

Case Study Series

**INFORMAL CREDIT PRACTICES
IN RURAL AFGHANISTAN**

**Case Study 2:
Kapisa**



Floortje Klijn

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Glossary*

<i>Afs</i>	Afghan unit of currency; approximately 50 Afghanis = 1 USD
<i>baksheesh</i>	gift
<i>dast garden</i>	itinerant trader
<i>dastar khan</i>	floor cloth on which one eats
<i>factor ba factor</i>	bill to bill agreement
<i>farsiwan</i>	Dari speakers
<i>gerawi</i>	mortgage in which the owner's rights to use the land pass to the mortgagee
<i>hashar</i>	voluntary work contributed by each household for communal means
<i>jens</i>	goods
<i>jerib</i>	unit of land measurement; approximately one fifth of a hectare
<i>khairat</i>	voluntary alms
<i>khan</i>	landlord
<i>komak</i>	assistance
<i>medressa</i>	religious school
<i>mozarebat</i>	a partnership between an investor and a businessman in which one provides the money and the other provides the work; profit is divided between the two, while the loss is carried only by the investor
<i>mazdur</i>	daily labour
<i>maulawi</i>	Islamic theologian
<i>muhajer</i>	refugee, in this context used as "outsider" /coming from outside the village
<i>mullah</i>	religious leader
<i>paisadar</i>	rich man
<i>pul-i-nakht</i>	cash
<i>pul-i-qarz</i>	buying on credit, literally "money in credit"
<i>qarz-i-andar talab</i>	a form of <i>qarz-i-hasana</i> credit with agreement to be repaid but with no specified time
<i>qarz-i-hasana</i>	credit on good terms, with no interest
<i>qarz-i-khodadad</i>	a loan given on the understanding that the debtor will repay when God provides the opportunity
<i>qarz-i-sudh, sudh</i>	credit with interest
<i>qarz</i>	credit
<i>qawm</i>	kinship group, often a tribe or sub-division of a tribe; also used for the community where one lives
<i>ramazan</i>	month of fasting
<i>sawab</i>	merits gained when doing a good deed, considered as "profit" from God or "credit" earned with God
<i>sharia</i>	Islamic law
<i>shora</i>	group of elders
<i>sudh</i>	credit with interest

<i>sudhghor</i>	person who gives credit with interest
<i>tablikh</i>	Friday sermon
<i>taifa</i>	tribal lineage
<i>zarmeen-i-zarkharid</i>	land which was originally bought by forefathers or present owner
<i>zarmeen-i-mirasee</i>	land inherited from forefathers

Acronyms

AREU	Afghanistan Research and Evaluation Unit
DDR	Disarmament, Demobilisation and Reintegration
MISFA	Microfinance Investment Support Facility for Afghanistan
NGO	non-governmental organisation
CHA	Coordination of Humanitarian Assistance
NSP	National Solidarity Programme

* Transliterations in this glossary, as well as in the text, are spelled according to AREU's editorial policy and do not reflect the opinion of the author(s).

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1. Introduction

This report presents findings from fieldwork conducted in Kapisa Province as part of a credit and debt study undertaken by the Afghanistan Research and Evaluation Unit (AREU). The other field sites visited were villages in Ghor and Herat Provinces.¹

There were two motivating factors behind this study: first, a growing recognition of the importance of informal credit for rural livelihoods in general; and second, the development of fast-growing micro-credit initiatives in Afghanistan and concern about how these external credit sources may affect existing credit relations. Both of these issues suggested the need to develop an in-depth understanding of how informal credit practices work in rural Afghanistan, which would lead to recommendations on which practices of informal credit to support and which to change. It has also led to complementary research AREU is currently conducting on the effects of micro-credit on rural livelihoods, which will provide insight into how micro-credit intersects with and affects informal credit practices.

Given the limited impact of formal banking and finance systems introduced into Afghanistan in the 1960s and 70s, and the absence or lack of functioning of formal credit systems over the last three decades, the “informal” system has been for many if not all Afghans the only credit system.² However, little is known about existing credit practices in Afghanistan, limiting the ability of policymakers and practitioners to develop effective pro-poor policies and programmes which support positive aspects of existing systems and improve on negative features. In order to understand the role credit plays in different livelihood strategies (see Box 1), as well as to provide better insight into how formal and informal credit might interact when micro-credit initiatives are implemented, it is important to approach credit “the Afghan way”, from the perspective of those using the informal credit systems and to understand that it is more than a financial transaction.

Box 1. Livelihood strategies

Accumulating livelihood strategies seek to increase income flows and assets.

Households with accumulating livelihood strategies own assets with which they accumulate surplus in food, goods, or cash which they in turn use to accumulate more.

Stabilising livelihood strategies seek to secure existing asset portfolios through diversifying income, accessing more resources and strengthening social networks.

Coping livelihood strategies seek to provide for sufficient household requirements on a daily basis. Food security and daily survival are the main concerns.

This study aims to provide deeper insight into current informal credit practices and to understand their role in rural livelihoods. Key questions guiding the study included:

1. How is credit used by households to pursue different livelihood strategies such as coping, stabilising and accumulating?
2. What place does credit occupy in inter-household relations, and how does this vary across livelihood strategies?

¹ To protect respondents’ privacy, the actual names of the villages studied and respondents interviewed are not used in this report.

² In this study “informal credit” refers to local or indigenous credit forms and systems which have not been initiated by the central state or an assistance agency.

3. What role does credit play in the livelihoods of vulnerable households facing chronic indebtedness?

The basic unit of research was the household, defined in this case as a group which lives and eats together. Using in-depth interviews, attempts were made to understand households' livelihoods, their dynamics over time, and the role credit plays in their livelihood strategies. Equally as important was gaining an understanding of relationships between households (relative or non-relative) within or outside the village, and how these relationships affect access to credit and the achievement of secure livelihoods.

2. Methodology

2.1 Village and respondent selection

Three villages with three different economies were selected. The Ghor village was selected for its subsistence-based economy and the Herat village was for its market-based economy. The village in Kapisa was selected initially for its market-based economy, however, after field work commenced it became clear that the rural production was primarily for subsistence requirements and that the market was important to the village economy as a source of daily labour opportunities.³

The following criteria were used in selecting the four villages:

1. All villages needed to be 30 minutes from a main marketplace. This criterion was chosen to allow comparison to be made between the four villages, even if they differed on predominantly subsistence- or market-based production. If the distance or accessibility to the markets was not similar, it would be difficult to establish if the differences in credit practices were related to physical distance or variation in livelihoods.
2. Villages needed to be average in size and representative of ethnicity and livelihood activities within their district; and
3. The four locations needed to represent both more affluent, relatively urbanised communities producing for the market, and more impoverished, rural communities exhibiting a predominantly subsistence economy.

In each study location the research team was facilitated by a development organisation already working in the area.⁴ In consultation with these partners, a village in each province was selected based on the above criteria. The staff of the assisting organisations initially introduced the research team to village representatives and asked their permission for the research to take place. Following this, group discussions were held with both men and women, often *shura* members, in which the aims of the research were explained, and the teams began to get a sense of the general context of the village and its credit practices. In-depth interviews were then conducted with male and female respondents representing their households. At first, respondents who served as village representatives (that is, on the *shura*) were selected, but the team gradually moved away from interviewing families related to or associated with village representatives.

For the selection of respondents within the villages, quota sampling was used in order to distribute respondents across socio-economic status categories. The criteria used to differentiate respondents included: ownership of land (landlords versus landless); shopkeepers; households dependent on charity; and households dependent on daily labour. Researchers monitored how many households in each socio-economic status category were interviewed each day, aiming for equal representation in the low-, middle- and high-income groups. The interview teams also targeted specific respondents, such as: female-headed households; working

³ After the case studies were conducted it became clear the distinction between market-based and subsistence-based village economies was incorrect. Besides the Herat village, the villages in Ghor and Kapisa were not predominantly producing for the market. Agriculture was mainly for subsistence usage and the majority of households needed to find additional income sources like daily labour to supplement the household's food needs.

⁴ Coordination of Humanitarian Assistance (CHA) in Herat; UN-Habitat in Kapisa; and Oxfam GB in Ghor.

women; women known to have had experience with micro-credit; and educated people. This was not a fixed list, but depended on the village context.

This selection method meant that researchers often arrived in the village and initially selected villagers at random. When they had a better understanding of the village's livelihoods and the diversity of the households, they then targeted more specific respondents. When the results of an interview with a household member were of particular interest, the interview team sent the other team to interview other members of the household – in order to get different points of view from the same household. For example, the female research team would recommend interviewing the husband of a certain household, or the male interview team would recommend interviewing the wife of a certain interviewee. Similarly, the teams sometimes returned to a respondent for a follow-up interview, in order to gain further insight into a particular issue the respondent had raised.

2.2 Interviews

This study is qualitative in nature. Rather than provide quantitative information on credit practices across Afghanistan, it aims to understand the role credit plays in rural livelihoods. In the four villages studied, an average of 43 interviews was conducted per village with both men and women, based on an open-ended questionnaire. The open-ended questions that were asked depended greatly on the interviewees, their specific livelihood situation and the dynamics of the discussion. The research team discussed and analysed results on a daily basis, comparing information gathered and understanding the reasons for the differences and similarities between households and their credit practices. This ongoing process of field analysis was fed back into subsequent interviews so that new and emerging issues could be addressed.

The fieldwork was undertaken by two teams: one female and one male. The female team comprised two Afghan research assistants (one interviewer and one note-taker). The male team comprised an Afghan research assistant and a female expatriate researcher who conducted the interview and took notes.

Respondents were generally enthusiastic to participate fully in the interviews, offering insights and information with little prompting. Although some of them were slightly wary initially, the unstructured interview style helped people – men and women and across income groups – feel appreciated for their opinion.

2.3 Household wealth categories

From the beginning of the field research through data analysis, a detailed and refined categorisation of respondents by asset emerged: wealthy, middle ranking and poor. This grouping was an ongoing consideration throughout the study, although it was also clear that it could change based on new insights found.

It should be noted that the study was designed with flexibility, avoiding the use of a fixed, predetermined list of solely productive assets, such as land and livestock. This is to ensure that the importance of social assets, as well as the dynamics of household livelihood strategies, is taken into account in characterizing a household as wealthy, middle ranking, or poor.

After analysing each family's economic status in detail, as well as household dynamics and the depth and breadth of social relations and credit practices, a final

grouping, specific to each studied village, was made. Access to land was examined, especially in terms of the extent a household could rely on it for food security. Household size and the quality and quantity of additional income sources were taken into account as well. In addition, there were specific situations included as an indicator of a household's wealth status, for example, how families married off their sons, or how they were able to build a house, as well as their access to credit.

Although the categories facilitated analysis and presentation of findings, they cannot capture the households' dynamic realities over time. Thus, some households, which fell between two groups in the early phase of the research, fit only one category by the later stages, while others shifted across categories over time.

2.4 Kapisa respondents

Thirty-six respondents were interviewed across 30 different households in a village in Mohammed Raqi district, Kapisa. UN Habitat assisted in identifying the study village, providing a select list of villages. It was narrowed down to four villages that matched the selection criteria, including the one eventually chosen by the team.

Among respondents in the Kapisa village, three households were identified as "wealthy" based on the surplus food, goods or cash they had and were able to earn more income than required for subsistence. The "middle ranking" wealth group (N=22) is a much broader category and comprised of households that had access to relatively stable and/or diverse income sources. This group has achieved food security by using access to credit to cope with seasonal lean periods. It consists of families strengthening social networks, securing their livelihoods and building more assets. The group of "poor" households interviewed (N=5) were highly dependent on others for assistance, struggling to acquire basic needs on a daily basis.

The study was conducted in the month of *Ramazan*, which provided several advantages. Among them was the presence of more men in the village. This was valuable information about their household economies, in and of itself. The fact that they were not out working meant they could cope with no income for a month.

Household composition

The majority of people in the Kapisa village live as extended families: married sons and their families live together with their parents in one compound. However, often

Box 2. Female-headed household

A female-headed household is a one that is run by a female member; she makes all major decisions and has the main responsibility of supporting the household in its daily needs. No able-bodied adult male (husband, father, brother, son) is available to support her.

married sons and their families have separate economic units – referred to in this study as "households". This does not mean they have totally independent livelihoods; although day-to-day expenses are separate, often there is economic assistance and mutual support in times of need between the households.

Five of the 30 households interviewed were female-headed, of which four were considered poor, and one household was from

the middle income group. Three other female respondents were either widowed or married to a disabled or sick husband, but lived together with adult sons with income sources and often a family. These households were not considered female-headed households in this study.

3. Research Setting

3.1 Location

The village studied in Mohammed Raqi district is located 15 minutes by foot from a paved road between two relatively large bazaars near Parwan Province. The village is divided between an upper and lower village through which several irrigation canals flow. All agricultural land is irrigated. It takes five minutes to walk from the upper to the lower village. There is one mosque located in the lower village. Around 200 households live in the upper and lower village together, and they are predominantly *farsiwan* (Farsi speaking) Pashtuns.

