

**THE IMPACT OF INDIGENOUS FINANCING  
SYSTEMS ON THE SOCIETY**  
*A Case study of Kurikalyanam in Malabar*

Thesis Submitted to  
the University of Calicut  
for the award of the Degree of  
**DOCTOR OF PHILOSOPHY IN ECONOMICS**

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Under the Supervision of  
**Dr. A. ABDUL SALIM**



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**July, 2008**

*Dedicated*

*to*

**MERCIFUL ALMIGHTY**

*And*

**Caring parents**

**Dr. A. ABDUL SALIM**

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## **CERTIFICATE**

Certified that this written account on **“The impact of indigenous financing systems on the society: A Case study of Kurikalyanam in Malabar”** submitted for the award of the degree of Doctor of Philosophy of the University of Calicut is a bonafide record of research work done by Mr. Shaheed Ramzan C P, under my guidance and supervision. No part of this work has been submitted earlier for any other purpose.



**Dr, A. ABDUL SALIM  
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Attingal,

25/7/2008



## DECLARATION

I, Shaheed Ramzan C P, do hereby declare that this written account titled “**The impact of indigenous financing systems on the society: A Case study of Kurikalyanam in Malabar**” is a bonafide record of research done by me under the guidance of Dr. A. Abdul Salim.

I do declare that this thesis has not been submitted by me earlier for the award of any degree, diploma, title or recognition.

Thrissur,  
24/07/2008

  
SHAHEED RAMZAN C P

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**CHAPTER ONE**

**INTRODUCTION**

The human society is divided into two distinct classes, one who has excess of income and wealth and the other, who has insufficient income to meet the bare necessities of life. These groups have various degrees and gradations in accordance with their income, expenditure and other economic needs. Man needs loan for various reasons- a hungry to buy bread, an ill to purchase medicine, a shelterless to have a roof over his head, a farmer for cultivation, an unemployed to start his own business and a father to marry off his daughters or for education of his wards. Some need loan to finance his enterprise, industry, real estate and trade. The nature and purpose of loan are different from people to people and the quantum of credit and period required for repayment are also different.

The *raison d'être* of a financial system is to transfer funds from savings-surplus units to savings-deficit units in the economy. It facilitates intermediation between savers and investors. Modern world is characterized by the tremendous growth in the financial system. A well-developed financial system, which fruitfully intermediates between savers and investors, has a crucial role in the development of a country by facilitating the financial flow in the country. Specialized institutions and instruments are being introduced and they help to bring savers and investors together.

One of the important features of Indian economy is financial dualism, i.e. the co-existence of formal and informal financial systems. To understand the financial set up of the country we have to analyse both the systems microscopically. The formal financial system, which comes under the purview of regulatory bodies, is the backbone of economic development. The accessibility of all the people to the financial system is of a major concern. Usually the services of such systems are restricted to a few as they

provide the financial services based on credit worthiness, and thus it leads to the economic deprivation of the poor. All such financial institutions are interest-ridden and many of them are exploitative.

Though the formal credit market has grown rapidly and comprises a large number of financial institutions, the informal markets continue to cater to certain segments of society. The share of rural informal credit accounts for about two-fifth of total rural credit in India, while the urban informal credit has a higher share (57 %) (Ghate, 1992:10). A number of attempts have been made to analyse the structure and functioning of informal, indigenous financial systems. But a comprehensive analysis of the contribution of them to the economy as a whole is not readily made available.

Different kinds of indigenous systems are functioning at various parts of India. Money lenders, indigenous bankers, chit funds and other unregistered non banking financial institutions are major types of informal finance in Kerala. "The enormous increase in number of both formal and informal has made regulation framework rather difficult in the context of inexplicit legal provision and inadequate regulatory mechanism" (State Planning Board, 2004: 509). It is against this background that the Kerala State Planning Board (KSPB) constituted a working group under the chairmanship of its member Sri. C P John, to study their functioning.

The available information suggests that most of the informal finance systems which are subjected to analysis are concentrated in Travancore and Cochin which are central and southern parts of Kerala. The popularity to chit funds and money lending is relatively less in Malabar which is the northern part of Kerala. There are 4500 registered chity companies with capital asset of Rs.360 crores functioning in Kerala. The district

wise distribution of them explains that only 7.42 per cent of companies and 8.68 per cent of capital are there in five northern districts of Kerala (State Planning Board, 2004:509). The distribution of money lending institutions also provides a similar picture. Of the total 5696 money-lending institutions, 80 per cent are concentrated in the central and southern districts of Kerala. Only 19.72 per cent of these are functioning in five districts of northern Kerala (State Planning Board, 2004:511). The informal financial institutions like chit funds and money lenders failed to flourish in Malabar area due to various reasons. One such reason may be the active functioning of other indigenous systems like *kurikalyanam*. Therefore, the study of *kurikalyanam* is much relevant and useful.

For long years, *Kurikalyanam* has been in existence in Malabar and almost all of the economic as well as social activities of the people of that region are influenced by it. However, with the onslaught of modern financial institutions, the systems like *kurikalyanam* receded to the background. Now we see only the relics of this system, which once was all-pervading. Nevertheless, it has not disappeared completely in the debris of the past. It still acts as a source of consolation in this interest-ridden financial set up. All modern financial institutions are extending their help generously. But when one receives this help, he becomes under the complete control of these institutions and the repayment of the loan will be a lifelong process. And in case he fails to repay, his assets will be confiscated and he finds refuge in committing suicide. In this God's own country suicides of those who are in debt trap do not get even the proper news value.

Therefore, an alternative is necessary to save the society from the clutches of interest. Here, if we could regenerate the systems like *kurikalyanam* scientifically, it

would bring a marvelous change in the present plight of the Kerala society. The evolution and rapid spread of microfinance in Bangladesh and the recognition through the Nobel Prize obtained by Muhammed Yoonus emphasize this fact. In this context, an in-depth study regarding how far the system like *kurikalyanam* has helped the bygone societies in their socio-economic field is relevant. The implementation of such a system in the modern society with modification and restructuring also should be looked in to.

All religions on earth encourage equitable sharing of the available resources among the members of the society. Religion discarded the disparity between the rich and the poor. Islam is very particular in this aspect (Choudhury, 1992). It ensures the circulation of money among the members of the society through different ways like compulsory and voluntary levies and donations. Interest free financial systems based on Islamic principles are wide spread now. Today more than 500 large scale interest free Islamic financial institutions are functioning in different parts of the world, managing vast funds. In India also during these years the emergence of such practices is noticeable.

In Malabar, the people had a well organized financial set up to collect lump sum money for the fulfilment of their basic needs like purchase of land, construction of houses, marriages etc., on complete interest free basis. It is noted that, in Kerala, the proportion of borrowing at 'nil rate' of interest was 65.8 per cent in 1961-62 and the average rate of interest was estimated at 3 per cent against 10.4 per cent at all India level (R B I, 1965). The principal cause for this low level of interest based borrowing is the availability of interest free loans in its various forms.

As mentioned earlier, such a system has been in existence from 19<sup>th</sup> century, though we do not know the exact date of its origin. It evolved and developed as a social security measure and all the members in the society participated in this, regardless of caste, creed and sex. This system got different names like *kurikalyanam*, *panampayat* etc. in local parlance. If we analyse the rules and regulations of this age-old system called *kurikalyanam*, we realize that they are very much akin to the rules and regulations of Islamic interest free financial setup. Both discard the interest based exploitative nature of any financial arrangement. Both promote the well-being of each and every member of society. They eliminate the division between the rich and the poor. The present study tries to analyse how far both these systems are related and how well these can be applied in the modern economy for the betterment of the society.

### **Objectives**

The major objectives of the present study are the following:-

1. To understand the nature and functioning of *kurikalyanam*.
2. To analyse the socio-economic rationale and impact of this system on the society,
3. To examine the possibilities of the revival of *kurikalyanam* for accommodating the financial needs of the society in an interest free financial framework, and
4. To present a model for channelising the financial flow in a productive manner totally based on mutual co-operation and trustworthiness.

### **Hypothesis**

The study formulates the hypothesis that *Kurikalyanam* is an interest free financial system which promotes economic well-being of the society.



