ghowa* (Thakali word for head, see glossary) is chosen and rules are determined.

The *ghowa* position is chosen by group consensus, and is generally someone who is literate, disciplined, intellectual and honest (Thakali, Somer, 2015). Once a candidate is identified this person is asked by the group to be the *ghowa*. Members do not volunteer to be the *ghowa*, they are instead selected and approached by others. The *ghowa* assists in determining starting rules for group, keeps records of money contributed and taken for loans, and listens to requests from members regarding loan order (Thakali, Bishna, 2015). Within the *ghowa*'s records fingerprints or signatures of all *jamani* and members are included (Ibid). The *ghowa* is given a small salary which is determined by the group (Thakali, Somer, 2015. The amount of the salary is based off the amount of loan for the dhikur group (a larger loan amount and number of group members would indicate a larger salary), this salary is also used to buy food and drinks for group meetings throughout the group's duration (Ibid). Meetings have a social and informal nature; generally, after the next recipient of the loan is decided at the meeting (often after a bidding process in the majority of groups) the recipient hosts a party for the rest of the group (Chhetri, 2015). This gathering consists of drinking and socializing between members. The *dhikur* members and *ghowas* that I interviewed praised the many benefits of *dhikur*- as a way for members the community to assist those in financial hardship, while simultaneously being able to invest in their own livelihood. However, *dhikur* members stated that when the group is not well-managed by the *ghowa* or when members do not invest funds well and are unable to repay other members, *dhikur* can have disadvantages. If the default of mismanagement causes the group to disband early, members are left in more difficult financial situations than prior to the group's existence (Thakali, Somer, 2015). Given that *dhikur* is outside government rules and regulations little can be done in situations of default. In rural, close-knit villages in lower Mustang, however, defaults are rare- member's ties within the community bind them to repay, or risk shaming themselves in front of their peers and family (Chhetri, 2015).

The person who formed the group and recruited members is given the first turn with the credit, after all members contribute their portion of the funds (Thakali, Somer, 2015). Originally, when amounts were contributed in grain, *dhikur* was interest free. The initial intentions of *dhikur* were as a form of social welfare within the community, and these intentions were reflected in the lack of interest, easing the process for the poor (Chhetri, 2015). However, *dhikur* has become increasingly monetary and business driven, so that the typical interest rate has risen to around 10% (Thakali, Somer, 2015). In contrast, personal loans between family members and friends are often upwards of a 20% interest rate (Ibid). This 10% general interest rate was cited in the majority of literature on the Thakalis from the 1970-1990s and has held fairly constant (Vinding, Fisher). Often lower interest rates (4-6%) are given for first three turns of the *dhikur* and the last turn (Thakali, Somer, 2015). The first three turns are reserved for the founder and poorer, more economically desperate members. Originally, before the addition of interest, the members who waited until the last turn were given additional money, as a form of a return on their investment (Ibid). However, not all *dhikur* groups operate with a 10% flat interest rate, or a bidding interest rate system. One group I interviewed in Marpha, that consisted entirely of Dalit and Tibetan women, only paid 100 rupees of interest per 35,000 loan, due to the fact that re-paying interest proved too great of a financial burden (Periwaar, Rina, 2015; Periwaar Char, Sunmaya, 2015). In addition, order was decided based on need. If multiple members needed the loan simultaneously, order was decided through the *golaa* system where a members name is drawn at random, rather than through the interest rate bidding system used by the majority of modern *dhikur* groups (Ibid). All *dhikur* members I spoke with stated that *dhikur* is open to all ethnic groups. *Dhikur* has been adopted by more diverse groups ethnic groups in recent years; the Tibetan man I interviewed described modern *dhikur* as a "re-mix" of the original system (Tsewang, 2015).