There are three shops in the village. They are all located in the lower village. They sell small basic food items like tea, sugar and sweets. An NGO had built two water pumps in the past and the Ministry of Refugees and Repatriation had recently provided 30 returnee families with building material. Currently the community-driven development National Solidarity Programme (NSP) is being implemented. Both male and female *shuras* have been established through an implementing partner of the NSP. The process of project identification had not been finalised at the time of the study. However the male *shura* members claimed that due to the cooperation initiated through NSP, the villagers had decided to rebuild their mosque. The old mosque had been pulled down and during *Ramazan* a new mosque was being constructed. All families had contributed funds for the doors and windows and each family provided a worker as *hashar* (voluntary work contributed by each household for communal means).

3.2 Villagers and their backgrounds

The village in Kapisa was established between 150 and 200 years ago. The story told was that two brothers had settled in the area and descendants of each formed a village and *qawm* (tribal unit). Later Sayyed and families from other Pashtun *qawms* settled in the village. All male respondents said they were Pashtuns, whereas the female respondents said they were Tajik. Although the name of the village indicates a Pashtun origin, all inhabitants have no knowledge of the Pashtun language and speak Farsi.

Many respondents mentioned how the regional economy underwent a major change during the 1970s. They recall how before Daud's government (1973–1978) life was fairly basic. The village economy was mainly a subsistence economy⁵; all households lived on what the land produced as there were little other job opportunities available. Due to the agricultural season and the dependency on only agricultural products families had to cope with long lean times with few opportunities to earn additional income or food. These periods were often covered with in-kind credit taken from large landowners, *khans*. At the time, there was a large distinction between a small group of big landowners and the landless who were sharecroppers on the *khans'* land. The respondents described this period as a time of poverty and low standard of living.

⁵ Subsistence economy in this context refers to an economy that mainly produces for internal consumption, thus within a certain locality. However, this should not be mistaken with an economy being entirely based on agriculture; see Grace and Pain, (2004), *Rethinking Rural Livelihoods in Afghanistan*, Kabul: AREU.

However, this changed when in the 1970s a large cotton factory was built in Kapisa. The area underwent an economic boon, with increasing job opportunities. Besides an increase in local jobs, young men also started migrating to Iran for work. Where previously the rural economy was predominantly based on barter exchange, it now had changed into a cash economy. Payment and credit transactions shifted from in-kind to cash transactions. More and more households started having access to cash, paying in cash and taking and giving credit in cash. Simultaneously, the population of the village grew. Thereby, traditional *khans* were selling small plots of their land and many eventually moved to Kabul.⁶ As a result land relations and tenure within the village shifted. Due to the increased job opportunities in the region and through labour migration to Iran landless families were able to buy small plots of land. This development resulted in a change in the character of land ownership in the village. Where there used to be a small number of large landowners and a large number of landless sharecroppers, from the 1970s onwards more families owned smaller landholdings which they cultivated themselves. This development, together with an increasing population, resulted in larger families living from smaller landholdings, which in turn resulted in less land available for sharecropping.

Before the revolution we had a very bad life. The landless were sharecroppers. They stopped sharecropping because the population of the village grew. Those who have land now have more family members who live from it and now cultivate it themselves. Also those who had no land, the sharecroppers became more and so they had to find work elsewhere, outside the village.

- Group discussion with male *shura* members

The change in land ownership in the village is reflected by the origins of ownership; according to a respondent half of the village land is *zamin-e kharida* (sold land which has been originally appropriated through sale instead of inheritance), whereas the remaining half of the land is still owned by villagers who inherited it from their forefathers, *zamin-e mirasee*.

Before, there was a lot of discrimination and differences between the poor and the rich, the khans. They had power in the village. Now the level of people is more the same.

- Agha Mohammed, *shura* member, teacher and farmer

Changing land relations brought about changing socioeconomic relations between the households within the village. For example, earlier there were *khans* who provided most of the assistance; later, households were increasingly able to assist each other. Informal credit without interest became a more common practice between households.

"There were a lot of rockets – it was like rain."

The village had severely suffered from the fighting over the last two and half decades, being a front line in the conflict at least twice. A lot of damage was inflicted during the Russian era as the village found itself between the Russian and

⁶ The respondents gave different explanations why the *khans* started selling plots of their land, ranging from "it was God's will" to "the *khan* was a big spender". However, the most likely explanation is that during Daoud's reign, large landowners were forced to sell off a certain portion of their land. Later under the communist rule further land reforms forced big landowners to endow large landholdings without compensation and decrease the ceiling of land size. The *khan* family in the Kapisa village still has land but is not the sole major landlord anymore.

National Afghan forces and the mujahideen factions. Many farmers mentioned how rocket fire had set their fields alight, tanks had destroyed the irrigation system and agricultural infrastructure, and bombs had destroyed their houses, killing many villagers. The cotton factory was also destroyed. Many households fled to Pakistan.

The conflict in the area continued during the nineties and increased when it once again became the front line, this time between the Taliban and the Northern Alliance. Again families fled, often for the second time. However, this time more families left for Iran instead of Pakistan. Besides the fighting, the region was also hit by drought which forced families to move out once again. For three years the fields were said to be uncultivated. Even after the worst drought years had passed, the water level did not rise to its normal level and in place of the more lucrative crops of wheat and cotton, only maize could be cultivated.

During this period many families fell into debt and became impoverished. Others migrated to Iran using smugglers who transport people to Iran on credit. On arrival in Iran, these people first had to repay their debts to smugglers before they could start repaying their debts in the village. The majority of households in Iran, however, were able to recover and the good labour opportunities allowed them to return with savings, which in some cases allowed them to buy land or assets – a shop, for example.

3.3 Village economy

Currently, agricultural production is predominantly for subsistence usage. Daily labour found outside the village, often in Charikar (Parwan Province) and Kabul City, are the main income sources for households from all wealth groups. A small proportion of cotton is produced for the market. Business activities or services found in the village were: shopkeeping, milling, tailoring, tractor rental, carpentry and provision of doctor's service. Regular salaried work is found in nearby villages or bazaars, predominantly in teaching.

Table 1. Number and share of households reporting a worker in each income-generating activity (both men and women), by wealth group

Income activity	Wealthy		Middle ranking		Poor	
	Number	Share	Number	Share	Number	Share
Agriculture	3	100%	18	78%	5	100%
Daily labour in village and surrounding area (farm and non-farm)	1	33%	13	59%	2	40%
Labour in Iran	0	0%	0	0%	0	0%
Contract employment: teachers, guardsmen	1	33%	8	36%	0	0%
<i>Mullah or maulawi</i>	0	0%	3	14%	1	20%
Credit provision/ investment (<i>gerawi</i>)	1	33%	0	0%	0	0%
Local business: shopkeeping, milling, tractor rental, carpenter and doctor	3	100%	4	18%	0	0%
<i>Total number of households</i>	<i>3</i>		<i>23</i>		<i>5</i>	
<i>Average number of income sources</i>	<i>3</i>		<i>2</i>		<i>2</i>	

A main characteristic of the respondent households in this village is: ownership of small landholdings (24 out of 30). Only two of these 24 households owned more than three *jeribs* of land (largest landholding was six *jeribs* of land), whereas 17

households owned less than one *jerib* of land. The six households who did not own land were from all three wealth groups (one household from the wealthy group, four from the middle income wealth group and one from the poor). They all relied on daily labour or regular salaried work. Also households with no land often had access to land and its products. This was often through women working on the land of relatives, receiving agricultural products in return. One wealthy family was mortgaging other people's land and sharecropping it out to the owners; from this they received a portion of the harvest. Even though the majority of households had access to land, practically all of them had to buy extra wheat to feed their families. With an average of eight family members per interviewed household and on average each owning less than one *jerib* of land, the agricultural produce was never enough to feed the whole family.

The most common income source next to farming was daily labour (N=16). This was predominantly found outside the village in the local bazaars, in Charikar or in Kabul City. Whereas Kabul used to be a popular location to find daily labour, respondents mentioned how now the opportunities for daily labour have increased in the proximity of the village due to the implementation of NSP projects, as many nearby villages had selected the installation of safe drinking water facilities, thus many daily labour opportunities were found in digging wells. According to respondents daily labour has become more difficult to find in Kabul, and the costs of living there are so high that little can be saved, so few go there now. For instance, Abdul Wahid used to live with his family in Kabul, where he could earn enough with daily labour to support his family there. Now he has returned to the village and travels back to Kabul every month for work.

I go to Kabul every month. I work for 20 days and stay five days at home. This year there were not many work opportunities in Kabul. The problem with working in Kabul is that I want to work for 20 days but sometimes I can only find work for ten days, the other ten days I am jobless and spend all the money I earned.

- Abdul Wahid, daily labourer and sharecropper on his mortgaged land

Some families mentioned that when they returned from Iran, they first settled in Kabul where they had lived before leaving the country. But finding Kabul too expensive to make a living, they moved back to the village. Abdul Wahid continued:

We used to live in Kabul during the drought when the rents were low. We could live there then, now since Karzai came the rents have increased. It is now too expensive to live. So we decided to come back. If the rent is cheaper life is better in Kabul. In the village itself there is not enough work.

At the time of the study all respondents had no household members working in Iran. However, nine households formerly had members working in Iran. They had all returned. There was little distinction between wealth groups regarding past labour migration to Iran.

Women's contribution to household income was mainly in agricultural activities for the household's own consumption and less in income-generating activities. Only one household mentioned women weaving carpets and in another female-headed household a woman was a tailor. No respondents mentioned women working in other

houses for cleaning or baking bread.⁷ However, two women from poor households did mention they work on other family's land, often relatives, in exchange for agricultural products. For poor and middle ranking households, with an average of two income sources per household, women's work is essential, especially taking into account that men are often working outside of the village as daily labourers. Children also often contribute significantly, with girls in agricultural activities, and boys in daily labour or fuel collection.

Table 2. Average number of income sources and percentage of households where men and women contribute to the total income, by wealth group

	Wealthy	Middle-income	Poor
Average number of income sources	4	2	2
% households in which men generate income	100%	95%	60%
% households in which women generate income	67%	36%	80%

In this village, wealth was not characterised by ownership of land. In fact, of the three wealthy households interviewed, only two owned land.⁸ The other wealthy household owned no land. What all three wealthy households had in common was that they had acquired surplus cash through savings from working in Iran, multiple and stable employment opportunities on a contract basis, and from working at a military check point, earned money through charging tolls (see Box 3). All three households were considered the "new rich" and were investing in shops, mills, tractors; one household was providing cash loans and mortgaging other people's land. The two households with the most land (three and six *jeribs* of land) were heavily indebted and had mortgaged their land.

The cause of the differences in asset portfolios between the households of the middle income and the poor was mainly determined by access to job opportunities and therefore cash income. The percentage of households with land was similar for both wealth groups, although the landholdings from the poor households were in general slightly smaller (average 0.3 *jerib* for the poor households and 0.9 for the middle income wealth group). However, 21 out of 22 middle income households had cash income sources in small businesses, contract work or daily labour; poor households had no members with salary work and only one household with a member working in his own business, although not a profitable venture and heavily in debt. The poor are more reliant on insecure daily labour opportunities to provide for their full range of household needs.

⁷ This was a common activity for women from poor households in the study village in Herat Province.

⁸ One wealthy household owned less than half a *jerib* of land. The second wealthy household mentioned they owned only the compound they lived in, but from information provided by other respondents it became clear the household owned more land, land bought through mortgage.

Box 3. "The new khan of the village"

Mohamadullah is the wealthiest man in the village. Mohamadullah became a doctor when he was in the mujahideen. He was a first aid medic in a "mobile unit": "I also did surgeries." He had received training in Peshawar. In the course of 15 years with the mujahideen he had made it to captain and was based at an important checkpoint not so far away from the village. It was said he had earned a lot of money there from toll collection. True or not, it was these years that brought him prosperity. He now has a doctor's practice in his house, where people from surrounding villages come.

His father used to be a landless sharecropper but was able to buy one jerib of land. The family lived in a small house in the centre of the lower village. When Mohamadullah, who was married by then, started earning money with the mujahideen he built a wall around his father's land, planted fruit trees and built a large house and later guesthouse on it. His only brother went to Iran to work as a mason and has stayed there for the last eight years. It seemed he was not expected back soon. After asking if his brother sent them remittances from Iran, Mohamadullah replied, "No, if he sends money, he counts on us. When he comes back to the village, he will then demand back his assistance. Brotherhood is gone in Afghanistan."

But Mohamadullah does not need assistance. After he took part in the Disarmament, Demobilisation and Reintegration (DDR) programme and received medical training, he established his own practice. "My net profit is from selling the medicines." He explains his success due to his cheap rates: "many people come to me because my treatment is cheap, in Kabul it is expensive." The service fee is 20 Afs, but people can also pay this in-kind, often in two, three or four eggs or sometimes in wheat. How much then depends on the debtor. If they cannot pay the fee is taken in credit. The sale of medicines is his main income, and for that he does not let the people decide for themselves. If they pay in-kind it is the amount of eggs that has the equal value of the price he sets for the medicines provided. Sometimes when the patients cannot repay him he gives the service fee for free as a bakhshesh (gift), however, they always have to pay for the medicines.

But Mohamadullah has another source of income; he was the main source of credit and mortgage in the village, with outstanding cash loans of up to 20,000 Afs (400 USD) from six different families. He also mortgages land from small farmers in the village, which he fairly often sharecropped out or leased to the owner. As a result the doctor has become the wealthiest man in the village. His wealth, his status as a doctor and perhaps his position as source of many villagers' loans provided him a position in the recently set up shura.