## **Methodology and Sources of data**

The study relies on both primary and secondary data. The primary data are collected from the participants of *Kurikalyanam*. A sample of 300 participants is selected by using a multi-stage simple random method. The study is confined to the Malabar region of Kerala. From this region Kozhikode district is chosen in the first stage on well-footed grounds. Kozhikode district is an ideal representative of Malabar as it lies in the heart of it. And it has got all the socio-economic characteristics of Malabar. Further the practice of *kurikalyanam* was flourished and still exists in its various forms in the Kozhikode district. The theory, practice and the procedure of *kurikalyanam* are identical everywhere. In the second stage, one village each from all the Taluks of the selected district is identified using a convenient method of sampling. The selected villages are Thazhakode village from Kozhikode Taluk, Nadvannur village from Koyilandi Taluk and Vanimel village from Vadakara Taluk. In the third stage, one hundred participants each are selected at random from the three villages identified. Thus, the ultimate sample size is 300. The primary data have been collected through personal interview method by using structured questionnaires. Basic statistical tools are used for the analysis.

To understand the nature and functioning of *Kurikalyanam*, the participant-observation method is also adopted. Focused group interview has also been conducted.

Secondary data required for the study are collected from published and unpublished sources.

## **Scheme of the study**

This research report is presented in six chapters. The first chapter introduces the research problem. The second chapter covers the review of related literature.

Indigenous co-operative finance systems like Rotating Savings and Credit Associations (ROSCA), Harambee, chit finance, microfinance and interest free institutions are analysed in the third chapter. In the fourth chapter a detailed description of the nature, significance and impact of *kurikalyanam* are given. A critical analysis of interest and a comparative view of an interest free finance are discussed in the fifth chapter. The last chapter covers the summary and conclusion.

### **Limitations**

The study is not free from limitations. Firstly, as in other social science research, this study also is based on opinions and memory of the participants which may have a recall error. Secondly, as no authentic work is done on this subject, no comparison with other work is possible. Thirdly, as the system is indigenous, the method and practice are different in various places. It lacks common procedures in its operation. Hence, a general analysis faces practical problems. And finally, the data on *kurikalyanam* are collected from the area where it is being practiced. Hence, the conclusion cannot be generalized.

**CHAPTER TWO**

**An Overview of Related  
Literature**

Eminent scholars and thinkers from the faculties of social sciences and banking have shown great interest in analyzing the various issues of indigenous and informal finance systems and recommending remedial measures for them. Social scientists approached the problem at both micro and macro levels by relating them to studies pertaining to the socio-economic conditions of people and the culture and organizations of societies. In this chapter an earnest attempt has been made to review the major studies on indigenous finance systems which are related to, in one way or the other, to the present study. It is done in five sections. Section I reviews the major studies on informal and rural credit. Section II deals with major studies related to micro finance. Section III deals with the studies relating chit finance. Section IV enquires major studies on *Kurikalyanam/ panampayat*. Section V discusses various studies relating Islamic economics and banking and the last section deals with other related studies.

## **2.1 Studies related to informal and rural credit**

The Study Group (1971) appointed by the Banking Commission is a major step in the analysis of informal and rural finance. They have analyzed the evolution and growth of indigenous banking. It covers the structure, the instruments of credit and the financial operations of such institutions and their relation with formal and informal money market. It also discusses the regulation, control and the future of indigenous banking systems.

In their report the study group categorized the indigenous banks in to money lenders and indigenous bankers. As the term of reference of the study group was “an

evaluation of the utility of indigenous banking agencies” they confined the study to the activities of indigenous bankers only. Two characteristics have been emphasized to identify an indigenous bank namely the acceptance of deposits and the dealings in hundies. It has given light in to the various aspects of the definition of indigenous banking systems and the history of indigenous financial agencies. They say that the system of indigenous banking in India had an ancient growth dating back to Vedic times. In continuation, it discusses some of the money lending systems existed in Vedic period (2000BC-1400BC), Sudra period (700BC-200BC) and in the Mughal period. They say that the Mughal period was the period in which indigenous bankers enjoyed a preeminent position in society, being the soul source of finance to the community. When the British came to India in the 17<sup>th</sup> century, it made an adverse impact on the indigenous banking agencies. The report explains the structure, functions and methods of operation of indigenous banking agencies. In this section it gave a detailed description of different types of indigenous banking communities, of which Shikarpury shroffs or Multanies, Gujarati shroffs, Nattukotta, chettians and kallidaikurichy brahmines of Assam etc. are broadly discussed. Various aspects of hundi, which is the popular method of advancing loans by indigenous banks, are discussed. The report also pointed out the need for regulation and control of indigenous banking. The report correctly touched on the shortcomings of the system and provides solutions to improve the indigenous finance systems.

Kurup, Narayana T V (1976) enlightened the various issues related to rural credit of Kerala. The study was based on a survey conducted at Thiruvananthapuram taluk to

enquire about the crucial aspects of the rural credit market in Kerala. The imperative verdict of the study can be summarised as given below.

- ❖ The non institutional agencies account for an overwhelming proportion of the credit supply in Kerala.
- ❖ The average rate of interest is much higher than the average indicated by the Reserve Bank's All India Debt and Investment Survey.
- ❖ The bulk of the institutional credit is appropriated by a relatively small proportion of households belonging to the upper stratum of families. The cost of credit is thus inversely related to the economic status of the borrower.
- ❖ The distinction between professional and non-professional moneylenders is irrelevant in practice; both cater to the same clientele, take identical types of securities and charge the same high rates of interest.
- ❖ The actual interest on a good proportion of loan transactions is concealed.

The study reveals that the rate of interest in the unorganized rural market is higher than that of in the organized market.

He quoted The All India Rural Debt and Investment (AIRDI) Survey findings that the average rate of interest on rural credit is very low in Kerala than the all India average. It found that all India average rate of interest was 10 per cent, while it was 3 per cent in rural Kerala, and the proportion of borrowing at 'nil rate' of interest was 65.8 per cent in Kerala and it was only 29.2 per cent at all India level. That is a high proportion of loans is reported to be interest free. The study opines that it is possible for borrowers in the rural areas of Kerala to get interest free loans to such a large extent. However the study fails to bring to light the disguised interest burden. The study hypothesized that

the actual rates of interest on loan in rural Kerala are high. To test the hypothesis a survey was conducted at rural areas of Nemam panchayath in Thiruvananthapuram. The survey brings to light that 67 per cent of households reported debt outstanding, and the proportion of indebted households varies according to different occupational groups. It expounds the various occupational groups and their ratio of indebtedness and various factors affecting supply of and demands for credit. It also talks about correlation between occupation and community, and between community and indebtedness, and the proportion of indebted households is the lowest among the Other Backward Communities and the highest among scheduled castes. The study also reveals that the average amount of outstanding debt among cultivator household is higher, as they are in need of credit for current production as well as for investment, and may borrow for consumption purposes. Then the study deals with the sources of credit, which are professional and non-professional moneylenders, traders, friends and relatives, chit funds, cooperative credit societies and commercial banks. They have seen that even the friends and relatives advance loans not out of love alone; they charge rates of interest as high as any charged by other types of creditors. The non-institutional sources contribute the lion's share of credit. Since the implied rates of interest appear in many disguised forms, it entirely escapes the net conventional surveys. So they investigated the real rate of interest, which threw up interesting result that the actual rates of interest are quit high. The study is very much expedient to divulge the encumbrances of rural indebted households.

Platteau, J Murikkan, et. al (1980) in their study attempted to analyse the working of rural credit market in a traditional fishing village in south Kerala, Poovar in

Thiruvananthapuram district. Poovar is a backward, fishing village where all households in one or other way depend on fishing activities. According to the estimation of the study total labour demand exceeds total labour supply by about 25 per cent. So the reason for poverty is not be traced to prolonged states of chronic unemployment but to low productivity occupation and seasonal and technical unemployment either due to roughness of the sea or absence of fish.

As far as the local credit system is concerned, a crew labour may be indebted to his employer on account of three main kinds of loans.

- The loan known as a 'wage advance, which is taken at the time of joining and would not have to return as long as he continues there
- Loan taken later, on the understanding that it is not to be repaid except if he leaves his employer, and
- The loan taken later and has to be repaid as soon as possible or it is stipulated for a definite duration.

The study showed that almost 90 per cent of the loans are taken on first two categories. The study group observes that the loan is a strategy to influence the process of labour allocation the owner stipulates till repayment, the attachment of the labourer-borrower to his present crew and the owners maximize their crew stability and minimize the risk of underutilization of their productive assets. The labourers are free to leave the employers whenever they want provided they have previously cleared their debts, so the loan is not considered as the instrument of 'debt- bondage'. They quote Rudra (1978), "whether a relationship between two persons is one of an economic contract between them or one of domination and subjugation over an undefined range and



without any spelt-out terms and conditions. It is only in the latter case that concept of feudal bondage is relevant". They also observed that all the loans taken from employers are free of interest, and the new employer comes to the help of the crew labourer by taking over his previous debt. These types of financial ties exist among those who require a large number of people for operating their gears.