The involvement of women in *dhikur* was perhaps the subject for which I received the most conflicting answers. All the men I asked interviewed that women do participate in *dhikur*, however I had a very difficult time finding female members of *dhikur* groups to interview. The Tibetan man in Marpha I spoke with said that in his group of 20 members eight are women (Tsewang, 2015). Half of the women I spoke with- including those who were middle-aged unmarried (the women who would traditionally be more likely to join dhikur groups) stated that women do not participate in dhikur, and that it is a dominantly male activity. Some of the women I spoke with informally, who were shopkeepers in Marpha from the Tibetan refugee camp, were not familiar with the *dhikur* system at all. The other half of these women insisted that women do participate- but all of them either had never participated or had participated many years ago. The only women I was able to interview about *dhikur* were women who were also involved in the Dalit mother's group, in addition to the *dhikur* group (this *dhikur* group composed of nearly the same members that belong to the mother's group) (Periwaar, Rina, 2015; Periwaar Char, Sunmaya, 2015). During my final interview, I learned that women commonly form *dhikur* groups separately from men, given different business activities and interests (Chhetri, 2015). Originally, *dhikur* groups were formed based on kinship and community ties. Although this still applies today, groups are now often formed based on business interests, creating more diverse groups. However, if men and women participate in different business spheres, or have different interests with the funds, groups are often still divided based on gender. Lastly, an additional factor that may deter women from joining predominantly male groups, is the social nature of the meetings, and the drinking gatherings hosted by the newest fund recipient following meetings (discussed in paragraph on *ghowa* above) which could be a potentially uncomfortable social atmosphere for a women in Thakali culture, where women frequently do not consume alcohol in the same manner as men (Chhetri, 2015).

Aamaa/Mahilaa Samuha Financial Resources and Organizational Structure:

Aamaa and *Mahilaa Samuha*, or mother and women's groups function as social, community and financial organizations for women in villages across Nepal. Although these groups share many common traits, through my discussions with five different mother's group presidents I learned how these groups are tailored by the women within the community to better serve members and the community's needs- often resulting in an organization that may focus more on one aspect (economic, social, or community resources) than another. The mother and women's groups I interviewed with ranged from 12-45 women; Tukuche's group is the smallest, with only 12 women, Larjung has 37, Marpha 35 and 45 (two separate groups, one Dalit, one Thakali), and Jomsom has 43 (Anonymous, 2015; Periwaar, Rina, 2015; Periwaar Chhar, Sunmaya, 2015; Sherchan, Ratna, 2015; Sherchan, Saralaai, 2015;Thakali, Mana, 2015; Thakali, Sasi, 2015). Many of these groups were formed with encouragement from ACAP, and now work in cooperation with ACAP to create resources for tourism such as the safe water drinking stations, which then serve as a source of profit for the group (Sherchan, Ratna, 2015). All mother's group I spoke with also work to clean and repair streets, benefiting residents and tourists. Community activities varied between groups, several groups put on social events for the community once a year, while others had created health programs, or worked closely with the library to improve resources, or cleaned nearby monasteries and temples. Around 20 years ago, many surrounding villages shared a single mother's group- for example Larjung, Narikot, Kobang, Khante, Nakung all were a single group (Sherchan, Ratna, 2015). Now each village has separate group, although groups will still come together for meetings, to cooperate on a project, or to share ideas.

All of these groups had a *samiti* (committee) of position holding members ranging from three to eight women, generally including a president (*adhyaksha*), vice president (*upadhyaksha*), and secretary (*saachiw*) (Thakali, Mana, 2015). Some other groups also had position holding members responsible for organizing meetings, and a separate treasurer position. All groups change positions every two to three years, with new position holders chosen by group consensus or rotating turn. Two years ago, both the Larjung and Tukuche women's groups changed from mother's groups to women's groups (Sherchan, Saralaai, 2015; Thakali, Ratna, 2015). This change was prompted from a women's office in Jomsom, with an effort to be more inclusive of all women, rather than just married women. The Tukuche women's group new official name is *Mahilaa Bikaas Samuha,* or women development organization, and the Larjung women's group's name is *Mahaa Lakshmi Mahilaa Samuha Sahakari Sanstha*, Lakshmi is the goddess of wealth, fortune and prosperity in the Hindu religion, and the rest translates to "women group cooperative organization" (Sherchan, Ratna, 2015). However, not all mother's groups have made this shift- both groups in Marpha were mother's groups, therefore consisting of only married women, the majority of whom have children. The Dalit mother's group mainly consisted of young to middle aged women with small children, where as the Thakali mother's group had an older pool of members with adult children. Overall financial need seemed greater among the Dalit group in Marpha than among any of the other mothers/women's groups I interviewed. This makes sense given that Dalits are a lower and traditionally marginalized caste, which often affects the resources available to them. The Dalit mother's group also included a few women who are Tibetan refugees and live in Chhairo, the Tibetan refugee camp across the river from Marpha. Overall, the financial situation of Tibetan refugees is much more difficult and unstable in comparison to Marpha's Thakali and Gurung residents. In addition, the majority of these women have young children and growing families to support.