Given his father started as a landless farmer, Mohamadullah had grown into a wealthy influential man in the village with many people dependent on him for credit and mortgage loans. As he himself mentioned jokingly, his family has become "the new khans of the village."

4. Credit Practices

During the first day of the field study, the male *shura* members were asked what the main credit forms households accessed were. They replied that there were two kinds of credit: credit provided from within the *qawm* and credit provided by outsiders. Credit practices within the *qawm* is called *qarz-i-hasana* (interest-free credit) and was ideally practised between close relatives they often referred to as *taifa* (tribal lineage). Credit provided by outsiders was *gerawi* (mortgage) and *sudh* (credit with interest), which was filled with controversy and secrecy, and which was even the subject of the Friday *tablakh* (sermon) during the field study. Halfway through the study a respondent asserted this opinion: "The mullah said last night in the mosque that mortgaging land is *sudh* thus a sin." Over the course of the study it became clear that those providing *gerawi* and most probably even *sudh* were actually found in the village, even within the *qawm*, and for some respondents were as close as being one's uncle or paternal cousin and not outsiders as the *shura* presented.

Qarz-i-hasana is practiced between people who know each other well, hence there are no added costs to the transaction. There are three sub-categories of *qarz-i-hasana* with different agreements on repayment timeframes:

- with a specified time of repayment;
- with an agreement one will repay but the time is not specified (*qarz-i-andar talab*); and
- credit is provided with the understanding it needs to be repaid when God has provided the means to do so (*qarz-i-khodadad*), and which is a form of assistance.

The type of *qarz-i-hasana* practised illustrates the closeness of the relation as well as the household economies involved. Agha Mohammed (*shura* member, teacher and farmer) describes in more detail what *qarz-i-andar talab* is and how it differs in the repayment agreement from the first form of *qarz-i-hasana*:

Qarz-i-andar talab is a system of credit that when you want your money back you can get it back. If someone doesn't have it when they ask for it back, they have to wait until he has money. They do this mainly with close relatives, in-laws, paternal and maternal cousins, aunts and uncles.

The household economies of Agha Mohammed and his relatives are from the top level of the middle ranking wealth group. They have more of a cushion and often are able to cope with outstanding debts, although occasionally they might need money and will request their money back based on the *qarz-i-andar talab* agreement. Other households with less secure economies will provide *qarz-i-hasana* but with the agreement they will get it back at a certain specified time. However, this last form of *qarz-i-hasana* or *qarz-i-khodadad* can also illustrate the debtors (more) insecure economic state as well as the creditor's economic state or closeness to the debtor.

All households in the Kapisa village give or take credit. The different credit practices defined by purpose and source are:

- buying on credit;

- small (in general up to 1000 Afs or 209 USD) cash and in-kind loans;
- larger (in general between 4,000 and 5,000 Afs or 80–10,010 USD) cash loans;
- mortgage;
- business credit; and
- credit with interest.

The most practised form of credit households engage in are give and take of small cash in-kind loans. This credit practice, together with buying on credit, is used for “consumption smoothing”: to cover times when households do not have cash or to overcome lean times. Larger cash loans were often used for rebuilding one’s house, as many refugees returned over the last three years. Of the 24 households owning land (80 percent of the total number of households interviewed) 12 had once mortgaged their land or are still mortgaging it out. It currently is often used for significant expenses such as bride price and wedding expenses, whereas in the past households mortgaged their land in times of crisis to overcome food shortage, particularly during the most recent drought. Business credit was predominantly used by shopkeepers who purchase their goods to sell on credit. Other business credit forms, such as *mozarebat*,¹¹ were not found in the village. As *sudh* was laden in secrecy little detailed information on the practices around *sudh* was collected. Table 3 shows the number of households engaged in the different credit practices. More detail on the findings of each credit form will be further discussed in the following sections.

Table 3. Number of households engaged in different credit practices, by wealth group¹²

Credit practice	Wealthy		Middle-ranking		Poor	
Buying on credit	1	33%	11	50%	5	100%
Small cash and in-kind credit	3	100%	16	73%	4	80%
Larger cash credit	2	67%	13	59%	2	40%
Mortgage (past and present)	~	~	11	50%	1	20%
Business credit (received) ¹³	3	100%	3	14%	1	20%
Credit with interest	?	?	?	?	?	?
Total number of households	3		22		5	

⁹ This is a general figure but varies between households. The more wealthy can provide larger cash loans than the less wealthy or poor households.

¹⁰ Similar to the small cash loans the maximum amount households provide to others in *qarz-e hasana* varies between households depending on their household economy.

¹¹ A partnership between an investor and a businessman in which one provides the money and the other provides the work; profit is divided between the two, while the loss is carried only by the investor.

¹² These figures do not necessarily represent all the credit practices engaged across wealth groups. Respondents from wealthy households in particular were not as eager to respond to the direct question “Do you receive credit?” Wealthy households in general were not as open in describing their income sources and credit practices compared to other households. Based on all data collected, it appears that almost all households occasionally borrow either small cash amounts or goods from other families.

¹³ No household mentioned it provided business credit. However, all households with shops or a business engaged in business credit through buying wholesale products on credit. One respondent from the poor wealth group received a large cash sum from a maternal uncle to be able to set up a business. This was not in a credit form where the creditor would benefit from the profit, like *mozarebat*. It was *qarz-e hasana* with the aim of assistance. All other cases of receiving business credit (n=6) was “buying on credit” from wholesalers.

4.1 Buying on credit

Sixteen out of 30 households buy on credit – all five households from the poor wealth group, 10 out of 22 from the middle-ranking group, and one out of three from the wealthy group (see Table 3). Most households buy on credit from the village shops. Some households also buy on credit from shops in the local bazaars surrounding the village.

Why buy on credit?

The main reason for buying on credit is consumption smoothing. Twenty-one of the 30 households, from all wealth groups, do not have a regular income and are periodically short of cash. Buying on credit allows them to purchase their daily requirements and pay for them at a later date when they have cash. However, it is not only those families with insecure daily income sources who need access to credit for consumption smoothing. Families dependent on labour migrants for remittances, teachers who receive their salary late, or poorer households trying to cope with a period where there is no income or not enough income – all fall back on buying on credit.

My husband is a daily worker. Sometimes he has a job and sometimes he doesn't have a job. He does not earn enough money for household expenses. If we are very much in need we borrow money or wheat, rice and oil from the shop-keepers in the bazaar. A few days ago my husband borrowed a bag of flour from a shopkeeper in the bazaar. We have not yet repaid him. The dast gardan (itinerant traders) too come to our village and sometimes we buy things from them. When we buy something we pay the dast gardan the next time when he comes. Today I bought clothes for my son and a scarf for myself but I didn't pay the dast gardan. I told him that I will give him money when my husband earns some money. He said that because Eid is near, it was ok and gave the clothes.

- Jamila, wife of small farmer and daily worker

In the winter we become more indebted because there is no work for my sons to do. They get credit from the shopkeepers and during the summer when we harvest some products from the land or my sons find some work as daily labourers we repay the debts.

- Pari Gul, widow, two sons are daily labourer

Social relations play a central role in building and maintaining links to shopkeepers that can provide “buying goods on credit.”

Besides family and friends, certain households have access to credit with shopkeepers based on their status within the village; Ghulam Sayyed, who is the *mullah* in a neighbouring village but lives in the study village, mentioned he only bought on credit in the shop in the village where he is *mullah* “because it is easier as they will always give me credit”. Although regular buyers need to repay the debt in a week or two, he has already accumulated a debt of 3,000 Afs (60 USD) over a longer length of time. His status as village *mullah* provides him with credit, whereby there is a taboo on requesting repayment or denying further credit.

In general, one can continue to buy on credit when old debts are first repaid. When the relation with the shopkeeper is more based on family or friendship relations “buying on credit” can be more flexible, with debts accumulating. Of the 16

households buying on credit seven mentioned they knew or were related to the shopkeeper, of which four had accumulated debts between 4,000 and 5,000 Afs (80–100 USD). One household had a debt of up to 45,000 Afs (900 USD) from a related shopkeeper which included debts from “buying on credit” as well as cash loans. Having a relationship with the shopkeeper can therefore be considered a valuable asset.

Many households acknowledged that the shopkeepers in the bazaars do not often give credit to them as they do not know each other, and therefore “there is no trust”.¹⁴

Sometimes my husband does shopping at the bazaar but he does not buy on credit but in cash, because we do not know anyone there to give goods on credit.

- Sharifa, wife of teacher

Interestingly, all five poor households have access to “buying on credit”; two households have relations with a shopkeeper, of which one had accumulated a debt of 5,000 Afs (100 USD). The poor households accessed this credit form from the same credit sources as households from the other two wealth groups: itinerant traders, the village shops or with shopkeepers in the bazaar.

In the village it is not common for women to go shopping: this is primarily the men’s responsibility. Therefore, women often buy clothes and household items from different itinerant traders that frequently come to the village. They often buy on credit or exchange the goods with eggs or wheat. An itinerant trader visiting the village at the time of the study mentioned, “My work is on credit. If I do not give credit I cannot work.” When men are absent, women also may send children to the market or the local shop for them to buy goods with cash or on credit.

There is no custom for women to go to the bazaar...There are two shops in the bazaar where we send our sons or daughters to buy things we need. Sometimes we get credit in kind there like soap, rice or oil. After which we have to find the money to repay our debts.

- Female *shura*, group interview

My elder son does shopping for us because women do not go to the bazaar. We are widows; if we go to the bazaar people will use very bad words for us and they think that we are going to find someone for marriage. Sometimes I buy something like clothes, soap, shoes, etc. from the itinerant trader who comes every three days to a week.

- Khanum Gul, tailor, female-headed household

Besides “buying on credit” from shopkeepers or itinerant traders, the study came across two cases where households bought from each other on credit or provided services which were paid for later.

¹⁴ In comparison to the three other case studies this was quite exceptional. All other villages had shopkeepers from their village in the local bazaar from where they could take credit, as they knew each other. In the Kapisa village, however, there are three bazaars close to the village but there was no mention of villagers having shops there.

My husband bought a cow from our neighbour on credit. That guy brought the cow to my husband and said, "Any time when you have money, you can give it to me." But after two months he asked for his money but my husband told him, "I do not have money to give you right now."

- Zia Jan, wife of a small farmer and daily worker

We rebuilt this house a year ago ... It is a few days ago my husband repaid the 1000 Afs to the carpenter who made our door.

- Latifa, wife of elder skilled labourer

Why give credit? The supply side

The majority of the shopkeepers purchase their goods on a credit basis with a *factor ba factor* agreement (bill to bill agreement).¹⁵ Taking into account the fact that shopkeepers need to restock, they also need to find a balance in clientele between those who pay directly in cash, those who repay their debts every month and the more irregular repayments (longer than one or two months) or request their customers to repay their debts.

People buy things from the shop with cash but most of the people buy things on credit. After one or two months they pay their debts. Sometimes we ask people who are in debt with us to give our money back because we need it to buy things for the shop.

I buy my goods from the bazaar on credit but also sell them to people on credit. It often takes five days for them to repay it, after which I can repay my bill with the shopkeepers in the bazaar. Some people repay after 5/10/20 days, sometimes one or two months. They are not big loans as we do not have a lot of things in the shop. Mostly they buy tomato paste and cooking oil on credit.

- Mastura, wife of a shopkeeper in the village
- Majidi, shopkeeper, miller and small farmer in the village

The three shops in the village sell products on credit but do not have all the necessary products, like for instance wheat. A shopkeeper in the village explains the reason for this:

I do not sell wheat even though most people do not have enough land and therefore not enough wheat for their own consumption. They go to the bazaar to buy wheat. In the bazaar there is not much wheat for sale. Shopkeepers there do not want to give wheat to me on credit when they can easily sell it in cash to people who come from the villages. If I have a lot of money I will go to Baghlan where there is a lot of wheat and buy it there to sell here.

- Majidi, shopkeeper, miller and small farmer in the village

Besides tomato paste and cooking oil, the items Majidi sells are more luxurious products like cookies and sweets, batteries, cigarettes, etc. The main explanation why buying on credit is not used as often with the village shops as encountered in the other villages studied is that shops do not sell the main food staple wheat. Villagers need to go to the bazaar for wheat.

¹⁵ Goods are purchased on credit but need to be repaid before a new stock of goods can be purchased.

Many shopkeepers and itinerant traders like Mohammed Amin (see Box 4) described how they occasionally assist poor households with goods and food on credit knowing that they will not be able to return it in the near future. Deen Mohammed, a shopkeeper in the village, mentioned he would always give goods on credit to poor households: "It is our duty to give, they will otherwise have hunger."

Box 4. "My work is on credit"; the itinerant trader's business

Mohammed Amin is an itinerant trader. He also has a shop in the bazaar together with his son. While his son stays in the shop he takes goods from their shop on his bicycle to sell them in the villages in the area. He only sells kitchen items; he does not sell food, like tea or sugar. "People buy these things in the bazaar or at the local shopkeeper." On a normal day Mohammed Amin visits ten villages, every day going to other villages. He comes back to each village every two weeks, always following the same route through the villages.