The study also observes that one major credit source of *Poovar* is the fishermen community, which includes relatives, friends, neighbors, etc. They together account for 57 per cent of the number of loans taken during that period. Another 9 per cent of the loans granted by local shopkeepers, in cash and kind are interest free granted against pledging of the ration cards. In addition they found that 45.3 per cent of the households in Poovar turn out to have pledged their ration cards. The loan issued by institutional credit agencies and money lenders are marginal. The study then tries to analyse the purpose of loan taken, and found that the major head was for consumption expenditure and then, social expenditure like marriage. One interesting feature is that 90 per cent of the loans were granted on a mutual trust basis without even having the pledge.

The study summarized three basic propositions about the unorganized credit market of poovar :-

- There is an acute shortage of loanable funds,
- The allocation of the rationed credit among the potential borrowers brings non market mechanism into play, and
- The rationing of the credit involves discriminatory practices and is not strata-neutral.

The study explains that the main credit agency to which willing borrowers are resorting is located within the fishermen community, and about 93 per cent of the

fishermen are actually in debt. It is also found that there is no tendency to repay debts as soon as the repayment-capacity exists. The study concludes by stating that 'it would be meaningless to isolate the credit sector from the rest of the socio-politico-economic setting in a traditional society like Poovar.

The study was carried out in 1970's and most of the socio economic conditions might have changed. The above said credit market and structures and functions of the credit may not exist. Still the study has thrown some light into the structure of rural kerala and the financial dealings existed among various segments. It would be helpful to compare this with other financial transactions existed among other societies.

Das A Gupta and C P S Nair (1989) in their book share an assortment of concerns about the informal credit market structure and operations, the impact of government regulation on informal credit market, the impact of this on allocation, distribution and growth of the rural economy. Finally the study put forward policy suggestions to regulate informal credit markets. The study covers 'non-institutional credit' and informal intermediary sectors. It gives a brief guide to the types of informal credit and to participants in informal credit market in urban India. There are 10 types of informal intermediaries and lenders namely chit funds, finance corporations, hire purchase firms, nidhies, clearing agents, inter corporate brokers, textile wholesalers, aratiyars, angadias and sroffs. In the sectoral deployment of funds of intermediaries, it is observed that hire purchase firms provide finance primarily for new and used commercial vehicles and consumer durables; the handloom financiers provide working capital finance for production by handloom weavers in the unorganized sector; nidhies finance to households and small business for construction, renovation and repair of houses and

buildings for a duration of up to seven years; chit funds finance traders, self employed persons, agriculturists and consumers; shroffs finance domestic trade through hundies. It is ascertained that consumption loans form only small part of informal credit. The importance of informal credit to productive sectors is asserted as the film finance in Madras, trade credit for productive sectors, finance in the road construction, textile distribution, etc. The study reveals that informal credit is still the main source of finance for small industrial and trading units. The study also found that while large share of formal credit goes to the household asset group, more informal credit goes to asset poor and wealthy households.

The study finds that the interest of informal sectors is generally high and there are some interest free loan from friends and relatives. Informal credit is largely used for productive activities. Informal market is generally at the competitive end of spectrum of market types. Aggregate informal credit forms about 73 per cent of gross bank credit. Informal credit promotes efficiency of resource allocation. Informal credit is complementary to bank finance. Informal loan shows greater diversity and readier adaptability to borrowers than formal loans. Informal credit assessment and loan sanctioning procedures are speedier than formal procedures. To the majority of households and unorganized enterprises informal loans are the main source of borrowed fund. Informal credit is more important for working capital and capital maintenance than for financing the purchase of capital goods. Finally the study suggests that the regulation of urban informal credit should be directed at ensuring improved information about informal credit and intermediaries, and ensuring the financial probity of informal intermediaries. The study is an authentic analysis of urban informal credit

market. However, it considers only the mainstream informal credits and it is silent on other indigenous financing systems.

Ghate, Prbhu (1992) compiled a collaborative research project on informal finance across a common set of issues in five Asian countries on behalf of Asian Development Bank (ADB). The study is the result of conclusion of one earlier workshop of ADB that the understanding of financial development would remain incomplete unless systematically set out to learn more about the informal financial sector. Hence, the study begins by highlighting the importance of informal sector by stating- "Side by side with the formal financial sector there exists in most Asian countries a highly heterogeneous and dynamic informal financial system, largely hidden from view, but almost as important in aggregate terms as the formal financial system". This study gives extensive and comprehensive information about the structure, size, types, impact and policy implications of informal sector existing in five Asian countries of India, Bangladesh, Indonesia, Philipines and Thailand. Though the study covers almost all aspects of informal finance, it is restricted to various money lending practices in various countries. It makes an extensive analysis of major types of informal finance like group finance, intermittent lenders and regular lenders like tied credit and untied credit with their various aspects. The analysis of indigenous bankers was also limited to traditional bankers like hundies, courier services to finance trade, etc. While discussing the Indian scene, it mentions six main lender types- land lords, agricultural money lenders, professional money lenders, traders, friends and relatives. It adds that there are no landlord lenders in Kerala. It also mentions the money lending practices existing among fishing workers in Kerala, for ensuring their availability in peak season of labour

shortage. However the study doesn't cover the interest free finance practices or finance systems like *kurikalyanam*.

## **2.2 Studies related to micro finance**

Jayaraman's study (2001) attempts to document the genesis of microfinance, programmes in Indian experience and that of other countries. As poverty is the major issue of developing nations, the study highlights the need for a focused attention to evolve suitable strategies and designing appropriate programmes, which would meet the needs of the poor. It viewed that the origin of microfinance could be traced to the co-operative movement in Germany and the cooperative Credit Societies Act of 1904. The study focusses on various anti poverty programmes, the role of apex institutions like NABARD, SIDIBI and the role of informal sector and NGOs. It also examines the experience of other countries like Bangladesh, Nepal, Philippines, Thailand, Indonesia and Latin America. The study highlighted the following factors that contributed to the success of the microfinance programmes in the country.

- organizing the poor in homogenous and cohesive groups
- inculcating the habit of thrift amongst the members of the group
- reducing the transaction cost to the borrowers and lenders
- providing timely credit
- freedom to the group to charge interest rates as per perceptions
- efficiency in recovery of loans through peer pressure, and
- stress on empowerment of women.

Bell, Christa's (2003) study is conducted in the context of poverty and women participation rate and discrimination faced by them. The study aims to understand the

contribution of microfinance to the well being of poor women, assess the role played by microfinance in building up economic and political capacity of women, to evaluate the performance of SHGs, and study the extend of poor and women in microfinance institutions. It is based on primary and secondary data. In the theoretical and empirical analysis of microfinance, it discusses the sustainability, outreach or targeting and impact. While giving the historical overview it explains that the deficiency of finance led to the emergence of microfinance. Financial institutions such as Rotating Saving and Credit Association ( ROSCA), Cooperatives, Credit Unions, etc. are the traditional agencies of micro lending. Then it follows the analysis on the experience of microfinance programmes of Bangladesh and some other countries. Discussing the Indian experience it touches the SEWA, which includes small scale venders, traders and hawkers, home based producers and agricultural labours, construction workers etc. SEWA has empowered these women and organized its own cooperative bank, insurance scheme and started several skill training courses and it provides all banking facilities to its members. It also assessed the performance of microfinance institutions in Kerala by conducting a field survey in the *Samatha Vanitha Swayam Sahaya Sangam(SVSS)* of Ulloor panchayat in Thiruvananthapuram district. It reveals that the beneficiary women are middle aged group and majority of them belong to backward classes who had no saving habit with other financial institutions. All SHG members save regularly and microfinance loans are given for wide range of purposes. The members of SHG could strengthen their political, democratic and economic capabilities. Though the performance of SHG is satisfactory, the enthusiasm of leaders as well as the members decline. Finally it gives suggestions to strengthen the MFIs, to arrange work related

training courses, to arrange entrepreneurial development programmes as suited to women to appoint counseling experts, etc.

### **2.3 Studies related to Chit finance**

Nayar, C P Somanathan and Dr. P R Brahmananda (1973) have done a pioneering work on chit finance. They attempted to explore all the patterns and procedures of chit finance and to examine the economic aspects of it in an empirical and analytical basis. It considers chity or kuri as an indigenous institution and differentiates it from nidhies. Lot chity, various state lotteries and their economic significance in the country are discussed in detail. It examines the auction chity, its working and periodicity. The ratio between investors and borrowers in any one chity, the asset and liabilities of foreman, the role of commercial banks in the field of chities and the question of legislation are also discussed.