The financial aspects of these groups were structurally similar, but varied in monetary amounts and duration, like *dhikur* groups. The majority of groups reported membership fees of 100 rupees per month- however, this varied in Marpha where there were two mother's groups within the town- one for Thakali women and the other for Dalit women. The Thakali mother's group president stated that there were no membership fees and no loans given within the group- there group was purely community rather than financially focused (Sherchan, Saralaai, 2015). In contrast, the Dalit mother's group seemed perhaps the most financially focused compared to other mother's/women's groups- with the majority of women taking out loans, but membership fees of 100 rupees due only twice a year- once every 6 months, given that the 100 rupee payment placed a greater financial strain on the Dalit households (Periwaar, Rina, 2015; Periwaar Chhar, Sunmaya, 2015). Interest rate and loan size varied considerably between groups. Interest rate ranged from 6-18%: 6% in Jomsom, 8% in Marpha, 15% in Larjung, and 18% in Tukuche; and loan length was between 1-2 years. The vast majority of loans were relatively small- between 3,000 to 15,000, although Tukuche women's group offered loans above 15,000 (up to 100,000, *ek lakh*) depending on intended purpose. In groups where many women took out loans at once, such as the Dalit mother's group and Jomsom women's groups, loans were smaller, between 3,000 and 8000 with 10-15 borrowers this year in the Jomsom group and the majority of the women in the Dalit mother's group taking out two year loans (with interest paid annually) (Anonymous, 2015; Periwaar, Rina, 2015; Periwaar Chhar, Sunmaya, 2015). All the groups meet monthly, except the Thakali mother's group in Marpha met more randomly, depending on when community projects needed to be completed (Sherchan, Saralaai, 2015). This is likely due to the lack of membership fees and loans within the group- other groups must collect membership fees, or distribute loans and collect interest, therefore a more consistent and structured meeting schedule is required.

The time of year that loans are re-payed and given also differed between groups. Mangsir is the traditional month on the Nepali calendar where loans are repaid (Thakali, Somer, 2015). In both Tukuche and Marpha loans were re-payed and given in Mangsir (Periwaar, Rina, 2015; Periwaar Chhar, Sunmaya, 2015; Thakali, Sasi, 2015). In Larjung's women's group, loans are given in Pus and re-payed in Mangsir (Sherchan, Ratna, 2015). Jomsom had the most unique schedule, with loans given and re-payed once a year in Asaar (Anonymous, 2015). Default prevention policies for loan repayment were not mentioned by Tukuche or Larjung women's group- the Larjung mother's group reported that members failing to repay had never been a problem to date (Sherchan, Ratna, 2015). From observing the Dalit mother's group in Marpha I learned that, like *dhikur*, two *jamani* are required before receiving credit (Periwaar, Rina, 2015; Periwaar Chhar, Sunmaya, 2015). But, unlike *dhikur*, the *jamani* are members from within the mothers group. In the Jomsom women's group also two *jamani* are required from within the group (Anonymous, 2015). It is possible, and even likely, that *jamani* are also required by the Tukuche and Larjung women's groups; the issue of *jamani* was not directly discussed until I observed it during the group meeting in Marpha.

Private Financial Groups:

I interviewed four of the six banks in Jomsom: Machhapuchhre Bank, Prabhu Bank, Tourism Development Bank, and Fewa Bikas Bank. In addition, I interviewed the two micro finance development groups in Mustang: Clean

Village Microfinance and Laxmi Laghubitta Bittaya Sanstha. Clean Village Micro finance has 28 branches in Nepal, but only one in Mustang (Clean Village, 2015). The Jomsom branch was opened in 2013, one year after the organization was started in 2012 (Ibid). Clean Village Micro finance currently has 175 members in Lower Mustang, all of whom are married women (Ibid). Loans range from 50,000 to 100,000 in amount and are paid back over one year, 18 months, or two years (Ibid). Both the amount and time frame are dependent on the client (Ibid). There are three requirements to be approved for a loan: first, clients must show their own and their husband's citizenship cards, and, second, they must provide two photos (Ibid). Lastly, they must join a group of other prospective micro-finance members; these groups range from 5-40 members (Ibid). If a members is unable to repay their loan the burden falls on the other members of the group to repay for them (Ibid). The members of the group then participate in a training process prior to officially becoming members and receiving their individual loans (Ibid). Notably, the majority of clients are repeat clients who take out a second loan after repaying their first (Ibid). Clean Village has ten different loan types: general loan, discipline loan, alternative energy loan, emergency loan, micro enterprises loan, foreign employment loan, hydro-power share loan, disaster relief loan, home loan and education loan (Ibid). The loans beyond the general loan often have additional requirements in relation to the different focuses. In addition to credit, Clean Village also has savings, remittances, and insurance programs (Ibid). However, my research is focused on access to credit and I have not conducted research regarding the other programs.