Because Mohammed Amin is a "white beard" he has better access to women, who are his main customers, than for instance his son would have. "Women often buy on credit when their husbands are away. When they return in the evenings they show the things to their husbands, who give them money to pay for it the next time I am in the village."

Mohammed Amin buys all the goods he sells in his shop and in the villages on credit from a shopkeeper in Kabul, who is a relative. "We are from the same qawm." It is a factor ba factor agreement, where he repays his old debt when he buys new goods, again on credit. Mohammed Amin goes to Kabul every month or two months, after he has sold his goods. His income is the profit he makes from selling the goods for slightly higher prices than he bought them. "Sometimes I earn nothing, sometimes I earn 80Afs, and sometimes 100 but the best days are when I earn 150 Afs net. These are good times, a week near Eid. People buy a lot of things."

"Most customers pay in pul-e nakht (cash) and sometimes pul-e qarz (buying on credit, literally money in credit). My work is on credit. If I don't give credit I cannot work. If people want to buy something, they say 'I don't have money, I'll pay next time you come'. Sometimes I come the next time and they still have no money to pay. It sometimes happens that they do not pay after ten times." Mohammed Amin does not write it down when someone buys on credit because he is illiterate. When he comes home he tells his son who then writes it down. Every time he goes back to the village he asks his son what outstanding debts they have with the villagers he will visit that day. "There are families who have a very bad economic situation. One family I sold some items on credit. When I came back to ask for my money, I realised how bad their situation was. They could not pay at that time and after that I never went back to their house to ask for my money."

Shopkeepers and itinerant traders have several reasons for giving credit to their customers: it is a way of binding customers to their business; it encourages people to spend more; it increases prices and therefore profits (as shopkeepers are reported to often ask higher prices when providing goods on credit); it covers the costs of their own delayed payment as shopkeepers and itinerant traders themselves who buy on credit with other shopkeepers and wholesalers; and it is often a social obligation to relatives and the needy.

4.2 Small cash and in-kind loans

Twenty-three households reported taking small cash and in-kind credit (see Table 3) which is also used for consumption smoothing. This is the most frequently reported credit practice. Many households lend each other small amounts of money or food for day to day consumption or unexpected minor health costs.

The food we produce from the land is not enough for us; we need to buy extra. When I have money I buy products, when I do not have money I borrow money

from someone here in the village. We get qarz-i-hasana from villagers. For instance I just borrowed 4,000 Afs. I work for another person to repay the debt.

- Enayatullah, small farmer, mason

This credit, referred to as *qarz-i-hasana*, is often between relatives, neighbours and friends, and is characterised by its good terms (no interest and flexible repayment). In general, households first try to access small cash credit from within the circle of relatives, often still living within one compound, after which neighbours, friends and other villagers are asked. When Nur Zia (wife of a daily labourer and mother of carpet-weaving daughters) was asked whom she would ask for credit she replied, "Only close relatives like mother and daughter, sister and sister-in-law have credit relation." But when they cannot provide, she later added: "I take money in credit from neighbours and other people in the village, not that much from my relatives because they ask their money back very soon and I do not have money to pay back."

It is men who take small cash loans from each other, whereas women are more often engaged in day-to-day, in-kind credit exchanges as well as occasional small cash loans of up to 100 Afs (2 USD). The small-scale cash loans between women are expected to be repaid within a few days. The cash loans that men deal with (up to 1,000 Afs or 20 USD) are usually repaid within one or two months. The maximum amount provided as a cash loan varies between households depending on their household economy.

Small cash credits are often reciprocal in nature.

If we are in need we take and give credit to each other in the village; 100 or 50 Afs (1–2 USD) we can give and take but not more. We also give flour, rice, tea and sugar to neighbours and relatives.

- Mastura, wife of shopkeeper

Qarz-i-hasana is preferred over other forms of credit as it is cheap and flexible in that it does not cost more and there is less repayment pressure.

If we are in debt from a neighbour he or she will ask to give back the money; if we have money we pay, if not we say we will give it back after we have earned money.

- Female *shura*, group interview

The good thing with qarz-i-hasana is that people do not come to force you to repay your debt. We do not give it all back at once but in little instalments.

- Deen Mohammed, father, shopkeeper and miller

Men when taking cash loans often discuss with female family members whom to go to for credit. Practically all female respondents had information on the credit practices, including the ones who were not actively engaged. Also during interviews where husband and wife and/or mother were present the women contributed detailed information on credit practices, in some cases even taking over from the men. Although the men are the ones taking the credit, women are active contributors in laying out credit strategies.

Ghulam Sayyed, a small farmer, who is working as a *mullah* in another village and who is *shura* member of the Kapisa village, also mentioned his preference for taking small cash loans from his close relatives. He explains how he gives *qarz-i-hasana*

between his brothers: “Although I do not call that *qarz*. There is no specific time to repay, and they will never force you to repay on the specific date. Credit with an outsider would do that.”

4.3 Larger cash loans

Seventeen of the 30 households had taken larger cash loans ranging from 11,000 to 45,000 Afs (220–900 USD). These were reported as being primarily used for marriage costs (N=7) and (re)building houses (N=5). Respondents mentioned using these loans for purchasing agricultural inputs like seed and fertilisers, purchasing livestock, and in the past, to migrate to Iran (N=6). Two of the 17 households taking large cash loans were from the poor wealth group and had fallen into poverty and were heavily indebted as a result of the misfortune that befell them.

Bride prices, which have reported to have increased over the last five years, are an expensive life cycle event and the main reason households take large cash credits. As Agha Mohammed (*shura* member, teacher, and farmer) mentioned after we asked if he had debts: “I have no debts because my sons are not yet of marriageable age. So there is no credit needed.”

Large loans are generally given and taken within a network of close relatives and in-laws, i.e. siblings, parents, uncles and cousins in a similar manner to smaller credit exchanges. For the more wealthy households larger cash loans can have a reciprocal character, whereas for the poorer households it can be characterised more as a relation of assistance. Of all the large cash loans taken by the respondents, 13 out of 17 were from close relatives, of which four came from relatives outside of the village. Five of the large cash loans were taken due to a serious crisis. All five were taken by households from the middle-ranking wealth group; one repaid, two have assets or additional income to secure repayment in the future¹⁶ and the two others were taken in a state of increasing debt and declining wealth.

Poorer households engaged in other practices to avoid expensive lifecycle events, particularly marriages. For example, there were two ways they married their sons: one was to simultaneously marry a daughter and a son, and use the received bride price from the daughter to give bride price to the family of the son’s bride; another was to organise “sister exchange” in which two families would agree to not pay bride price but exchange their daughters to marry their sons. Another strategy was to ask for a low bride price or no bride price at all with the expectation of assistance from their new in-laws.

4.4 Gerawi (mortgage)

Gerawi (mortgaging of land in which the owner’s usage rights pass to the mortgagee, delivering, for example, more than 30,000 Afs or 600 USD for one *jerib* of land in the Kapisa context¹⁷) is a common practice. Twelve out of 24 households who owned land had mortgaged their land (in the past or present), of which two households had actually done it twice (mortgaging one’s land, retrieving it and again mortgaging it). This source of credit is only available to those who own land, and the ability to repay the mortgage depends on the household’s remaining productive and non-productive assets and income sources. Six of the 12 households have been able to

¹⁶ One household owned six *seer* of land (slightly more than one *jerib* of land) of which three *seer* were mortgaged out. The other household had six daughters of which three were engaged in carpet weaving.

¹⁷ One *jerib* = approximately half an acre = one fifth of a hectare.

retrieve their land (of which one household did twice), whereas six are still mortgaged out, and two actually sold their land. All mortgages but one were taken in the last five years. When a mortgage is settled, the mortgagee and mortgager define a repayment timeframe which is often around three years. After the repayment timeframe is finished and no repayment has been made, the mortgage settlement continues, where the mortgagee will always have the right to request the mortgage back. Activities undertaken to repay mortgages included taking daily labour in the area, Kabul or Iran. One household mentioned marrying off a daughter to use the bride price for repayment of the mortgage.

Eleven of the 12 households owning land who had once mortgaged their land were from the middle income group. One household is now poor, but used to belong to the middle income group. After the death of the head of the family and later facing problems with a drug addiction of the only son, the household fell into debt and has over the past five years become impoverished. Only one respondent who had mortgaged his land mentioned he had done so from an "outsider", although this contact was recommended by an in-law. All other mortgage is provided from within the village by the doctor and a *maulawi*. Both were wealthy men and members of the *shura*.

Gerawi is used in two ways: either as a planned strategy to access large amounts of cash for events such as marriages, or in a crisis where a large amount of cash is needed at very short notice – where such finance could not otherwise be accessed without a guarantee. Of the mortgages taken (including households taking mortgage twice, thus a total of 14 mortgages taken), seven were planned in that there was an expected means of repayment or confidence that money would be made to repay the debt. The other seven were cases of crisis borrowing, where the money was used to repay accumulated debts or for household expenses.

Mortgaging in the case of crises

Of the seven cases of crisis mortgaging in the Kapisa village, six were related to the drought, of which all were at the time of the mortgage taken from the middle-ranking wealth group. Households that were not able to acquire enough food would at first accumulate debts which were then repaid with money gained by mortgaging their land. One case was a similar situation of food shortage that was 30 years back. Of all the cases of crisis mortgaging three were able to retrieve their land, one sold their land and three still have their land mortgaged out. Mortgaging was not a common practice during the fighting when the majority of people left and those that stayed were often the poor, as they had no money to leave. During the drought accumulated debts taken to pay for food shortages were often transferred into mortgages or taken in mortgage straight away even though no profit could be taken from the land.

During the years of conflict and drought, several households were temporarily run by women, with the men either fighting or working abroad. This study came across two cases where the women had either mortgaged their land or retrieved their mortgaged land.

I do not know how much money my son borrowed from people, but before he left for Iran he mortgaged our land so he could repay his debts. When he was in Iran, he only sent money once for me to repay his debts. I then married my young daughter and from her bride price I repaid the mortgage and received my land back.

- Bibi Gul, widow, son is shoe maker, heavily indebted household

During the Taliban my husband went to Iran for eight months. At that time my sons were young and there was no one to provide for our household expenses so I mortgaged our land to my uncle for 15,000 Afs and spent the money for household expenses till my husband came back and repaid our debt so we got our land back.

- Shaqa, wife of small farmer

In the case of Shaqa, the mortgage was a way to assist a relative in a difficult time, although securing the debt by using their land as guarantee. The price provided for the 0.3 *jerib* of land they owned was the common rate considering the size of land.

Planned mortgage

All planned mortgages were taken within the last five years by the middle-ranking households and used to pay for the costs of marriage and bride price. Three of the mortgages were repaid through daily labour in the area, Kabul or Iran. Respondents were not often willing to tell who they had mortgaged their land to, however, from the information collected the mortgages were provided by close relatives and sometimes by non-relatives but who were "known to one another".

I married my son for 15,000 Afs (old Afghan currency¹⁸). That was during the Taliban. I mortgaged our land to pay for the bride price. The man who took the mortgage was from Dejali bazaar. My brother's brother-in-law recommended him to me and guaranteed for me. He is a wealthy person. After I mortgaged my land I worked as sharecropper on my own land on the basis of 3:1 receiving ¼ of the harvest. But me and my son paid it back in one year by both working as a mason.

Enayatullah, *shura* member, small farmer, and mason

Eight landowners who had mortgaged their land were sharecropping on their land or had done so or were leasing their own land. Of the five households with still outstanding mortgage debts two had no access to the produce from their mortgaged out land. Having access to the produce of their land through sharecropping or leasing was not related to the reasons why they needed to mortgage, for instance a crisis or a planned life cycle event. Often small landowners mortgage their land, after which the son when married would go to Iran to save money to repay the mortgage. In the meantime the father and other brothers will sharecrop their own land. Being able to use one's mortgaged land or not also seems to be related to whom one mortgages the land to. For instance those people who mortgaged their land to the doctor, who has a relatively small family not able to work on the land himself, are sharecropping or leasing their land.

Attitudes and practice

Although mortgage is a widespread practice among landowners, villagers were fairly outspoken about mortgaging being a sin, as the profit made by mortgaging someone's land was considered *sudh* (interest).

Taking mortgaged land is sudh and that is a sin in Islam.

- Majidi, shopkeeper, miller, and daily labourer

¹⁸ The exact amount of the mortgage in the current Afghan currency remained unclear.

Our land was just ready for harvesting when we mortgaged it, but the wheat was given to this man. The harvest is the sudh.

- Enayatullah, *shura* member, small farmer and mason

This perception might be related to the strong influence of religious clergy in the village: at least three *mullahs* and two *maulawis* were living in the village of which two *mullahs* were members of the *shura*. Interestingly, two other members of the *shura* were providing mortgage for others in the village. That both those condemning the practice and those providing the practice of mortgage are represented in the *shura* exemplify ideals and practices around mortgage. The best example of this is of Maulawi Habibullah (see Box 5), who as head of the *shura* was fairly outspoken about mortgage being a sin, but had mortgaged land in the past due to need.

Box 5. Ideal and practice in one

Maulawi Habibullah is the head of the shura. He is also a teacher in a governmental school, which is his main income source. Besides teaching, Maulawi Habibullah is the mullah in another neighbouring village. He owns a small plot of land, less than half a jerib, which he cultivates himself.