The study illuminates that the basic principle of chity is accumulation of saving and the people just adjust their expenditure on a priority basis and encourages the poor to spare something for future. Chity is a 'sacrificial saving' as it is effected by curtailing consumption of the most essential thing in life and the saving has an element of compulsion with self imposed obligation which affects the saving ratio of the society. Chity provides its members a facility for supplying credit on easy terms and it has developed a 'chity habit' rather than 'banking habit' and it is a positive institutional alternative. The study opines that chitty has been exploited for personal advantages of many foremen ever since its appearance as a financial institution. Further the factors like weakness and ignorance of the subscribers, government attitude and rapid growth of chit funds led to the malpractices and exploitation in the fund. As a result

governments stepped in to regulate and control them and enacted various laws. Even though there was an enormous volume of legislations the study suggests revision and modification of such laws. After discussing the idea of nationalization, the study is in doubt in the success of it. They argue that “It may even kill the system because the chitty, as its evolution shows, progress mainly through individual initiative and enterprise and also due to absence of official procedure and formalities.”

Radhakrishnan S (1975) approached chit fund in another angle. The study tries to critically examine the working of chit funds and finance companies, both as a source of credit and investment. The study also examines the extent of possible abuses and reviews the present position regarding regulation of chit funds.

Varghes P P (1976) tried to analyze the role of chit funds in mobilizing small savings and its impact on economic development. The study looks in to the origin and development of chity, chit funds as NBFIs mobilization and utilization of saving through chity and the activities of Kerala State Financial Enterprise (KSFE) as a public sector chity. Since chity increases the money velocity, bridges the gap between borrowers and lenders, gives high dividend to pure savers, the study observes chity as an NBFIs.

After giving the performance of chity in Thrissur district the study analyses the mobilization of saving through chity generally in Kerala and particularly in Thrissur. Chity is a contractual saving and during the 10 year period, between 1966 and 1976, an amount of Rs 80 crores and Rs 14 crores are mobilized in Kerala and Thrissur respectively. The study also reveals that more than 60 per cent of persons who enrolled in chity are in the age group of below 30 years, and 67 per cent of the quantum of money comes from rural area. Thus the study proves with supportive data that in



Thrissur district chity is an important instrument in mobilizing savings. Eventhough it is very difficult to analyse the utilization of prize amount, the study reveals that 37 per cent of the total amount is directly utilized in the productive sector. The rest of the total amount is used to deposit in banks, to construct houses, to clear old debt and for consumer durables. The performance of KSFE is analyzed in terms of management, capital, business, staff pattern, default, profitability and mobilization of savings. The malpractices of foreman and the possibilities of cheating are also discussed in the study.

#### **2.4 Studies related to *kurikalyanam/ panampayat***

Raju G and K Sasikumar (1995) conducted detailed survey among forty respondents from two villages in Kozhikode and Malappuram districts. The study observes that the *panampayat* is an easy way of raising funds to meet one's financial needs without any collateral security, interest, and even any type of legal formalities. They opine that it is a sort of parallel financial set up which is as important as formal financial institutions. They also notice that the system has significant influence on the socio-economic and cultural fields of the societies of north Kerala. They opine that while people use the method of sale or mortgage of land or properties or borrowing from friends or banks or money lenders, Keralites especially North Keralites (Malabar region), follow an entirely different method for solving their financial stringencies, that is, *panampayat*. The study concludes that irrespective of its demerits, *panampayat* has had a significant influence on the families in North kerala as it developed like a parallel banking where they borrow, deposit and invest to overcome their financial instabilities.

V Abdulla (2001) also focuses on the different formal and informal sources of credit and modes of saving of rural masses. He mainly looks into the nature and

significance of *panampayat*, the utilization of this fund and its impact on investment, asset creation, social cooperation and communal harmony. The study observes that a lion's share of people in the study area irrespective of their caste, income, job, education and social status participate in *panampayat*. The most preferred and availed source of credit is *panampayat* followed by institutional credit, and it is the main mode of saving of the area is *panampayat* followed by chit fund and provident fund (PF). It is found that an amount of Rs.1165000 is saved by 80 respondents through *panampayat* in the year 2000. Major activities like marriage, house construction and productive investments have been financed by *panampayat* and it helps to acquire various assets and property. A person organizes three *payats* in duration of ten years and most of the respondents (80 %) continue the *payat*. Above all it enhances the communal harmony and social cooperation

## **2.5 Studies related to interest free Banking**

Moore, Philip (1999) divided his work in to two major parts. The First Part deals with the theoretical and historical background of Islamic finance, which is based upon the principles of profit and risk sharing and partnership between the individual and the institution. The second part is a geographic review of the various countries where Islamic financial institutions are in operation.

Various principles of Islamic finance, insurance, equity finance and project financing in the Islamic framework are verified. While highlighting the contemporary experiences of Islamic financial institutions, he has also tried to tackle the legal problems as well as the issues related to accounting and the regulation of these Islamic banks.

In the second part of his study, the author has given an aerial view of the development of Islamic banking and finance in different parts of the world. He has clearly highlighted the problems and prospects of Islamic banking and finance. The main issues identified are lack of secondary market, lack of universally accepted accounting and auditing standard and the lack of communication between the Islamic and the conventional approach. The author admits that although there are many Islamic countries which are under-banked, Islamic finance now provides the potential for growth among the non-Islamic societies and now it is the biggest emerging market in the world.

Chapra, Umer M (2001) basically, deals with three different sets of questions related to Islamic economics. Has Islam really prohibited interest? Does prohibition of interest make sense"? Are banks without interest conceivable? The author starts his discussion with a point that "it is not Islam alone which has prohibited interest rather all major religions like Judaism, Christianity and Hinduism have also done the same". However, it can be pointed out here that there may be some kind of reservation regarding interest in other religions, but no religion unlike Islam has completely shut its door for interest. Jews allowed it to non-Jews while Christians could not resist if for long. As far as Hinduism is concerned there was never any strong injunction lest Manu would not have fixed a ceiling on interest rate. It is only Islam whose teaching and injunction regarding interest is clear and final. A brief discussion is also made on those who argue that interest is prohibited because it exploited the poor in favour of the rich and since no such situation is present today therefore prohibition stand void. Author has proved that this argument does not stand before history.

Dr. Chapra also questioned the suitability of interest, keeping in view the objectivity of humanitarian goals. He argues that living beyond means is the result of easily available credit at interest, which is the prime cause of macro economic imbalances and financial instability. To cure this, Dr. Chapra highlighted the need for an equity-based economy, which is the foundation stone of Islamic economic system. Profit and loss modes of financing are suggested as a basis for financial intermediation of Islamic economy.

Nawab, Syed Haider Naqvi (2003) discussed comprehensively the issues of growth, distributive justice and poverty reduction in the light of prevailing ground realities. Another important aspect of this work is its attempts in bridging the gap between different ethical systems. The author proceeds with the argument that the success of developed nations lies in abandoning morally enervating doctrine of predestination, innate human depravity and in freeing the mind and the soul from the excessive dogmatism to scientific enquiry. However the author accepts that unrestricted self-interest behaviour of an individual severing the right of the poor people in the wealth of the rich still remains the greatest flaw in the western economies. On the other hand, the distributive justice found in Muslim economies could be traced to its link to Islamic ethics. Overall, this book is a worthwhile shift from simple theoretical discussion to evaluating the significance of specific policies on the basis of empirical information. Prof. Khurshid Ahmad in his foreword to this book rightly remarks, "The present work represents a landmark contribution towards the evolving discipline of Islamic economics".

Bagsiraj (2003) tried to analyse the endeavors to establish interest free financial intermediary in different countries at different times. Initially the

purpose to establish such institution was avoidance of interest and providing cost free loans to the needy. In the beginning, we find individual level efforts at different parts of the world, some in the form of *Baitul Maals*, Associations, cooperatives and non-banking companies. Whereas India's contribution in the theoretical development of Islamic economics and finance is well recognized, its contribution in the practice of Islamic finance has not received much attention. This book is the first serious attempt in this direction to fill the gap. It is a comprehensive treatment on the Islamic financial institution in India.