Laxmi Laghubitta Bittaya Sanstha was started in 2012 and the Jomsom branch office opened in 2013 (Laxmi, 2015). Currently, Laxmi has 405 clients, 400 women and five men (Ibid). 70% of these clients belong to a low caste while 30% are Thakali or a different mid-caste group (Ibid). Loans range from 5,000 to over 200,000 (*dui lakh*) (Ibid). However, clients are only eligible for loans over 100,000 after they repay their initial loan (Ibid). Interest is paid in monthly installments on a “20% diminishing system”, which averages to a yearly interest rate of approximately 11% (Ibid). Both Laxmi and Clean Village have clients from a diverse array of villages in Lower Mustang, from Ghasa to Muktinath (Clean Village, 2015; Laxmi, 2015). Laxmi Micro Finance has clients in eight of lower Mustang’s VDCs (Laxmi, 2015). Neither micro finance organization has clients in Upper Mustang due to minimal population, remoteness, and frequent migration (Clean Village, 2015; Laxmi, 2015). Micro finance clients often choose micro finance organizations over banks because micro finance do not require property as collateral, removing a large barrier to access (Laxmi, 2015). Overall, this makes micro finance groups a more accessible credit option than banks for poorer populations. Both Laxmi and Clean Village micro finance send employees to villages to seek out and recruit clients; employees at both organizations reported that clients rarely come to Jomsom for their services (Clean Village, 2015; Laxmi, 2015). This is due to the fact that the majority of Mustang’s residents are unfamiliar with the concept of micro finance- therefore educating potential clients and promoting their organization is crucial to the success of the branch. These organizations generally identify community leaders within the village, such as the president of the women or mother’s group (micro finance target population is women), and work with this individual to gather a group of potential clients (Laxmi, 2015). However, when I spoke with the president of the Larjung women's group about micro finance in Mustang she was unaware of these organizations, which may be indicative of the scope of their outreach (Sherchan, Ratna, 2015). After gathering a group of potential clients, there is a minimum requirement of five to six days of training and teaching before the new group of micro finance is clients officially formed. There are two types of client groups: joint livelihood groups (JLG) (have at least five members) and are for clients that are registered in a certain sector (tourism, agriculture) and Gramin banking, which is a general group, requiring no additional paperwork (Laxmi, 2015). There are four types of loans offered, but the majority of clients choose the income generation loan (Ibid, 2015). Similarly to clean village, these groups are responsible for re-paying the loans if one of the members defaults. This creates an added social incentive to repay, similar to that which exists in *dhikur* groups.