Maulawi Habibullah and his brothers were forced to mortgage their land twice. "When my father was still alive there was a time we had a weak economy, we had to buy food; that is why we mortgaged our land. Even though with mortgage the priority goes to the neighbours, we mortgaged it to two people: a close relative living in the village and to someone from the neighbouring village who had land next to ours. The land, which was at that time six seer, was split in two, so we could mortgage it to two different people. We could easily pay the debt back because we were three brothers doing daily labour. The second time we mortgaged our land was when we had to pay for the funeral of my father and my wedding costs and bride price. This time we divided the mortgaged land in three, each brother receiving two seer, which we then had to repay ourselves. All three of us went to Iran and worked there to save money to repay the mortgage. We all three worked and got our land back."

Maulawi Habibullah is no longer dependent solely on his land or daily labour. Thus his household has a less vulnerable economy than his father when he was young. His religious education and current membership in the shura has also brought him more status within the village – which increases access to other forms of credit.

Maulawi Habibullah was one of the outspoken shura members when it came to mortgage. "Every Friday there is an hour where I talk with the people about Ramazan, about fasting, about the Islamic point of view of life. I tell them that if they give komak (help or assistance) or qarz-e hasana they will get sawab (credits earned with God when one has done a good deed)." In regard to gerawi he is more critical. He understands that if people in need must mortgage their land in order to access large cash credits, "then they are not in sin", but "people who mortgage other people's land are not living according to sharia (Islamic law)". He says that mortgaging land is acceptable within the sharia but only when the harvest of the land is dealt with in a proper way. When the creditor of the mortgage, the one who has user rights over the land, receives the harvest he should first take a part of the harvest that equals the value of the inputs he used. The remaining harvest should then be divided between the mortgager and mortgagee. This continues till the mortgagee has received the equivalent of the money he borrowed to the mortgager, the landowner. After that the land should return to its owner. But this is never practiced instead all the harvest goes to the creditor, except when the landowner actually sharecrops or leases his own land.

Mortgage as credit is relatively flexible as in practice there is no specific time for repayment and can last for many years. However, a mortgagee does have the right to demand his money back, which can lead to forced sale. But this is reportedly rarely done. The ideal preached by the clergy in the village might have in effect that mortgaged land is rarely appropriated through forced sale. Two respondents mentioned selling their mortgaged land; one occurred 30 years ago, whereas another was sold recently. Sharif (shoemaker), who is heavily indebted, described how he first mortgaged his land to the doctor, his paternal cousin, after which he sold a part of it:

I sold one seer to my paternal cousin in the hope of paying the remaining debt we had on our mortgaged land. But we were in great need. It was an emergency and we bought food instead.

His paternal cousin had land neighbouring their land and was therefore by principle allowed to buy Sharif's land. However, Sharif declared "all villagers know he took my land by mortgage" as if a disgrace. "Others too have mortgaged their land to him."

4.5 Business credit and *sudh* (credit with interest)

The only form of credit practices used for business ventures and trading in the village was buying wholesale goods or business inputs on credit. The main reason for this is the small amount of households with surplus cash able to do investments like *mozarebat* (a partnership between an investor and a businessman in which one provides the money and the other provides the work, after which the profit is divided between the two, while the loss is only carried by the investor¹⁹). The study team only came across one villager who had enough money to invest (see Box 3). However, he used his money to provide mortgages and not *mozarebat*. Another villager from the poor wealth group had received a large cash loan from a maternal uncle in order to set up a shoemaker's business. This was, however, not a credit where the creditor would benefit from the profit made, but was provided as assistance (see Box 7). Buying on credit for business is similar to villagers buying goods from shopkeepers on credit. In this case it involves shopkeepers buying goods from wholesalers on credit, the doctor buying medicines from shopkeepers in the bazaar on credit, or the shoemaker buying raw material in Kabul on credit. Buying on credit for business exceeds village credit relations. These credit practices are linked to a commodity chain in which clients buy on credit, shopkeepers buy on credit from wholesalers, and wholesalers in turn buy goods from other locations on credit.

Sudh is credit given with a predetermined interest rate. This credit form is considered un-Islamic and is therefore often conducted in secret as both the creditor and the debtor are considered to be acting sinfully. Similar to other research sites *sudh* was a taboo and denied by the majority of the respondents. Several incidents occurred where a respondent was starting to explain how *sudh* was practised but was cut off by others present who hastily clarified it was only practised by outsiders. *Sudh* is a public secret. Three respondents mentioned specifically that *sudh* was being practised in the village but did not elaborate further on it. However, this does not necessarily mean credit with interest is provided as the term *sudh* was used in a

¹⁹ When business is going well the businessman can only pull out of this agreement when he repays the investor the sum which he invested. In essence the investor then becomes a creditor.

broad understanding of “profit (cash or in-kind) made with money”. *Gerawi, mozarebat* and selling goods on credit for higher prices were considered by many as *sudh* and those engaging in it were referred to as *sudhghor*.²⁰ Although no interest as such is involved with the transaction, the profit made is considered sinful. Within the Kapisa village *sudh* had a much broader meaning than solely credit with interest; it was extended to all practices where profit is made through money which is compliant with Islamic financial principles.²¹

²⁰ The reason why there was such a strong perception on the sinfulness of these credit practices on the one hand and the secrecy around who sources these kinds of credits on the other might be related to the influence of religious clergy, the fact that the credit providers reside in the village, are in fact from within the *qawm*, and that both groups (religious clergy and supposed *sudhghors*) are members in the male *shura*.

²¹ UN-Habitat, (2005) *Islamic credit and Microfinance*, paper VIII, Islam, Land & Property Research Series, 9.

5. Changing Credit Practices

The local economy has changed considerably the last four to five decades which has had a major impact on the changing credit practices of the interviewed households in the Kapisa village.

5.1 Trends in *sudh* and *qarz-i-hasana*

In the past, *sudh* was said to be practised in the village more often. Interest was paid for in kind given that far less cash was available. The majority of landless or small landowners did not have surplus food to provide each other with sufficient *qarz-i-hasana* to make up for lean periods. Most credit was provided by large landowners. Respondents provided two main explanations for the decline of *sudh*. The first was that before the 1970s the overall economic condition of the majority of the people was “very simple” in the words of Agha Mohammed (*shura* member, teacher and small farmer), with little surplus food or cash available to engage in *qarz-i-hasana* practices. Over the last three decades the local economy has improved – despite the years of ongoing conflict and drought – which has in turn improved household economies. This showed that lean periods could be compensated for through other sources of income, and if this is not readily available, temporarily sourced through *qarz-i-hasana*, instead of in-kind *sudh*.²²

Before the Communist Revolution there were a lot sudhghor and khans in the village. There was not much governmental employment or daily wage, so people did not have much money. Those who were in an emergency because of illness or funerals and did not have enough money to pay for the expenses took sudh. Also people took credit in food and paid back with sudh. Now there is more employment and more money available, now people give qarz-i-hasana more. There is still some sudh but very little. It is not public.

- Ghulam Sayyed, *mullah* in neighbouring village and small farmer

Sudh has gone because the life situation has changed, it is good now. In the past, people had no money for food expenses, now there is more money available for food. People do not want sudh anymore because there is not so much need anymore. People now need credit for other events in life.

- Agha Mohamed, *shura* member, teacher, and small farmer

A second explanation respondents gave for the decrease in *sudh* was the growing influence of religious clergy, either under the Taliban rule or within the community due to the increasing presence of religious clergy like *mullahs* and *maulawis*.

There used to be a lot of sudhgor. But when the Talibs came they forbade it and said it was criminal. Now there is more gerawi instead.

- Enayatullah, elder *shura* member, small farmer and mason

During our time when we needed a lot of money, we took sudh, around 100 to 1,200 Afs (2–\$24 USD). Now the sudhghor are finished because it is not a good habit. The mullahs and knowledgeable religious people said sudh is a sin. People who take or give sudh will be punished in the next world. Then around 10 to 20 years ago sudh finished. Now there is the power of religion, the maulawi and

²² A similar finding was found in Nangarhar due to increase in poppy cultivation, more families had access to cash which resulted in an increase in *qarz-e hasana* opportunities (Mansfield and Pain, 2005 *Alternative Livelihoods: Substance or Slogan?*, AREU: Kabul).

mullahs have power. If they are not in the village people will start taking and giving sudh and lose their way again. But now the custom of sudh is finished.

- Deen Mohammad, father of village shopkeeper and miller

Although different respondents explained the decline of *sudh* with different explanations and time spans, there was a general agreement that there used to be "a lot" of *sudh* but now there is "a lot" of *gerawi*. Interestingly, many respondents were of the opinion which was preached by the *mullah* and *maulawi* in the village that *gerawi* was a form of *sudh*. Thus based on their understanding, one form of *sudh* had been replaced by another. However, the decline in in-kind *sudh* goes hand in hand with the increase of *qarz-i-hasana*. The source of credit has shifted from the wealthy, large landowners to relatives and villagers.

5.2 Trends in mortgaging

There have been fluctuations in the practice of *gerawi* over the last four decades too. As land ownership patterns have changed so also have the *gerawi* practices. All but one reported case of mortgaging land were taken during the last drought or more recently after the fall of the Taliban. As households were coping with shocks and risks in the years of the drought, where whole communities were de-capitalised more crisis mortgaging was taken. Yet recently more planned mortgages have been taken.

There is now less [crisis] mortgage than before because there are more work opportunities. And those who mortgage their land have more possibilities of getting it back because of the work opportunities. Now there is not so much selling of land as before.

- Agha Mohammed, teacher, small farmer, and *shura* member

The improved job opportunities have made mortgaging land a worthwhile strategy for those who have to pay for expensive marriages and bride prices. The availability of additional income through labour outside the village has made planned *gerawi* a less risky credit option for farmers, especially as they can sharecrop their own land simultaneously. However, planned mortgage or retrieving mortgaged land is closely linked to household composition. As the example of Abdul Wahid (see Box 6) illustrates, he is still not able to retrieve his land as his household is large and he is the only one able to work.²³ All his income goes to household expenses, whereas Mohamadullah (see Box 5) mentioned he could easily regain his land twice as he as well as his three brothers were all working.

Mir Mohammed has three sons of which two are married. He explained how he organized the wedding and bride price for them:

When I married my first son around ten years ago I had saved some money, sold my cow and some trees. I did not want credit at the time because if I had done that the credit would still be on me now.

However, just recently he mortgaged his land to pay for the bride price and weddings costs of his second son. He is now sharecropping his own land. He obviously does not feel as wary to mortgage his land now compared to ten years ago. When asked how he is going to repay his mortgage Mir Mohammed replied, "If Allah is kind

²³ Daily labour opportunities outside the village require an additional male family member to be able to stay with the family.

I will find the money to repay it. I can also sell my cow or wait for *qarz-i-hasana*." Mir Mohammed's confidence in mortgaging his land lies in two possible options to regain his land; his older son is a teacher at a school and receives a monthly salary which will be able to provide for the extra food he would need due to the lesser output from his land as a sharecropper. And in addition to the availability of other productive assets (the cow) and social relations to assist him with repayment, his second son can also go to Iran to work until he can repay the mortgage.

There seems to be an underlying current in the latest trend of planned mortgaging: improved job opportunities have also made land less important in a household's economy. As the majority of the landowners have less than one *jerib* of land with often large families to feed, the household is far from self-sufficient in agricultural production. As a result each family needs additional cash income to be able to buy daily food requirements. A household who has mortgaged their land and who are sharecropping or leasing their own land will have to earn more to provide for the loss in food produce but this might not be as difficult to cope with as finding the large amount of cash to repay their mortgage. Based on how often households use planned mortgaging to pay for wedding costs, it seems that finding a larger portion of cash income to make up for the loss in agricultural production does not seem to be difficult. This might explain the willingness of many households to lose the user right of their productive asset, or when sharecropping or leasing it back, a decreased output of their productive asset in order to marry their sons. The importance of retrieving one's land is more likely to be related to the status attached to land than the need to regain full control over the land's productivity.

The local economy had undergone major changes over the course of four decades. Increased access to job opportunities and monetization of the local economy has affected credit practices. More households have money available, which has resulted in more cash being borrowed from relatives, friends and neighbours. Life cycle events have become far more costly which has resulted in more demand for larger cash loans. This is especially the case with arranging marriages, as bride prices have reportedly increased considerably over the last five years. The practice of *qarz-i-hasana* has increased and seems to recently extend into larger amounts. Table 4 illustrates how changes in the nature, role and importance of credit go hand in hand with changes in the local and regional economic context.