Siddiqi, Nejatullah M. (2004) tries to prove that the interest is prohibited by Islam and explains the rationale of its prohibition. The main theme discussed in this book are the Islamic laws on the prohibition of interest and that how it is different from the bank interest for the stability, efficiency and justice are concerned. He has argued convincingly that institutions of interest are the main cause behind the macro level inequality in the economy. He showed how an Islamic financial system is able to meet the various financing needs of the consumers without involving interest. Regarding the monetary management in an Islamic economy, the author points that the Islamic instruments for monetary management impose greater financial discipline, call for transparency and oblige governments to adhere to accounting standards and less inflationary. Prof. Siddiqi has taken all financial and monetary issues that are being discussed in the Islamic banking literature, removed and clarified the doubt raised by the researches.

## **2.6 Studies related to other area**

Kerala State Planning Board (1972), as part of the enunciation of the 20 point economic programme of government of Kerala conducted a study to reveal the extent of rural poverty and indebtedness. The basic emphasis of 20 point programme was augmenting productivity, improving the distributive system and mitigating rural poverty. Discussing the problem of rural indebtedness, the study mentions that the definition of R B I comprises all types of loans, cash and kind, short, medium and long term. In 1962 one R B I study shows that the outstanding cash indebtedness of rural households amounted to Rs.2789 crores. The corresponding figure in Kerala was estimated at Rs.62 crores, which is increased by 40 per cent in 1971; the average outstanding rural indebtedness is Rs.369 per household. The aggregate amount of outstanding rural indebtedness would fall within a range of Rs.95-100 crores. The northern region accounted about 1/3 of this total estimated rural debt. This analysis concludes that the supply of credit has not been in keeping with the relative requirements of different regions, and private sources of credit still cater to the requirements of a sizeable numbers of rural households. The analysis on the practice of money lending in rural areas reveals that sufficient information on private money lending is vague and inaccessible. The rural borrowers are small and marginal farmers, landless agricultural labourers, plantation labourers, rural artisans, small traders, tribals and fishermen. The lenders comprise of commercial banks, cooperative societies, private money lenders, traders and affluent farmers. The small traders depend mostly on indigenous banks and money lenders at exorbitant rate of interest. Various types of loans and rate of interest prevail. Daily loan is the loan meant for one day, and the rate of interest is 10-20 per

cent. Weekly loans, which are repaid weekly at a rate of 10-20 per cent. These transactions are done on the basis of mutual trust; so unless the money lender knows the bonafides of borrower, no loan is given to him. Another loan practice prevalent in the area is 'Roll', that is borrow Rs.80 and repay at the rate of Rs.1 for 100 on consecutive days which means 20 per cent interest. A signed document called *kaicheetu* is used for the transaction. The study also discusses the hundi system and chit funds.

Aravindan K P et. al (2006) on behalf of *Kerala Shastra Sahitya Parishat* (KSSP) observed the way and the standard of living of the Kerala society. The study throws light in to the heart of the real life standards and thoughts of Kerala. The study begins by criticizing the concept of 'Kerala modal of development'. it analysed the achievements and crisis of the development pattern of Kerala. According to the analysis the important crises are stagnant economic growth, deteriorating fiscal condition and failures in the generation of employment opportunities.

To conclude, though various studies are conducted on indigenous and informal finance, most of them failed to recognize the financial arrangements based on human values and cooperation. The financial intermediation without the interest or an element of exploitation is out of their consideration. Though *kurikalyanam* and *panampayat* are discussed by some of the scholars they are not comprehensive in their structure, functioning and impact on the society. Hence the present study is a humble attempt to fill this gap.

**CHAPTER THREE**

**Indigenous  
Co-operative finance  
systems**



The financial system of every economy is controlled and regulated by the monetary authorities. The lion's share of financial structure consists of formal financial system. In most of the developing countries, the system is characterised by the co-existence and interaction between the formal and informal financial sectors. Informal financial sector is an unorganized, non-institutional and non-regulated system dealing with the traditional and rural spheres of the economy. It has emerged due to the intrinsic dualism of economic and social structures and the financial repression which inhibits the access of certain deprived sections of the society to funds. The informal financial system consists of individual money lenders such as neighbours, relatives, landlords, traders, groups of persons operating as 'funds' or 'associations' and partnership firms consisting of local brokers, pawn brokers and non-banking financial intermediaries. Some of the informal systems are indigenous in nature as it belongs naturally to particular region and confined there only or spread over to other places. One of the important features of some of the informal, indigenous systems is its operation based on human values and co-operation. The main aim of such arrangements is to help people to mobilize fund on co-operative manner. The focus of this study is to analyse the financial set ups which are indigenous and their functions. As an ideal indigenous system *kurikalyanam* of Malabar is selected for a detailed analysis. However a look at the related finance systems like Rotating Savings and Credit Associations (ROSCAs), Harambee, chit fund, micro finance and interest free *nidhies* is found relevant. Through this a comparison of these systems with *kurikalyanam* is made possible in the next chapter.

ROSCA has remained popular in many developing countries for over a long period of time. In fact, in some countries, such as Ethiopia, Ghana, Camaroon they have become increasingly popular among almost all sections of society. ROSCAs are essentially a group of individuals who come together and make regular cyclical contributions to a common fund, which is then given as a lump sum to one member in each cycle. For example, a group of 100 persons may contribute Rs. 100 per week for 100 weeks. The Rs.10000 collected each week is given to one member. Thus, a member will lend money to other members through his regular weekly contributions. After having received the lump sum amount when it is his turn (i.e. to borrow from the group), he pays back the amount in regular weekly contributions. This explains the name rotating savings and credit associations' for such groups. Depending on the cycle in which a member receives his/her lump sum, members alternate between being lenders and borrowers. That is, there is a mutual give and take involved in ROSCA.

While the above description explains the principles behind ROSCA, they however vary considerably in their functioning and organization. Typical variations include:-

- ❖ Members participating in a ROSCA are selected by the organizer based on ethnic lines or geographical limitations. ROSCAs are organized for members of the same ethnic background, same place of origin and same native language speaking persons.
- ❖ The amount to be contributed in each cycle is decided based on the number of participating members, the total winning amount that each member can get, and other socio-economic factors. Contributions can also be in the form of shares, thus allowing a member to have more than one share or contribution in a particular cycle

increasing his chances of winning the lump sum, but also increasing the regular contributions he has to make.

- ❖ The frequency with which contributions have to be made in each cycle can be daily, weekly, biweekly, monthly and half-yearly, depending on the amount to be contributed. Usually, smaller the amount, shorter the cycle period

The basis of deciding the winner of the lump sum is decided in any one of three ways:

- By consensus, the amount is usually given to a member who is in most need for finance.
- By lots, where a lottery determines who gets the lump sum in a particular cycle. Members who have received the lump sum do not participate in subsequent lotteries, but continue to make their contributions.
- By bidding, where the lump sum amount is bid for by the members during each cycle. Thus the member who wins the bid will receive the lump sum minus the bid amount; other members pay their contributions minus their share of the bid amount.

ROSCAs can be seen in almost every society around the world, and have been in existence for a considerable period of time. They are flexible and adaptable easily to rural and urban peculiarities as well as existing community patterns of grouping/organizing. This flexibility is one reason for their worldwide popularity.

The basic advantage of the ROSCA is that it offers an opportunity for members to save, and at the same time keeps such savings fairly liquid and maximizing return. It facilitates the availability of a lump sum of money, which allows for higher investment to be made earlier than accumulation of savings. Most ROSCAs are organized along

democratic lines, where operating procedures and other details are decided/agreed upon by its members. Profits (in the form of bid amounts, for example) and other returns on accumulated contributions are equally distributed among all members. Risk of default is shared by all members and therefore sets up peer pressure to ensure that all members make their contributions in time. There is a risk of mismanagement, fraud and bankruptcy by the organizer where he absconds with the accumulated contributions. Timing of the receipt of funds by a member may not necessarily coincide with his need for finance. The cyclical timing also applies to savings, where a member cannot save when he has surplus funds, but has to wait for the ROSCA meetings. The ROSCA provides a means for the utilization of surplus funds and savings of low-income households- an easy and local savings mechanism.

*Harambee* is a Kenyan tradition of community self-help events, like fund raising or community development activities. *Harambee* literally means "working together for a common purpose". *Harambee* embodies ideas of mutual assistance, joint effort, mutual social responsibility and community self - reliance. Therefore, it is an informal development strategy of the people, by the people and for the people (Akong'a, 1989). The efforts of the people, non-governmental organizations and the government come together in a co-operative endeavour to speed up development.