The six banks in Mustang serve similar purposes for saving and lending within private financial sector, but have small variations in policy, types of loans offered and interest rates. Fewa Bikas Bank was founded in 2009, and offers loans and savings accounts, currently serving 1400 clients (Fewa Bikas, 2015). Loans are given at 9-10%, with interest paid monthly, with a maximum of five years to repay (Ibid). A property evaluation is required for collateral, in addition to client's citizenship card and photos (Ibid). Notably, like the microfinance groups, Fewa Bikas sends representatives to villages to recruit clients. None of the other banks I spoke with used this approach to attract clients. Prabhu Bank was founded in Jomsom in 2011, only 15 days apart from the founding of the Tourism Development Bank (Prabhu, 2015). Prabhu Bank currently has 2,000 customers, for both savings and loans, but the vast majority are for savings accounts (Ibid). Savings accounts clients receive a 2-3% return on the money within their account (Ibid). The loan amount varies depending on the client, and is repaid with 9-13% interest rate (Ibid). Property evaluation as a form of collateral is required, along with one *jamani*, citizenship card and photos (Ibid). The Tourism Development Bank (named because head office is located in Thamel, the tourism center of Kathmandu) has 1900 customers, 500 of which are women (Tourism, 2015). To open a savings account only a citizenship card and photo are needed (Ibid). As with Prabhu Bank, property evaluation is required for collateral along with one *jamani* blood relative of loan taker (Ibid). The currently only have 70 customers for loans, 15 of which are women (Ibid). Loans are given at a 10-13% interest rate (Ibid). Macchapucchre Bank, the oldest bank in Jomsom, and the oldest private bank in Nepal, was started in 2005 (Macchapucchre, 2015). They have more than double the clients of any other financial group, with 5500 customers (Ibid). The vast majority of these are for savings accounts, of these accounts, 70% belong to men and 30% to women (Ibid). Currently about 30 clients for loans, of these 30 one is a woman (Ibid). The loans offered at Macchapucchre are only for very large amounts- 10 lakh (1,000,000) to 100 lakh (100,000,000) (Ibid). The interest rate is 11% for business loans (Ibid). As with all of the other banks, property evaluation is needed as collateral, and in addition, property must be equal to a minimum of 60% of loan amount (Ibid). The employee I spoke with at Macchapucchre expressed that banks are more important in Mustang as a form of saving, more so than for loan availability (Ibid). Some community based organizations, such as the Tukuche women's group, have utilized banks as saving and investment spaces, and currently have money saved at a bank in Jomsom (although she was unsure of the name) (Thakali, Sasi, 2015). The Macchapuchhre employee stated that people in Mustang likely prefer dhikur because its easier to access, its the traditional form of credit within the village, and therefore comfortable, and, he described it as "interest free" (Macchapucchre, 2015). Although this last statement is largely inaccurate for the majority of *dhikur* groups today, it touches on the idea that dhikur group interest rates are flexible and group dependent in a manner that bank interest rates are not.

Discussion/Analysis:

Over the last 20 years there have been an explosion of savings and credit cooperatives, development banks, and micro-finance groups across Nepal. While urban areas have been flooded by thousands of these organizations, their emergence in rural areas, particularly mountainous rural areas, has taken place much more slowly. With a population density of only 3.76 people per square kilometer in Lower Mustang (compare to Kathmandu density of 13,225 per square kilometer), and a total population of only 13,452, the number of clients for private financial institutions is extremely limited ("Indigenous and..", 2013) Notably, every private financial organization in Jomsom was founded in last ten years or less, all of them except one in the last six years. It is possible that the effect of these institutions on community based credit organizations is still in the process of taking place. However, from my research it seems that accessing loans from banks is still unattainable for many of Mustang's residents, and with interest compounded monthly, the overall interest ends up being comparatively much higher to *dhikur*'s flat payment for interest. Oftentimes, within *dhikur* groups, the amount of interest rate bid (example 12%) is deducted immediately before the amount for the loan is given. Due to the interest rate, the requirement of property as collateral, and frequent lack of understanding or distrust of the private financial sector, the *dhikur* system has been unaffected by their presence. My research findings supported Chetri's statement nearly 20 years ago that "dhikuris seem to exist as competitors or perhaps as challenges to the modern day institutions of banking and credit" (Chetri, 1996, 453).

Due to the strong presence of dhikur, banks have generally functioned more as saving rather than lending spaces in Mustang. Given the data gathered, a significant portion of the population has a savings account in Jomsom. This indicates that a large portion of Mustang's population are aware of the banks, and willing to utilize them when barriers to access are lower, implying that distrust of banks as unreliable institutions has decreased. Aside from savings, banks do provide an additional option for loans for the upper class and those with property. Bank loans can be appealing for those who do not wish to endure the hassle of starting a *dhikur* group, or wait for their turn in a pre-existing group. If the loan is needed immediately, the bank is a quicker option for those who can provide the necessary collateral. In some cases the interest rate with the bank may be lower, if they would have to pay a high rate within dhikur to outbid others. Micro finance provides a middle ground, given that collateral is not a requirement. However, it is largely a financial resource for women and is unlikely to provide a large-scale alternate to *dhikur*. Mother's groups and women's groups provide small scale loans for a limited number of women within community. While these loans undoubtedly have positive impacts on the community, it is only one aspect of the purpose of mother's and women's groups, and does not provide a large-scale option for credit access. Dhikur offers more flexibility in comparison to the private financial sector and more scope in comparison to mother's/women's groups, and is therefore preferable for the majority of Mustang's residents. Despite this variety of institutions, a number of populations still have many barriers to access. The requirement of citizenship cards by all private financial sector institutions displays the problematic nature of current laws surrounding citizenship and marriage and how people are prevented from accessing crucial resources without a citizenship card. Refugees and other displaced populations are also vulnerable in their ability to access credit- they are often less integrated within the community, and therefore have more difficulties joining community based groups, and generally have no property to offer as collateral for banks. Increasing the number of financial institutions in Jomsom will not improve access to credit, unless new organizations have different requirements. There are currently plenty of loans available for those who are able to meet requirements, and therefore no demand for additional financial institutions. The employee I interviewed at Laxmi micro finance stated that there is not enough demand within Mustang to support addition micro finance groups, given the low population (Laxmi, 2015). Mustang has comparatively lower rates of poverty to other regions in Nepal; poverty which has partially been alleviated by tourism and the use of *dhikur* as a form of social welfare.