Table 4. Changes in regional context and credit practices

Periods	Local Economy	Credit Practices in Village
Prior to 1973	<p>Mainly subsistence economy</p> <p>Small group of large landowners "khans" and large group of landless sharecroppers</p> <p>Little money used</p>	<p>In-kind credit transactions</p> <p>Small group of large landowners main source of in-kind credit</p> <p>Credit provided with in-kind <i>sudh</i></p>
Daoud time (1973 - 1978)	<p>Monetization</p> <p>Increased job opportunities in region</p> <p>Land relations change due to forced sale of large landholdings</p> <p>Labour migration to Iran starts</p>	<p>Increase of <i>qarz-i-hasana</i> sources</p> <p>Increase in mortgaging practices</p>
Conflict years (1978 - 1996)	<p>Large flow of refugees and IDPs</p> <p>Periods of depopulation</p> <p>Further monetization as money is more secure and mobile than in-kind or material valuables</p> <p>De-capitalization of villagers</p> <p>Increasing influence of religious clergy</p>	<p>Migrating to Iran on credit</p> <p>Increasing indebtedness</p>
Taliban (1996 - 2001)	<p>Drought</p> <p>Further de-capitalization due to drought</p> <p>Labour migration increases</p> <p>Households move to Kabul</p> <p>Increasing influence of religious clergy</p>	<p>Increase of crisis mortgaging</p> <p>Increase in indebtedness</p>
Post-Taliban (2001 - 2006)	<p>Returnees from Pakistan and Iran with savings</p> <p>Kabul life expensive, households return to village</p> <p>Many households rebuild their houses</p> <p>Increase of bride price</p> <p>Increase of local job opportunities</p> <p>Increase in prices of building material</p> <p>Still labour migration to Iran</p>	<p>Increase use of large cash credits for rebuilding house or bride price</p> <p>Change in mortgaging practices from crisis to planned</p> <p>Increase of retrieving mortgaged land</p> <p>Increase of <i>qarz-i-hasana</i> sources</p>

6. Social Relations and Access to Credit

Although all households have engaged in credit practices, the kind of credit they access, use, and the outcomes differ per household. Access to credit is determined by a household's social relations and productive assets, which are interrelated. For example, Deen Mohammed (the local shopkeeper) and Abdul Razeeq (a small farmer) both needed large cash sums to pay for their sons' weddings. Deen Mohammed described how he organised his son Majidi's marriage:

For Majidi's wedding we needed to borrow a total of 30,000 Afs (600 USD) from several people as qarz-i-hasana. Because I have influence being the shopkeeper and the miller, people brought money to me to use for the wedding – around 3,000 Afs (60 USD) each. It was all credit. But we do not have to give it all back at once but in small instalments. The good thing with qarz-i-hasana is that people do not come to you to force you to repay your debt. [Later he added] If I would not have this shop they would not give me money.

Abdul Razeeq too just recently married his second son. He is a small farmer and daily labourer. In order to pay for the wedding costs and bride price he mortgaged his land.

I am 30,000 Afs (600 USD) in debt for my second son's wedding. I am leasing the land back for 30 seer of wheat and 30 seer of maize. It is a high price. The only benefit I have is from the fodder and we get 10 seer of maize and 10 seer of wheat for our own consumption, but it's not enough. I mortgaged my land because at that time I was in need. He [the mortgagee] told me 'I'll give you money and you can lease your land'. I was in need so I went along with it. If Allah gives money I'll repay. If I cannot repay the mortgage then I'll sell my land. Now I don't have a young daughter to marry him and no livestock to sell.

- Abdul Razeeq, small farmer

In order to pay for their sons' weddings Deen Mohammed and Abdul Razeeq have different credit relations to access large cash sums. In both cases creditworthiness is related to an asset they own, a shop or land which determines the credit relation they can access as source of credit. Abdul Razeeq needed 30,000 Afs (600 USD) but did not know anybody willing to give it as *qarz-i-hasana* or enough people willing to give it in small amounts like Deen Mohammed. His land does provide access to large cash loans through mortgage but where he loses the use and products of his land, and can even in the long run lose the ownership of his land. Whereas Deen Mohammed's shop and its importance within the community, being the largest shop in the village, provides him with enough standing that households see providing him a loan as an "investment" as he might help them in the future. As he himself mentioned: "When someone gives me 3,000 Afs (60 USD) [as credit], when he is in need I give him 10,000 Afs (200 USD)." Although the amount is most probably a matter of speech, it does indicate the importance of reciprocity in credit relations. The different cash credits Deen Mohammed accessed has reconfirmed the relationship he has with several families in the village. The credit provision is more than an act of assisting in organising a wedding, it is also an act to reconfirm a social/credit relation with a shopkeeper. This is a valuable social asset as it can provide credit for daily requirements as well as possible larger cash credits in the future. In essence, the loan taken by Abdul Razeeq makes his household more vulnerable, whereas the loan taken by Deen Mohammed reinforces reciprocal credit relations, which contributes to his social capital. Social relations are vital for

accessing credit. A credit relation based on productive assets, such as shops or land, which in turn is related to what the relation can give back to the lender, determines which form of credit can be accessed.

6.1 Strategizing access to credit

Households often have different relations who provide credit for different purposes. In essence with whom a household engages can be divided between credit for daily requirements, for larger cash expenses like rebuilding a house and marriage, and for emergency situations. Credit for daily requirements is provided by shopkeepers, neighbours, friends and close relatives. Larger cash credits (including accumulated small cash credits) and emergency credit were found within the following composition of relations:

- among brothers and their families often living in a compound but with separate households;
- among close relatives from the father's side, defined by many in the Kapisa village as belonging to one *taifa*;
- among close relatives from the mother's side;
- among in-laws; and
- among a wider group defined as *qawm*.

Each household has a different set of family relations from which they form a part of their social network. Households also engage in reciprocal credit relations with households outside their family, i.e. neighbours. With whom they choose to engage largely depends on both the economy of the households involved and a mutual unspoken understanding of readiness to help each other. Credit relations are unique for each household. For instance, three women, Marian, Nur Zia and Pari Gul, explained how for day-to-day credit requirements they go to different credit sources:

I do not take credit from my neighbours because after one day they ask for their money back and I do not have money to give it back.

- Marian, female heading household,
works on land and depends on remittances

I take money in credit from neighbours and other people in the village but not that much from my relatives because relatives ask for their money back very soon and I do not have money to pay back.

- Nur Zia, wife of daily labourer and small farmer,
daughters engaged in carpet weaving

We only buy goods like tea, sugar, oil, rice, etc. from the shopkeepers in bazaar on credit. We are not in debt from villagers. When my sons work and make some money they repay. And sometimes they exchange corn with goods from the bazaar.

- Pari Gul, widow, two sons daily labourers

Often when it is time to repay or the creditor requests to be repaid under a *qarz-i-andar talab* agreement, it happens that the debtor does not have the money and the creditor "will have to wait till they find the money to repay". In most cases this is

granted, however, when it is not, repayment pressure can push the debtor into a more vulnerable position of indebtedness, jeopardise the credit relation, or force the person to fall back on credit practices that can further increase one's vulnerability. Zia Jan described how a similar situation happened and her husband again went back to Iran to repay their debts as she and her children stayed with her father.

When we came back to the village a year ago my husband took 160,000 Afs from my brother and 200,000 Afs from my maternal uncle to rebuild our house. But after a few months they asked their money back. My husband did not have any money to repay them so again he went to Iran for work, to make some money and repay his debts. At that time I was living with my father. After one year my husband sent some money through my brother in-law, and I repaid his debt.

- Zia Jan, wife of a small farmer and daily worker

Thus, households when requesting credit, even small cash or in-kind credits, strategise who they go to. A household will attempt to access credit with an undefined repayment timeframe (*qarz-i-andar talab*), preferably from within a circle of close relatives where one is certain there is no need of direct repayment. In essence, this gives the household the time to repay when it suits them best. If this is not available, credit sources are sought that involve more pressure on repayment although still *qarz-i-hasana*. Farida and her husband, who recently split their compound where they used to live with two brothers into two different compounds, explained how they seek credit from specific sources – and she did not mention her brother-in-law:

We get credit from the one who knows us and who has good manners. Not that they come to our house every day asking for their money back when we do not have money, who do not fight with us. We go to cousins, relatives and friends. Not paternal cousins – they have no money, their life is the same as ours. No, we go to those with a good life. They have a good economy and good manners.

Whereas Agha Mohammed (a *shura* member, farmer and teacher) explained:

Qarz-i-andar talab is between brothers and close relatives for funerals and weddings and agricultural products like fertiliser. The money me and my brothers give each other is exactly 2,000 to 5,000 to 10,000 Afs (40/100/ 200 USD) and often is given back within one or two months. My brothers do not always come to the door, "give me my money, give me my money!" They do this only when they are in big need.

Each household is constantly taking into consideration whom to go to for the small or the larger credits they need to access. Evidence from the interviews illustrate that households consider three main criteria:

- which households within their credit relations actually have cash available;
- whether the household economy of that relation is well enough for them not to want it back too soon; and
- if the creditor wants his or her money back, whether their manners are known to be polite.

Ideally, a household would seek access to *qarz-i-hasana*. Which kind of *qarz-i-hasana* a household engages in reflects the quality of the relationship between the creditor

and the debtor. Finally, if the need is great and no *qarz-i-hasana* sources are available one can fall back on credit relations offering less good terms, for example, mortgage.

Credit network

Credit relations often follow genealogical groups, requesting credit from close relatives which can expand to fellow clan or tribesmen. Agha Mohammed explained in more detail:

This village has one qawm, but there are different relations within the village. You have close and far relatives. With far relatives you do not do qarz-i-andar talab... Within our qawm you have four taifas – every taifa has their own credit and assistance relations. For example, if I ask Esmatullah [a man from a wealthy family in the village] for credit, he will say no, even though he has money because he would rather give credit to people from his own taifa.

Deen Mohammed, a shopkeeper and a main source of credit in the village, explained when asking about credit relations at first the ideal situation:

People within the qawm help each other. They will never take someone out of qawm even if he does not repay his debts. They will then mortgage their land. If they don't have land the creditor will be patient and they will say 'God willing, I'll pay back as soon as I have it'.

After asking further how this works in practice he highlights its realities: "But if people don't repay last time's debt then people don't give anymore."

In general, households especially give and take credit from close relatives from the paternal and/or maternal side, or from in-laws, "because there is more trust". Habibullah (*shura* member, farmer, teacher and *mullah*) gives and takes credit but not with everybody indiscriminately.

We don't have the possibility to give credit to other people. But we give and take cash credit between my brothers. And we gave credit to our maternal cousin. He had land but no seed so we gave him credit to buy seeds. We did not specify the time he needed to repay it back. Whenever they get money they will repay it. It is 2,000 Afs (40 USD). If there is a bad situation we ourselves also take qarz-i-hasana. Last time we borrowed 3,500 Afs (70 USD) from my in-laws which we used for household expenses. We paid it back after eight months when I started to work as a teacher. If I need more credit and I know they have money I would go to them. If they do not have money, I go somewhere else. But I know they have a good economy.

Whereas Ali Ahmad (landless daily labourer), when trying to access credit, has less opportunity as his paternal relatives and in-laws are poor. His family does not belong to the *qawm* originating in the village. His father used to be an itinerant trader till he married a girl from a family from the village and lived with his in-laws. Ali Ahmad also married a girl from a family within the village. Nevertheless, they are not from the main *qawm* in the village and are landless. His mother when participating in the interview mentioned about their access to large cash credits, "We are *muhajer* (outsiders) here, we don't have land." Ali Ahmad continued with how he normally accesses credit:

I usually go to my maternal cousin for credit. If necessity comes and he doesn't have money I go to other relatives. I do not go to my paternal cousins they are in a worse situation. I never go to non-relatives because they don't have trust.

- Ali Ahmad, landless, daily labourer

Where Habibullah has an extended network of credit relations, mainly between his brothers and his in-laws, and providing credit to his maternal cousins, Ali Ahmad can only turn to his maternal relatives. These two examples illustrate how each household has credit relations from a different set-up of family relations, based on their own asset holdings and social position in the village. From all respondents interviewed only two mentioned having credit relations from outside the circle of close relatives in the Kapisa village; these were old school friends.

Credit strategies, as mentioned earlier, are often discussed between men and women although it is the men who actually request the credit. Not all women of the family are included in decision making around credit practices. In those households where women were taking an active part in the interview, describing in detail the household credit practices, in-laws were an active credit source. Ali Ahmad discusses with his mother when he needs credit from his maternal cousins. "Whatever we do we ask mother first," he said. He never, however, discusses these issues with his wife, which might be related to their household not borrowing money from her family. The women interviewed provided a lot of detailed information, illustrating that information is discussed or shared with women. There were two cases where men and women were interviewed simultaneously, and where the women provided an equal amount if not all information on credit strategies. When a household is run by a female, women directly engage in credit practices normally undertaken by men, for instance, mortgage.

Marriage settlements

Taking into account the importance of family relations, including maternal relations and in-laws, in accessing credit and other forms of assistance, marriage is a crucial element in the strategies households conduct to expand, strengthen or improve existing family relations and with it mutual support networks. Households prefer to settle a marriage arrangement with a more wealthy family in order to improve their mutual assistance possibilities, however, the more wealthy the household the higher the bride price. Ali Ahmad described how people perceive mortgagees, those providing mortgages:

Some people in the village give mortgage. People call them sudhghor. Muslim people should not like them. But if they can marry their son or daughter to them they would.

- Ali Ahmad, landless, daily labourer

Having a strong network of households is important for mutual assistance and as a source of credit which is needed for day-to-day requirements during lean times, to assist households in crisis situations, or the opposite, to invest in stabilising or improving one's livelihoods. This last credit strategy can be used for building a house, marrying a son to a good family or to provide mortgages to others. The importance of networks for accessing mutual assistance and credit exchange in household livelihood strategies partly explains why so many households engage in potentially more risky credit practices like mortgaging one's land in order to pay for

expensive bride prices. All reported mortgages over the last five years were to provide for marriage expenses and bride price.