These events have long been important in parts of East Africa as ways to build and maintain communities. Following Kenya's independence in 1963 the first Prime Minister and later first President of Kenya Jomo Kenyatta adopted "Harambee" as a concept of pulling the country together to build a new nation. He encouraged communities to work

together to raise funds for all sorts of local projects, pledging that the government would provide their start-up costs. A continued close collaboration between the people through their self-help efforts and the government through the provision of necessary services were therefore stressed by the president Jomo Kenyatta in his speech on Independence day, 12th December, 1963 when he said that: "-----but you must know that Kenyatta alone cannot give you everything. All things we must do together to develop our country, to get education for our children, to have doctors, to build roads, to improve or provide all day-to-day essentials ----" (Govt. of Kenya, 1988). He therefore reminded Kenyans that the new government would not provide free things for people but that they had to work. He exhorted people to forget the past and help one another and themselves to build a new Kenya. As a result, in Kenya today, one of our most dramatic examples of *Harambee* is to be seen in the nations' self-help movement, focused on human development. Every person takes it as his/her responsibility to see each *harambee* project through to the fruitful end. Under this system, wealthy individuals donate large amounts of money to local *Harambee* drives.

*Harambee* is one aspect of fund raising but it is more than a collective method of economic development. The principles behind it are:-

- Bottom up development strategy. This means that people at the community and grassroots level participate actively in the planning and implementation of the local development projects.
- Participation is guided by the principles of collective good rather than individual gain.

- The choice of the project is supposed to be guided by the felt needs of the majority instead of leaving the task to the government.
- The project implementation is supposed to maximize the utilization of local resources such as labour, funds and materials which would otherwise have remained unmobilized or expensive.
- The *harambee* projects are mainly locally initiated and implemented through self-help activities and women groups.
- Other forms of *harambee* aimed at helping individuals have also picked up momentum. Examples are pre-wedding fund raisers, hospital bill *harambees* and those to assist youths to go for further education locally and abroad. These forms of *harambees* have in one way or another improved the quality of different people and communities in Kenya.

The *harambee* has been responsible for substantial developments in the provision of basic needs and social service facilities. It has brought about near miracles especially in the country-side. Aided by the government, *Harambee* self-help projects have been responsible for the building of over 200 schools, 40 health centres, 60 dispensaries, 260 nurseries, 42 bridges, 500 kms of rural access roads, etc throughout the country (Bailey 1993:169). These social service facilities started on *harambee* basis, whether taken over by the government for operation and maintenance or not, provide "basic needs" to a large segment of especially rural people. It will be quite in order to discuss some of the actual contributions of *harambee* towards socio-economic development in Kenya.

*Harambee* has fostered the spirit of co-operation and understanding among various communities in Kenya and brings people from different ethnic groups together. Social amenities have been established through the movement like health centres and social halls. Wealth and other resources have been re-distributed not just between the poor and the rich but also between regions. It has contributed towards government objective of self-reliance and reduced dependence on foreign aid. Government efforts in funding development projects have been supplemented through *harambee*.

Indigenous finance system has been existing in south India for more than one century, which is called 'chit fund'. Chit fund is a typical indigenous financial institution peculiar to south India, particularly Tamilnadu and Kerala. A 'conventional chit' is an old indigenous financial institution involving regular periodical subscriptions by a group of persons. It is, in law, a contract between the subscribers and the foreman which provides that the subscribers shall subscribe a certain sum by periodical instalments for a definite period. Each subscriber shall, in his turn, as determined by lot or by auction or in such other agreed manner be entitled to the prize amount. There will be as many periodical installments as there are members. As there is a mutuality of interest among the small number of subscribers to each chit fund, it constitutes a convenient instrument combining savings and borrowings.

Chit funds grew when banking and credit facilities were inadequate and people in general had to rely to a large measure on indigenous sources. It was developed as a method of collecting savings in cooperative effort to advance money in lump sum or other resources in bulk to the participants, with facilities for convenient repayment.

Chits were brought into India by Portuguese missionaries and the Christian Churches played an important role in popularizing it. According to Kerala Chities Act 1975, “.....Chity means a transaction, whether called chitty/kuris, by which one or more persons (hereafter called the “foreman”) enter in to an agreement with a number of persons that every one of the contracting parties shall subscribe a certain amount of money or quantity of grain or other commodity, by periodical instalments for a certain definite period and that each in his turn, as determined by lot or auction or both, shall be entitled to the prize amount whether payable in cash, kind or any other article of value or in such other manners as may be provided for or in the agreement”(Govt. of Kerala, 1975).

Chit fund has satisfied the credit needs of the people and served as medium of saving for many. Two important forms of chity were ‘lot chity’ and ‘auction chity’. In lot chitty the prized subscriber for the award of prize amount at each instalment being decided by lot. In the auction chitty, the prize amount and the prize winner at each instalment are decided by open auction. A certain percentage of capital of the chity is set apart as commission for the foreman and remaining amount is kept open for bidding. The subscriber who offers the maximum discount on the chitty capital is declared successful.

The Chit fund today is no longer confined to a village or town, but is fairly widespread not only in Kerala and Tamil Nadu but even outside. It is a financial arrangement or institution based on mutual trust and confidence. People join a chit fund either to obtain easy credit or to find an avenue for the investment of their savings. The main attraction is the availability of lump sum either for expenditure or for saving.



A Chit fund, if properly managed is an excellent co-operative scheme, but in the hands of an unscrupulous person it can be the instrument of a gigantic fraud. Numbers of incidents have been reported about the cheating of foremen or others in different ways. S M Abdul Gaffar, managing director of Gemini Chit Fund Corporation was sentenced to life imprisonment for criminal breach of trust by the Singapore high court in 1973 (Pillai, 1973). The company misappropriated crores of rupees from the subscribers in different ways. Similar cases were also reported even in Kerala recently.

Microfinance emerged in the 1970s as social innovators began to offer financial services to the working poor — those who were previously considered “un-bankable” because of their lack of collateral. Once given the opportunity, not only did clients of microfinance institutions expand their businesses and increase their incomes, but their high repayment rates demonstrated that the poor are capable of transforming their own lives given the chance. Nowadays, microfinance has become one of the most sustainable and effective tools in the fight against global poverty and the access to institutional credit. The term microfinance is of recent origin and is commonly used. There is no statutory definition for microfinance. The taskforce on Supportive Policy and Regulatory Framework for microfinance has defined microfinance as, “Provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi urban or urban areas for enabling them to raise their income levels and improve living standards.” Microfinance is a set of schemes, which provides financial services like credit, micro saving, micro insurance as well as imparting training in entrepreneurial development. Small loans are provided to groups of rural poor people, who are

organized to undertake productive enterprises, to reduce the risk of default and to disseminate valuable information to improve health, legal rights and other relevant concerns of the poor, at full cost of interest rates, without collateral, repayable in frequent instalments.

The fundamental concept is, thus, common guarantee, which was based on mutual knowledge and confidence of neighbors. Loans, short or medium term, were given for specific purposes, which had to be productive. The microfinance approach has engendered a new relationship between the banks and the poor. A relationship is based on sound business principles and enables the poor to approach banks as ‘customer’ and not as ‘beneficiaries’.

The most common microfinance product is a micro credit loan. These tiny loans are enough for hardworking micro-entrepreneurs to start or expand small businesses such as weaving baskets, raising chickens, or buying wholesale products to sell in a market. Income from these businesses provides better food, housing, health care and education for entire families, and most important, additional income provides hope for a better future.

In addition, the poor, like all of us, need a secure place to save their money and access to insurance for their homes, businesses and health. Microfinance institutions (MFIs) are now innovating to meet these needs, empowering the world’s poor to improve their own lives. Microfinance institutions exist in many forms — credit unions, commercial banks and, most often, non-governmental organizations. MFIs use social

collateral in the form of peer groups to ensure loan repayment. Borrowers take out loans in groups of five to eight individuals. If a borrower defaults on her loan, the entire group typically is penalized and sometimes barred altogether from taking further loans. This peer pressure encourages borrowers to be very selective about their peer group members and to repay loans in full and on time, resulting in the higher than 95 per cent repayment rates industry-wide. The global repayment rate for micro credit loans is higher than 95 per cent, which allows MFIs to re-lend these funds to even more clients. By giving the world's poor a hand up, not a handout, microfinance can help break the cycle of poverty in as little as a single generation

Micro credit loan cycles are usually shorter than traditional commercial loans, typically six months to a year with payments plus interest with weekly payments. Shorter loan cycles and weekly payments help the borrowers stay current and not become overwhelmed by large payments.

Women have become the primary target of microfinance services due to many reasons. At macro level, about 70 per cent of the world's poor are women. Women have a higher unemployment rate than men in virtually every country and make up the majority of the informal sector of most economies. They constitute the bulk of those who need microfinance services. Targeting women has also proved to be a successful and efficient economic development tool. Research performed by the United Nations Development Programme and the World Bank indicates that gender inequalities inhibit overall economic growth and development. A recent World Bank report confirms that

societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance, and a low living standard for all people.