Throughout my research I learned of several changes that have occurred within *dhikur*, these changes were discussed in my findings section, a few of them reflecting the same changes identified by other scholars which are discussed in my literature review. One of the most important changes is the shift in motivations and intentions behind *dhikur*, from a focus on welfare purposes within the community, to a growing focus on business and monetary advancement (Chhetri, 2015). Despite this overall shift, many of the *dhikur* members and leaders I spoke with stated that their motivations for starting and joining a *dhikur* group were for community welfare purposes (Thakali, Bijay, 2015). Therefore, this shift towards a purely business/investment focus is a general trend rather than the reality of all *dhikur* groups. Another important change is from biannual and annual *dhikur* groups, to groups that every three months, four months or monthly. This is a much faster paced form of *dhikur* that has become increasingly common. The result is groups which start and finish much more quickly due to the close spacing of the turns, and members receive their credit much more quickly than in annual *dhikur*. In a faster paced, developing economy, the need for cash is often immediate and credit needs to be accessed in a timely manner. However, some members cannot afford the frequent payment periods. Another change was the shift from the requirement of one to two *jamani,* which increases the financial stability of the group, and reduces the chance of default. This was the only change that was true across all groups. The Dalit women's *dhikur* group I spoke with best exemplifies a blend of "traditional" and "modern" aspects of *dhikur*. The group was created with the intention of social welfare (traditional), but occurs on a monthly basis (modern).

Interest rate is nominal, at nearly 0% (only an additional 100 rupees per 35,000 loan required to be re-payed) (traditional) and order of loans is decided by the *golaa* system (traditional). The membership of the group is made up of mainly Dalit women and a few Tibetan women, showing how *dhikur* has been adopted by groups independent from the Thakalis (modern). This displays how dhikur is simultaneously a product of continuity and change- with each group reflecting a different mix of the two elements.

The strength of *dhikur* groups in the face of an expanding financial sector raises the question of what situations or organization would reduce the relevance of *dhikur*. From my research, I have concluded that *dhikur* groups will fundamentally change or their importance will decline in areas that lack a strong sense of community and personal ties. Ultimately, the security of *dhikur* groups is dependent on trust and kinship/friendship ties between members. In the absence of a close-knit community *dhikur* becomes a risky investment. As long as mutual trust between members is preserved as an accountability mechanism,. Today many people choose *dhikur* because they do not understand the bank process and have personal ties within the community which make the dhikur process comparatively simpler. If people lack these social ties and understand the bank process, bank loans become a more viable option. In Pokhara *dhikur* groups still exist, but they have declined as people have adapted to using banks for business and moved away from their extended families (Chhetri, 2015). Even within lower Mustang, social and economic dynamics differ between towns- Tukuche and Larjung have more kinship and long term community ties as the basis of *dhikur*. In contrast, Marpha has a more diverse mixture of ethnicity's, with a growing

Dalit population and the Tibetan refugee camp across the river, causing *dhikur* groups to be adopted and joined by a comparatively diverse array of people. Unfortunately, in Jomsom I was unable to interview anyone who was a dhikur member. In relation to the other towns Jomsom is more "commercialized", in that all of the financial institutions are located there, along with all of the VDC (Village Development Committee), and the airport is a major transit point within Mustang. Frequently educated young people come for jobs at banks, or officials come to work in VDC offices (Chhetri, 2015). Due to this commercial aspect, with people coming to pursue jobs, the village is overall less connected and more temporary inhabitants lack kinship ties. Understanding the underlying dynamics within an area sheds insight on how financial groups, such as *dhikur*, are utilized and effected.