The web of relations each household engages in ideally should be able to provide for the three credit usages: consumption smoothing, crisis management, and to invest in stabilising or improving household livelihoods. However, besides the direct use of credit, it has a second function within the dynamics of social relations. Reciprocal credit exchange for consumption smoothing is also a means to reinforce existing social relations; by giving credit to a household from within the network of give and take of credit, one safeguards access to credit in the future, for example, Deen Mohammed, the shopkeeper organising his son's wedding. For his debtors providing credit this action is likely to serve a future credit source, given he is the village shopkeeper and a valuable social relation to maintain.

Exchanging credit builds in the trust people have for one another. Large cash credits are used for investments in marriages which are viewed as a means to expand a household's family network. In essence, marriage is an investment in social relations improving one's access to future assistance and credit. Social relations are important for accessing credit, and credit is important to reproduce social relations. However, what happens when a household's strategy to access credit fails?

6.2 Vulnerability

Building on a secure social network a household is also building on a possible safety network in times of crisis. In general, these are times of illness or death where either large cash amounts are needed for medical bills or funeral costs, but often assistance is also needed to overcome the change in household composition that might have resulted from the crisis (i.e. loss of a male earner). The village in Kapisa witnessed fierce fighting and conflict which have caused a high number of casualties. Of the 17 female respondents, seven were widowed. These years of conflict followed by drought have left many households and their entire networks de-capitalised. When harvests failed, more people needed cash to access food from the markets. But as more and more households were in need of cash, access to credit became more and more difficult as increasingly fewer people actually had cash to provide credit.²⁴ As a result in the Kapisa village whole support networks collapsed and an increasing number of households were forced into credit practices such as mortgaging which could ultimately lead to chronic indebtedness. Of all households interviewed 10 were known to have accessed crisis credit.

At the time of the drought, Abdul Wahid's family (see Box 6) had many members to feed with only one income provider. As his land did not provide enough food to support the family, it fell into ever increasing debts. Eventually he was forced to take credit from a villager he has no relation with, who after a while pressured him to take a mortgage. The household's economy has stabilised now at a lower level due to temporary loss of land asset, living on the money he earns from daily labour in Kabul and from the produce of their mortgaged land which his son is cultivating as a sharecropper.

²⁴ Lautze, Stites, Nojumi, and Najimi, (2002), "Qaht-e-Pool, 'A cash famine: Food Insecurity in Afghanistan 1999-2002'", Feinstein International Famine Center, 9.

Box 6. Crisis mortgaging and recovery

Abdul Wahid owns three jeribs of land, and is the second largest landowner among all respondents interviewed. However he is far from a wealthy man. He explains how he mortgaged his land:

It was four years ago when we had no money and no food. It was during the drought and I could not cultivate the land for three years. I have a big family with 12 family members. We needed money to buy food. First I borrowed money from someone in the village. He was not a relative. But then he regularly came to ask for his money, so I decided to mortgage my land to him instead. I mortgaged it for 40,000 Afs (US\$800) for each *jerib* of land. Now we are 120,000 Afs (US\$2400) in debt.

After this the family moved to Kabul for a year, where he started working as a daily labourer. But he was forced to return to the village as life in Kabul with his family became too expensive. "Since Karzai, the rents have increased. It is now too expensive to live there. So we decided to come back." He now sharecrops his own land on a 3:1 basis and works as a daily labourer 20 days each month. His eldest son works on the land.

Abdul Wahid wants to regain his own land again but with the income he gets from daily labour, 150 to 180 Afs per day, he cannot save money. He needs it to provide for the daily needs of his family. His eldest son of 17 said to this: "The right solution is to sell one jerib of land and from that money we can pay back the mortgage. We would get 150,000 Afs (US\$3000) for one jerib." His father replied: "Now [the mortgagee] does not want to buy, he wants his money back. But maybe I could sell it to other villagers." But there is little chance other villagers will be able to pay such an amount.

Mortgaging his land had a positive outcome for Abdul Wahid as he was able to stabilise his household's economy. His previously accumulated cash debts had a higher repayment pressure than the mortgage, so by entering into a mortgage arrangement he was able to put repayment on hold and leave for Kabul to work as a daily labourer. However, now that he has returned to the village and the drought too is no longer, Abdul Wahid would want to regain his land but has no means to do so. Although not mentioned in so many words, it seems that the mortgagee is not willing to buy the land – at least not for the price they want to sell one *jerib* of land for. Depending on the mortgagee, who after the initial timeframe ended retains the right to request the mortgage to be repaid, the future will provide new prospects. Abdul Wahid has four sons and five daughters. When they are old enough it will provide new opportunities to repay their mortgage; sons will be able to go to Iran and for his five daughters he will receive five bride prices. The household, however, will remain vulnerable till the mortgage is repaid, as the mortgagee can demand his money back. Also, if another crisis happens the household will have fewer possibilities to recover.

The household of Sharif and Zorah (see Box 7) has accessed all possible sources of credit and cash in times of crisis: selling off of assets, migration, marriage and mortgaging. But this has not solved the problem within the household. Sharif, similar to the situation with Abdul Wahid, mortgaged his land to repay for accumulating debts and by doing so it provided a window of opportunity for him. Contrary to Abdul Wahid, who had no one to take care of his family while absent, Sharif was able to go to Iran to earn and save some money. However, his addiction made it impossible. Subsequently, during his absence his mother was able to repay their mortgage through marriage of her eldest daughter. But further debts mounted and again he mortgaged their land. As a result a part of their land was sold to the mortgagee, Sharif's paternal cousin. Mortgaging was used as a means by the mortgagee to appropriate land. However, a relative from his mother's side has continued to assist the household with credit and this has mounted an enormous debt they will not be

able to repay without again using a bride price of one of the daughters. The accumulated debt of 30,000 Afs (600 USD) is the equivalent of a relatively “cheap” bride. Whereas the second daughter’s marriage might be used to marry Sharif or repay the remaining mortgage, which might give another window of opportunity for the household to recover.

Box 7. The spiral of debts

Zorah’s husband died 12 years ago. She has a son and three daughters. Her only son, Sharif, was 16 when her husband died. At that time she had sharecropped their half a jerib of land. But after a few years Sharif started smoking hashish and heroin and sold their livestock and took large debts to pay for his bad habits.

I do not know how much money he borrowed from people, but before he left to Iran he mortgaged our land to repay his debts. I and my daughters then moved in with my brothers and they provided for us, they paid for food, clothes and shoes for my children. I married my oldest daughter young and from her bride price I repaid the mortgage and received my land back. After five years my brother went to Iran and took my son back with him.

But once he returned from Iran Sharif borrowed some money from his friend and uncle, Zorah’s brother, to set up a business but “within two weeks he lost all his money and again he mortgaged our land to repay his debts,” Zorah continues. He had mortgaged their land to the doctor, who was his paternal cousin. Sharif tells his version of what happened: “I sold one seer to my paternal cousin in the hope of paying the remaining debt we had on our mortgaged land. But we were in great need. It was an emergency and we bought food instead.” His paternal cousin had land neighbouring their land. Sharif continues: “All villagers know he took my land by mortgage. Others too have mortgaged their land to him.”

Now Zorah works on other people’s land and earns some extra food for their household. Sharif set up a small shoemaker’s business alongside the road between the two bazaars one and half months ago. The little shed he works in is from a wealthy family which he is allowed to use at no cost. Another friend (1500 Afs/ US\$30) and again his maternal uncle, Zorah’s brother, assisted with 5,000 Afs (US\$100) of credit.

Zorah’s brother, who has a shop in the bazaar, has helped the household for years and still provides small cash credit and gives goods on credit as he owns a shop. Their debts with Zorah’s brother have accumulated to 30,000 Afs (US\$600). “Till now we have not yet paid any money to my brother, but he knows we cannot make that much money.” But he continues to provide credit. Zorah’s household still contains two young daughters, currently at the ages of 16 and 14, which might be the reason for this ongoing credit provision.

Strategies: mortgage and marriage

Both households were exposed to shocks and needed to stabilise accumulating debts with a mortgage. Both households gained and lost more or less the same with the action: by mortgaging their land they stabilised an accumulated debt and with it provided time for repayment. Besides losing full production of the land, they also lost a potential credit option for marriage or to cover possible future crisis. These two cases are illustrative for the ten respondents taking crisis credit.

However, both households in due time have found new opportunities to be able to repay their debts. Abdul Wahid’s household composition will develop in such a way that it will provide new opportunities for repayment of the mortgage, through marriage and labour migration or daily labour. Even for the household of Zorah there are still opportunities through the marriage of her two daughters. People, when dealing with household livelihood strategies to deal with debt repayment, sudden risks or long-term shocks, perceive unmarried daughters as valuable assets due to

the practice of bride price. Agha Mohammed (*shura* member, teacher and farmer) stated:

People are suffering from this custom. For people who have a young daughter and no work opportunities and are in need of food, have marriageable sons or are indebted they sell their daughters for three reasons: getting food, marrying sons, or repaying old debts. But they never give their daughter directly to their creditor; even during the conflict they never did this.

Two common strategies are used to stabilise decline due to mounting debts or recover from indebtedness: mortgage and marriage. Whereas mortgage provides time – delay of debt repayment – marriage provides extended social relations, and new in-laws to include in one's social support network. However, when marriage is used to repay debts, a household will lose the opportunity to invest in a specific family relation, and as a result the quality of one's new in-laws may not be as high as if one could more freely choose a family to connect with. Although not found in this study, households might also be able to combine the aims of marrying off a daughter, debt repayment or investing in relatives.

From the perspective of the relatives of households suffering from impoverishment and accumulating debt, assistance credit and support mechanisms can also entail a certain liability. When an unplanned crisis occurs with close relatives, they are likely to depend on credit or assistance from their relatives. As there is a social obligation to provide this assistance, the stability of closely connected households (and thereby their creditworthiness in the eyes of others), may also be reduced. These situations can lead households to want to break family connections, which does happen occasionally. Several households in the Kapisa village mentioned that they did not receive any support or assistance from close relatives, as connections were broken. Households which are doing well financially and have more assets than others may be asked for credit more often – reducing their capacity to improve their individual circumstances. Refusing to provide credit is difficult, as it is considered shameful to appear "unwilling to help out". From the perspective of the debtor, this "helping out" can put them in an ongoing state of indebtedness, gratitude and dependency.

Credit and asset acquirement

In the Kapisa village there was no evidence of an open land market. As land is rarely sold to non-family members outside a crisis, one way of acquiring land is to provide a mortgage after which years of default can lead to sale. There were two cases where land was sold and bought by villagers, which was appropriated through mortgaging practices. Crisis mortgaging, which is more likely not to be repaid as a family is more vulnerable, was mostly taken during the drought when the returns from the land were virtually zero. Providing mortgages can ultimately, when households continue to be vulnerable and not recover, be an opportunity to buy land. Although no respondent specifically mentioned the price of mortgaged land, it is likely to be cheaper as the debtor has little bargaining power. A similar claim can be made about marrying daughters in order to repay debts.

The worse custom in the village is the high bride price. The minimum bride price is 20,000 Af\$ (400 USD), the maximum can be as high as 100,000 Af\$ (2,000 USD) without even the wedding costs. The bride price for poor families is low, for rich families it is high. For people who are indebted it is also low, even if the girl is beautiful.

- Agha Mohammed, *shura* member, teacher and farmer

As bride prices are high, some households might offer vulnerable relatives assistance with the aim to eventually take a daughter as a cheap bride. Credit practices between households of different wealth status can be defined in two ways: as a way for the wealthier villagers to assist needy households; and as a way for the wealthier villagers to acquire land or obtain other valuable assets. Although close relatives are known to be important in mutual support networks (with reciprocal credit exchanges), there were several cases where close relatives engaged in credit practices led to gaining control over others' assets.

6.3 Credit and the poor

Given that social relations or support networks are interrelated with the productive or valuable assets a household owns or have, the question arises how poor households coping on a day-to-day basis access credit. For poor households with coping livelihood strategies, social relations are vital for their day-to-day needs as well as during crises. Besides their network of households with whom they exchange mostly in-kind and small cash credits, they also have relations with households from other wealth groups, mainly relatives, which assist them. For instance, Bibi Adela, from a female-headed household, receives assistance from relatives but also expects it.

We are in debt from my uncle (he is the shopkeeper in this village) for 5,000 Afs (100 USD). And I take credit from my mother and sister-in-law. If I make money I will repay, if not they will give it as bakhshesh (gift) because I am a widow.

- Bibi Adela, widow, lives mainly from assistance

Connections with wealthy relatives are just as vital as the reciprocal credit relations of small and in-kind credit. All families interviewed from the poor wealth group received assistance from close relatives. One can say that poor households who do not have access to wealthier relatives providing support are in a state of extreme vulnerability. Although they might be able to cope on a day-to-day basis through their support network of in-kind and small cash exchange, when a crisis situation occurs like illness they have no relations to fall back on. Bibi Adela mentioned that her son had an accident last year and had broken his leg. It was her brother who took him to the hospital and paid for the expenses. If she had had no close relatives to support her in this emergency, she would have no means to pay for the bills in the hospital and thus for her son to have proper treatment.