Women usually are the primary or sole family caretakers in many developing countries. Helping them gain additional daily income improves the condition of their entire household. Putting extra income in women's hands is often the most efficient way to affect an entire family, as women typically put their children's needs before their own. Children are more likely to complete their education and escape the poverty trap than their parents are. Giving women access to microcredit loans therefore generates a multiplier effect that increases the impact of a microfinance institution's activities, benefiting multiple generations.

Bangladesh has been acknowledged as a pioneer in the field of microfinance. The microfinance in that country is strong and vibrant and its outreach extends to all corners of the country. The decade 1980's saw an unprecedented growth in the number of microfinance institutions and products all over the world. In India the microfinance movement was formally launched in 1992 with NABARD launching the pilot project for linking self help groups with banks. The Indian banking system has shown willingness and resilience to experiment and join the microfinance movement in a way that has no parallel anywhere in the world. There are no MFIs in India of the type and scale existing in Bangladesh. The banks, which are performing the role of MFIs, in addition to their role as financial institutions, are under tremendous strain to line up to the expectations, needs and demands of microfinance sector. India, consists of multi-class societies and diverse in terms of religion, caste, language, agro-economic climate and social system, a

single model or approach may not be suitable for all regions. So each category can adopt models best suited to the local conditions, and hence numerous microfinance institutions and programmes of various types and structures have emerged.

The people's plan campaign initiated during the ninth five year plan period made stronger the women self help groups as micro level organizations. A programme known as '*Kudumbashree*' has come up under government auspices. Many microfinance institutions and programs have been launched in Kerala by different agencies. Now in Kerala microfinance is considered as a solution to many problems faced by the poor people, especially emancipation from low economic and social status. Thus the idea of microfinance gained currency in Kerala. The major characteristics of microfinance are micro saving and microcredit. Microfinance helps poor to mobilize their meager savings which it might, overtime, grows into a major source and enhances their economic choices and opportunities.

One of the aspects of the underlying microfinance is the need for members of the group to save regularly so that the habit of thrift is inculcated among them. All the savings do not go into the common fund, only a part of it goes to common fund and the other part into their personal account. Several groups fix a lower limit of savings and some impose fines if this amount is not forthcoming. Other groups do not fix the amount but encourage the members to save and contribute to the common fund as much as they can. The common fund grows gradually over few months. Major contributing factors to this are savings and interest recovered on loans and sometimes 'fines' levied by the group on 'deviant behavior'

Even though microfinance is primarily an informal financial institution, it has several linkages with formal financial institutions such as banks, local political institutions, the state and central governments. Nowadays, microfinance is considered a panacea for most of the ills in the society. Hence a number of agencies, organizations and governments have taken up the idea and popularised it. However, over time, several issues like disparity in saving, problem of default, low credit absorption of the poor and coverage of non-poor under microfinance have emerged.

Self Help Groups (SHG) are small informal associations created for enabling members to reap economic benefit out of mutual help, solidarity, and joint responsibility. The benefits include mobilization of saving and credit facilities and pursuit of group enterprise activities. NABARD involved in promoting microfinance through SHGs in 1987 and granted Rs.10 lakhs to Credit Management Group to facilitate building up a thrift fund and aiding the members to borrow from formal credit system. Then it launched a linkage programme with formal banks. The Credit and Financial Service Fund of NABARD supports banking and financial institutions to deliver credit and increase.

The 'Interest Free Financial Institutions' are considered as a major type of co-operative indigenous financial system in India. As no mainstream interest free banks are allowed to function in India because of existing Banking Regulation Act, groups of people who like to avoid interest from their transactions made arrangements for interest free financial transactions. Number of such establishments function all over the country. Hence, it constitutes a part of indigenous institutions. These institutions mainly give loans to poor, needy people without interest on a systematic repayment basis. The capital is mobilized by accepting donations and saving deposits. These institutions invest

a part of these deposit amounts in productive ventures and distribute the profit share to the depositors. These institutions function mainly based on charity as it provides temporary advances for emergencies and necessities. Thousands of poor people depend upon these institutions to get advances in times of their emergencies. No detailed data are available about the functions, and performance of such institutions as it is not subjected for a detailed analysis. However, according to the available statistics there are atleast 159 such institutions functioning in the country (Table.3.1). It shows that the highest number of such institutions are in Kerala, followed by Uttar pradesh, Andra Pradesh, Maharastra and Karnataka.

Table 3.1

**Number of interest free financial institutions in India**

<b>State</b>	<b>No.of institutions</b>	<b>Per cent</b>
Andra Pradesh	23	14
Bihar	5	3
Delhi	2	1
Gujarat	7	4
Karnataka	14	9
Kerala	46	29
Madhyapradesh	3	2
Maharastra	21	13
Panjab	1	1
Rajasthan	3	2
Tamilnadu	9	6
Uttar pradesh	24	15
West Bengal	1	1
<b>Total</b>	<b>159</b>	<b>100</b>

Source - Rahmathulla, 1999: 428

In Kerala, there are region based indigenous arrangements which are familiar in different names like '*paraspara sahaya nidhi*' (mutual help fund) or '*palisha rahitha nidhi*' (interest free fund). There is a coordination committee to coordinate, guide and supervise these institutions, by name Interest-Free Establishments Co-ordination Committee (INFECC). According to the official records presently there are 225 establishments registered in INFECC. The total capital of all these institutions accounts for Rs.3,18,75,887. Of which Rs.83 Lakhs have been invested in business ventures which yields a profit of Rs.11.5 lakhs. An amount of Rs.2.35 crore was utilized to provide temporary loan for small scale business purposes, treatments and cultivation. Other short run loans are also provided to individuals for various purposes on personal or asset guarantee. As per the experience of INFECC, all beneficiaries have been refunding such loans as a whole or instalments within a period of six months.

Though the number of institutions registered in INFECC is 225, there are many such unregistered institutions functioning in Kerala. These indigenous institutions play a crucial role in the socio-economic life of Kerala. The role, performance and impact of such institutions in the society and economy are not looked into.

From time immemorial people had made arrangements to share their resources among the needy. *Kurikalyanam* of Malabar is one such arrangement which was born, brought up and flourished there. The coming chapter is a humble effort to understand the nature, significance and impact of *Kurikalyanam* which was one of the major solutions of bygone societies to meet their financial necessities. The present plight of Kerala society necessitates a revival of such an interest free financial arrangement for the betterment of our society and country.



## CHAPTER FOUR

The nature, significance and impact of

# **Kurikalayanam**

#### 4.1 The concept of *Kurikalyanam*

*Kurikalyanam* is an indigenous financing system. It has a chequered history. It is a financial arrangement based on mutual cooperation, trustworthiness and help. It facilitates to mobilize a lump sum amount for meeting a particular need without interest, guarantee, pledge or any other document. Trustworthiness is the backbone and bond of this system. When one is in need of money to build a house or marry off children, the household head organises a *kurikalyanam* on a particular date and invites people to attend the programme. A dinner party is arranged as part of it and the members contribute their share of money to the venture. The contributed amounts altogether make a huge fund which is sufficient to satisfy an important and timely need. The amounts contributed by others are partially the repayment of old liability and partially new loan or asset which is expected to be repaid on their turn. On the others' turn they conduct *kurikalyanams* at suitable locations and invite all to participate and contribute their share.

The term *Kurikalyanam* is most popular in the southern parts of Malabar and it has got several other names in other parts of Malabar. For instance, in the northern side of Malabar it is known as *Panampayat* or *payat*. In the Thalassery region it was called *Sad'r* and in earlier periods it was popular in the name of '*Panam polippicha kali*'. Some of the invariants are *Sahaya kalyanam*, *Sahaya kury* and *Pawwa*.

“.....a section of Keralites especially of North Kerala follow an entirely different method for solving their financial stringencies, that is, by *panampayat*'. It is an easy way of raising funds for meeting one's financial needs without any collateral security and other legal formalities or even payment of interest. ....” (Raju, 1995: 157).

“*Kurikalyanam* was a notable pointer of rural integrity of Malabar. The needy organizes it, the residents donate a small amount as an assistance, it is recorded, and at their turn it is returned, and this was the procedure of it” (Yasir, 2003)

M A Vanimel, a school teacher, opined during the survey “The emergencies of one’s life are solved by this system. Instead of approaching financial institutions, one depends on this to finance house construction, procurement of land, marriage, capitation for employment and sending children abroad for finding jobs. Assumed mutual cooperation is the bond of this system. It also facilitates the social interaction and get-together”.