Secondly, if social and economic norms shift within Mustang so that banks are seen as more legitimate financial resources than community based systems such as *dhikur*, the prevalence of *dhikur* groups will decline. This is exemplified by the relationship between the *Mukhiya* and VDC officials. Many years ago in Mustang the *Mukhiya* informally held far more power than the VDC, and were greatly respected by Mustang's residents as problem solvers within the community, while the VDC was largely ignored (Thakali, Somer, 2015). While the *Mukhiya* are still respected and relied upon, the power of the VDC has increased as VDC employees are better educated than the *Mukhiya*, and hold influence outside the village and Mustang (Thakali, Somer, 2015). The perceived legitimacy of organizations and institutions is crucial. When banks are viewed as more legitimate credit sources than community based systems like dhikur, or can offer resources that dhikur is unable to, the number of these groups will be challenged.

Conclusion:

While much of my research findings is heavy on quantitative data, none of this data is available online, particularly for *dhikur* and mothers groups. Even banks and micro finance organizations have extremely minimal branch specific information included on their website- which made collecting numerical data that would be readily available in other countries an important portion of my research process, and an important aspect of future research within the topic. For future research, a concentrated study on the experience of marginalized populations, such as Dalit and Tibetan refugees groups is needed, in order to better answer questions on barriers to access for credit and financial resources among groups that are frequently economically disadvantaged. My research touched on this issue, but was unable to explore the topic thoroughly given time constraints and ethical concerns. I would have required greater human subjects review of my project in order to conduct interviews within the Tibetan refugee camp. Secondly, comparing the organizational structure of dhikur groups that exist in Lower Mustang with those that currently exist in Pokhara would provide insight on how *dhikur* operates in urban contexts, outside the binds of kinship ties. This would be especially useful given that the presence of dhikur in Pokhara has generally declined in an urban setting in the face of thousands of other private savings and credit cooperatives. Thirdly, examining the decision-making and motives of why clients of banks or micro finance organizations choose to access loans outside of community based credit organizations could potentially reveal limitations of the dhikur system that have been overlooked. Lastly, a long term study tracking *dhikur* groups formation and trends within a single village or couple of villages would provide more precise data on how these groups are evolving over time within a constant location.

Currently, the majority of detailed and well researched literature on *dhikur* was conducted over 30 years ago. My research sought to provide current information on the topic- particularly given the recent development of banks and micro finance groups in Jomsom. However, I found that much of the information I gathered on *dhikur* matched rather than contradicted existing literature. Small changes and adaptations in loan frequency, purpose, ethnicity and gender, interest rates and monetary amounts were noted throughout my research. Overall, the *dhikur* system has adapted in minor rather than fundamental ways to changing financial realities, and the degree of these adaptations is very group dependent. Today, very 'traditional' and very 'modern' *dhikur* groups exist. Members of current *dhikur* groups use both traditional and modern aspects of dhikur in tandem, creating the "re-mix" that one of my interviewees so aptly described. Perhaps, this "re-mix" is what characterizes *dhikur* more than any specific change or constant aspect. The *dhikur* group is a fluid reflection of the needs of its members, its ability to subtly adapt is its greatest strength.

Glossary of Terms

Asaar- month on Nepali calendar which coincides with mid-June to mid July

dhikur- Thakali word for a form of rotating credit started by the Thakali people,

the Nepali word is *dhikuti*.

goaa- Thakali word for "head", the leader of a dhikur group

golaa- system where names are drawn at random either to determine loan order, or to pick recipient for remaining money in dhikur account

jagga- Nepali word for property, a requirement for collateral for bank loans

jamani- Thakali (?) word for the person chosen to back the loan taker, required in dhikur groups, along with many mothers groups and bank loans

Mangsir- month on Nepali calendar which coincides with mid-November to mid-December, traditionally the month where loans were re-payed in Lower Mustang's community groups such as dhikur.

Mukhiya- a form of local, informal government used in Mustang.

Pus- month on Nepali calendar which coincides with mid-December to mid January, loans are often given in this month, if not given in Mangsir.

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