Marriage

As discussed in section 5.2 where households were temporarily relying on assistance or credit during crisis, poor households are constantly relying on assistance through credit. Do the poor strategise their access to credit or other forms of assistance? Of all five poor households, four had engaged in marriage relations with the aim to help support the family. Two households had actually married their daughters to repay accumulated or large debts, and two were marriage arrangements whereby a low ("cheap") or no bride price was given in exchange for assistance to the family.

Jamila's husband is a daily labourer but earns very little as he suffers from mental problems. Jamila works on their small plot of land. They have a son and a daughter. Now they live with their son in a large compound together with her husband's four brothers, although they have separate economies. During the drought and due to the mental illness of her husband, the family fell into poverty. Afterward they married off their daughter at the age of 13 to her husband's brother's son. Jamila explained:

We did not get a bride price from my daughter's in-laws because we want them to help us when we face problems with our household expenses. So they helped us for two years when my husband was in Iran and we had nothing to eat. It was drought then and we had no produce from the land. My daughter's in-laws paid all the household expenses for over two years. They spent more than, than if they would have paid a bride price.

Now with the drought over, Jamila is cultivating their land together with her son. The household's economy has stabilised somewhat and they now live separately again although are still poor. Jamila expressed her wish to marry her son to her niece: "Unfortunately, we don't have that much money to pay the bride price. It requires 50,000 Afs (1,000 USD)."

Another case of assistance in exchange for a bride is Marian's household situation. Marian's husband died on the way to Iran fleeing from the Taliban. For a year she was living in Iran with her mother-in-law, two sons and two daughters. They were living from the money her oldest daughter earned, who was 15 years old at the time, bringing clothes over the border between Iran and Afghanistan. "But after one year we came back to Afghanistan. My brother-in-law then married off my daughter to his brother's son. We did not ask a high bride price because he was a relative." From the bride price Jamila bought a cow. "But after one year there was drought and I did not have enough wheat and other food so I sold my cow and spent the money on household expenses." Jamila now lives with her daughter and two young sons, the oldest being 15. She works on the small plot of land (half a *jerib*) and gets some wheat from it for her small household. Her mother-in-law buys food from the shopkeepers in the bazaar on credit. Luckily her brother living in the city sends her between 1,000 to 2,000 Afs (20–40 USD) every two to three months, from which they repay their debts with the shopkeepers. At the end of the interview, Marian commented further: "I gave my daughter for a very low price, because I thought that my son-in-law will help me if I need something but he never does. But I have also not asked him yet."

Both Marian and Jamila, two females heading their households, attempted to solve their household problems by marrying off their daughters to close relatives for no or very little money in exchange for assistance. This practice is understood also by those families actually providing assistance or expected to provide assistance and dependency. Shaqa (wife of a farmer, whose two sons and husband work as daily labourers,) whose household is from the middle-ranking wealth group, explained how they married their eldest son:

My eldest son got married two years ago. We paid only 30,000 Afs as bride price. My son helps his in-law's family because they did not ask for much bride price. My daughter-in-law's mother is a poor widow and she does not have an old son.

Poor households in essence also "invest" in social relations through marriage arrangements. The main difference, though, with the common practice of arranged marriages described earlier, is their relationship with their in-laws will not be one of mutual support but of ongoing assistance. This strategy, however, does entail a certain risk as there is no guarantee the household will be able to provide ongoing assistance.

Interestingly, all but one of the poor households in the Kapisa village had small plots of land, less than half a *jerib*. However, only one household had mortgaged it, and this was done in the midst of the family's decline. The three remaining households

with land had not mortgaged their land but had rather used marriage as a means to widen their social network. The one household in the poor wealth group interviewed who had not engaged in marriage arrangements or mortgaged their land were on the one hand not able to access their land due to disputes with other family members over the land, and were able to cope due to close relatives living in Kabul sending monthly cash support. What this illustrates is the preference of the poor households – often small families – to marry a daughter instead of mortgage one's land. This might be due to the repayment pressure being higher, with the aim of appropriation of the land by the mortgagee, knowing the family is vulnerable and in no position to repay the debt of the mortgage. On the other hand, marrying off one's daughter is preferred above mortgage. Besides repaying debt through the bride price, marriage also connects families which could provide or secure regular assistance.

For the poor families in the Kapisa village, marriage proved to be a vital element in risk management strategies. It is a means of decreasing vulnerability by paying off accumulating debts or by aligning themselves or reinforcing existing links with other families to guarantee future support. Vulnerability lies in not being able to access social relations to support a household, at first on a mutual basis, and at last on a vertical assistance relationship.

7. Conclusion

Credit is an integral part of rural livelihoods. All wealth groups engage in credit practices often both by giving and taking credit. Crucial in understanding the role credit plays in rural livelihoods is to understand the role social relations play in livelihood strategies. Social relations are important in accessing credit. Likewise, credit is important in maintaining or reinforcing social relations. Each household – poor or wealthy – relies on a network of relations that mutually assists families in their day-to-day requirements, as well as during lean periods, or to stabilise or improve one's livelihoods. The use of credit follows the same pattern: for consumption smoothing, to assist with crisis situations and to invest in one's household economy or social network. However, credit is also instrumental in connecting households; it is a lubricant for social support networks.

Table 5. Credit objectives

Credit objectives	Characteristics	Aims
Day-to-day requirements	Lean time/ seasonality Reciprocal Horizontal credit relations	Consumption smoothing Reinforcing relations
Emergencies	Reciprocal Credit relations transcend household into engaging in vertical relations	To cope with crisis situations To protect one's livelihood, provide a buffer Reinforcing relations
Invest in future	House construction Provide mortgage For Marriage	To pay off accumulated debts To stabilise household livelihoods To secure or improve social network To accumulate

The manner in which credit connects households, and the purpose and outcome of such relations, varies widely depending on the livelihood strategies employed by the household. Reciprocal credit practices are for many households, in particular poor and middle-income households, a means of overcoming seasonal or short-term gaps in income, but just as importantly they reinforce participation in mutual support networks. These networks are essential for day-to-day support, and they are especially important in times of crisis. For wealthy households the importance of reciprocity in small cash and in-kind credit exchanges is not as vital for their livelihood strategies. However, these households too have a practice of reciprocity through which social networks are strengthened, in which credit is not necessarily reciprocated through offers of financial support but through offers of other means of support – economic, social and even political.

Credit and crisis management strategies

Although households may be confident in their ability to access credit through their social networks, there is never any guarantee that this will continue in the future. When a household in crisis has no relatives to fall back on for assistance or credit, or if the crisis situation extends for too long (jeopardising a family's creditworthiness

and capacity to reciprocate credit and support in the future, or jeopardising the economy of the creditor), there is a risk that the household may fail to recover. Families in this situation will be obliged to seek credit outside their direct network of households, or previous credit taken from either horizontal or vertical credit relations within the mutual support network will change in character from assistance to credit offered with the aim of appropriating the borrowers' assets. This causes impoverishment and requires the establishment of new social networks that can assist the household in developing new livelihood strategies.

A common crisis management strategy found in the Kapisa village was mortgage and marrying off a daughter. Both strategies are also used in times when households are actively engaged in stabilising or improving their asset base. Although the time element with mortgage provides a debtor's household the opportunity to overcome the debt through asset maturity, mainly in household composition, it also increases their vulnerability: a mortgager can ask for his money back, or if a second crisis situation occurs within the household there will be fairly few options left to overcome the crisis and the household will be forced to sell their land.

Marriage, by receiving bride price for one's daughter, was another strategy used to overcome crises, which had resulted in mounting debts. Marriage normally provides an opportunity to make new connections and can be seen as an investment in one's social support network. In crises unmarried daughters are perceived as valuable assets which can relieve a household of their debts. However, as a result households which engage in this crisis management strategy in essence become more vulnerable as one will link to a household which may not necessarily be a strong relation to rely on.

Mortgage and marriage can only be a credit management strategy when there are other families wanting to provide mortgages or marry their sons to indebted families. Both land and brides can be "hard to get" and "expensive". Those wanting to buy land are from the wealthy group of households with surplus money available, those families taking a "cheap bride" from an indebted family tend to be from the lowest level of the middle income wealth group.

Credit and vulnerability

Households from the middle-ranking wealth group are more likely than the poor to become heavily indebted in times of urgent need, as they have greater access to credit. Poor households attempt to access assistance rather than credit (to which their access is more limited). While wealthy households generally have enough resources to overcome unexpected crises, indebtedness in the context of this study site in rural Kapisa was not necessarily a sign of extreme poverty. Rather, it was a sign of increasing vulnerability for middle-ranking households in the accumulation of unmanageable debts and the selling of assets to repay them. Households from the middle-ranking wealth group experiencing crisis can increasingly become more vulnerable when social networks fail and debts accumulate. Two vital keys to understanding a household's vulnerability to poverty emerge: household composition and social networks.

Credit takes up an important role in safeguarding a household's livelihood. It is the lubricant that facilitates the dynamics around social networking. At the same time, social support networks provide access to favourable credit forms which are needed in household livelihood strategies. Active give and take in credit relations reinforce relations between households and are the basis of mutual support networks which

help a range of households cope with daily life, as well as crises in which credit is a crucial element.

Often, though, these credit practices do not provide the level or type of support necessary either to move poor households out of poverty or to protect middle-income households in the face of decline. This is due to the limited level of cash available through these networks, and the risk for some that such informal relations may shift from assistance to acquirement, leaving the debtor in long-term relations of dependence. While the importance of informal credit relations to rural livelihoods cannot be discounted, more attention must be provided to alternative ways of intervening to provide more opportunities for autonomous growth to the rural poor.

Appendix 1: Kapisa Province locator map



Appendix 2: Asset Portfolios of Households

Table 6. Asset portfolios of the wealthy households

	No. household members	No. working household members	Land (jerib)	Livestock	Agriculture	Shop keeping/ Business	Business (in credit/ mortgages)	Daily labour	Labour migration	Other	Income-generating activities	Subsistence activities	Multiple income sources
1	10	3	0.4	1	X	X		X		Miller	X	X	4
2	7	1	0.3	2	X	X	X			Doctor service Women work land	X	X	3
3	12	5		2	X	X				Teacher, mechanic Women work others land	X	X	5
Total/ Average	10	3	0.2	1.6	3	3	1	1			3	3	4

Table 7. Asset portfolios of the middle-income households

	No. household members	No. working household members	Land (jerib)	Livestock	Agriculture	Shop keeping/ Business	Business (in credit/ mortgages)	Daily labour	Labour migration	Other	Income-generating activities	Subsistence activities	Multiple income sources
1	4	2	1	3	X	-	-	X	-		X	X	2
2	5	1	2.5	-	X	-	-	X	-		X	X	2
3 FHH	4	2	1.5	-	X	-	-	-	-	Woman tailor	X	X	2
4	9	2	0.4	-	X	-	-	X	-		X	X	2
5	1 2	2	3	-	X	-	-	X	-		X	X	2

6	1 9	3	6	2	X	-	-	X	-	Employee Women work land	X	X	3
7	6	2	-	-	-	-	-	X	-		X	-	1
8	1 1	2	0.2	4	X	-	-	X	-		X	X	2
9	6	1	-	-	-	-	-	X	-		X	-	1
10	9	3	0.3	2	X	X	-	X	-	Women work others land	-	X	3
11	5	2	0.3	1	X	-	-	X	-	Maulawi, remitt- ances, Women work land	X	X	3
12	1 1	2	-	-	-	X	-	-	-	Handseller	X	-	2
13	7	1	0.5	2	X	-	-	-	-	Mullah	X	X	3
14	1 1	2	-	1	-	-	-	X	-	Women carpet weaving	X	-	2
15	8	1	0.2	-	X	X	-	-	-	Carpenter Women work land	X	X	2
16	7	1	1	3	X	-	-	-	-	Teacher, women work others land	X	X	2
17	6	3	0.8	-	X	-	-	-	-	Watchman	X	X	2
18	1 1	4	0.8	1	X	-	-	-	-	Maulawi, teacher	X	X	3
19	9	2	0.2	2	X	X	-	X	-		X	X	3
20	1 1	3	1.2	1	X	-	-	X	-	Women work land	X	X	2
21	6	1	0.2	1	X	-	-	-	-	Teacher	X	X	2
22	6	1	0.2	-	X	-	-	-	-	Teacher Mullah	X	X	3
Total/ Average	8	2	0.9	1	18	4	-	13	-		2 1	18	2

Table 8. Asset portfolios of the poor households

	No. household members	No. working household members	Land (Jerib)	Livestock	Agriculture	Shop keeping/ Business	Business (in credit/ mortgages)	Daily labour	Labour migration	Other	Income-generating activities	Subsistence activities	Multiple income sources
1 FHH	6	2	-		-	-	-	X	-	Women work others land	X	-	2
2	4	2	0.5		-	-	-		-	Shoe maker women work others land	X	-	2
3 FFH	5	1	0.3		X	-	-		-		-	X	1
4 FFH	3	2	0.2	1	X	-	-	X	-	Women work land	X	X	2
5 FFH	6	2	0.5	1	X	-	-		-	Remittances Women work land	-	X	1
Total/ Average	5	2	0.3	0.4	3	-	-	2	-		3	3	2

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