In the olden period subjugated by poverty, people suffered a lot to make both ends meet and they used to depend one another to accomplish their needs. When one asks the people in the locality they contribute according to their ability. Mr. Soopi Haji, an old man of Nadapuram remembers that when he bought his 30 cents land in 1960’s, the cost was Rs. 25, and to accumulate this amount *Kurikalyanam* was the only means when nobody was able to lend such a huge amount. He could conduct almost ten in his life. He used the amount thus collected for the procurement of land, construction of house, expansion of his business and for the marriage of his four daughters. He is one of the best beneficiaries of this system. He had never borrowed money from anybody rather than depending on this, and now he is trying to clear all dues and to collect all principal amounts and close the transactions only because of his old age. But, now his son is an active and confident participant of this.

*kurikalyanam* has been existing in some places in its old form without being subjected to major damage by external forces. However, in the process of social

transformation and the rapid race to modernity these invaluable funding methods are generally thrown away

#### **4.2 Evolution of *Kurikalyanam***

This system had been evolved more than a century back. Logan reported that “another curious custom has come down from ancient times and is still flourishing... Anyone desirous of raising a considerable sum of money for some temporary purpose invites his friends to join him in what is called a kuri or lottery..... The organizer of the kuri gets a certain number of his friends to subscribe a certain amount of money or of rice husked or unhusked as the case may be. The friends bring their contributions to his house where they are hospitably entertained, and by lot the person is selected to whom similar contributions from all present, including the organizer of the kuri, are to be made at certain date then and there fixed. This individual in turn hospitably entertains his friends when they come with their contributions. And third person is then selected, and the same thing comes off at his house. And so it goes on until every one of the original members or his heir has in turn reaped the benefits of the contributions of his friends”(Logan, 1951: 173)

This remark about the arrangement made by the ancient Malabar society throws some light in to the indigenous financial system which was later known as *kurikalyanam/panampayatu*. Hence, the origin of it may be traced back to early 19<sup>th</sup> century. In fact the origin of chit finance traces back to the origin of *kurikalyanam* as the elements of both are same (Nayar, 1973: 157). However, the chit finance has undergone substantial changes and modifications while the other maintains its originality.

The similar system had existed in the Dravidian culture also. It is rightly mentioned by E J Sim Cox in his “Primitive civilizations or outlines of the history of ownership in Archaic communities” 1894. He writes. “The Dravidian kuri or lottery is said to have been handed down from very ancient times, and it is still commonly resorted to by anyone desiring to raise a sum of money for some special purpose, such as a daughter’s marriage..... A feast is always given by the recipient of the lump sum.....”( Nayar, 1973: 157).

The eminent persons interviewed, opined that their parents and grand parents used to participate and conduct *kurikalyanam* right from early 19<sup>th</sup> century. An invitation letter (appendix II) which was sent from Purameri Kovilakam inviting to attend the *panam polipicha kali* in the 21<sup>st</sup> Meenam1096 of Malayalam year (AD 1921) clearly shows that a well systematic system of mobilizing money existed in 1920’s. Those people, who are unable to say anything about the evolution of this system, says that this system is ‘traditionally’ transferred to them. The copy of an account book, which is written in old Malayalam alphabets (appendix III), explains that this system can claim at least a century’s history.

During the survey most of the participants opined that this system emerged in the late 19<sup>th</sup> century and it was emerged due to economic compulsions( Table 4.1)

Table 4.1

**Opinion of participants on the evolution of *Kurikalyanam***

<b>Query</b>	<b>Nature of evolution</b>	<b>+ve response in percent</b>
Beginning of this system	Before 1900	20
	Between 1900 & 1950	75
	After 1950	5
Emergence in the locality	Continuation	35
	Economic compulsions	40
	Mutual cooperation	25

Source: - Primary data, 2006

It is opined that the evolution of this system was related to the marriage of girl children. In the old days, all the marriage functions of girls were followed by a programme of mobilizing fund. Gradually the practice became popular in all marriages and other occasions also. This practice of mobilizing fund in connection with the marriage of girl children and house warming, especially in the case of poor families, exists among all communities in almost all parts of Kerala even now.

### **4.3 The procedure of *Kurikalyanam***

*Kurikalyanam*, the mutual cooperative finance system occupies very interesting procedures. All the male members of a locality, join together and make an informal collaboration for financial reallocation, and participate in this joint venture irrespective of their religion, age, profession or economic status. They establish a life long harmonious relation based on mutual help and trustworthiness. All the members know each other and are ready to extent a helping hand. There is neither a borrower nor a lender. Every body realises their basic needs and financial requirements. Interestingly this system is not guided by written rules or regulations. They strictly follow the unwritten rules and regulations.

It is found that on an average 25 per cent household in a locality conduct *Kurikalyanam* in a year. Therefore on rotation within 4 years all of them are able to do once. The usual duration between two *Kurikalyanams* for the same person is 3 to 5 years. In some unavoidable cases like the marriage of girl children it is conducted without considering these gaps. Usually it is organized on a particular need like purchase of land, house construction, self employment, capitation for employment, improvement of business, marriage of daughters, gulf journey etc. Within a span of 4 years most of the

old dues will be cleared and another good amount will be deposited. Participants maintain a correct account of payment and repayment. If one organises the programme without having any definite purpose the amount is kept and utilized when chance occurs.

In the earlier periods rice, grain, etc. were used for exchange and as time passed by participants used to give coins of simple digits, then rupees of single, double and triple digits. The initial money transactions were in terms of *ana* (6.25ps), *nalana*(25ps), *ettana* (50ps). Then the minimum digit increased to 50ps, Rs1, Rs2, Rs5, Rs10, Rs25, Rs50, and now it is Rs100. Presently the denomination is Rs100, Rs200 ,Rs250, Rs500, Rs1000, Rs2000, Rs5000, etc. In the areas where this practice is common 90 per cent of families participate in it, without which they can't maintain the social relation. If any body escapes from it, he will be isolated from the society.

Keeping proper records of transactions for future reference is very essential. Both the organizer and participants maintain records of money received and repaid. Those who couldn't attend the function in time give money in the next day or as early as possible. Some authorize others to attend the function and pay the cash. The list of defaulters are prepared and recorded, some organizers ask for the cash, some make it public and some others expect that the defaulters would make their payment in the next turn. If the defaulters are very poor or unable to repay, others understand it and they are not asked to pay. The usual season of *Kurikalyanam* is the summer i.e. January to May months. But when it is related to marriage, house-warming, that can be organised in other seasons as well.

When one person intends to mobilize some cash, his first choice is *Kurikalyanam*, instead of sale or mortgage of land or properties or borrowing for interest. The unwritten law is that before conducting it, the organizer should have proved his trustworthiness and goodwill through participation in the earlier programmes of some other persons. Its method of organising is very interesting. The person who intends to organize it fixes a date of conducting it in consultation with the person responsible in the locality. The fixed date and venue is announced later on and inform his friends and relatives of it. He prints the invitation letters and distributes it by himself or by his representatives among his former clients and among others who can be newly enrolled to it. It is also informed by pasting some posters or notices. Usually the venue is arranged in a local teashop, school, or in a hall which is built particularly for it. When it is organised as part of marriage or house-warming, it is arranged in houses. The time of conducting this is usually the afternoon hours, so that people can participate after their day's work. On the day of the programme, he decorates the venue especially with the leaves of palm tree. Sometimes an audio system is used to remind the public of the programme. A notice board is put in front of the venue, displaying the name of the person who conducts it. He arranges a delicious feast or refreshments to be served to the invitees. All are received in hospitable manner by the organizer and served food. After having the food they give their contribution, a sum of money in the counter which is arranged with men who are assigned to receive the cash and write their name and contribution amount in the register; no other handwriting is allowed in the register. Each participant who got donation from this man generally gives a minimum of twice of that amount, and new participants contribute according to their ability and will. At the end of



the function, the men who are entrusted with collecting money count the total amount and make it tally with the written amount in the register and hand it over to the organiser. He, after clearing all dues, returns home with cash in his hand and more calculations in his mind. Afterwards, in others turn, he will also be invited, then he checks the entry made by that man and differentiates his capital repayment and donation, and pays a higher donation. Like this, all participants organise it and participate in others' programmes by giving, taking, sharing and enjoying the life under this system. All the participants opine that there is no legal support for *Kurikalyanam* and there is no intermediary to take care of it. It is decided on needs and at usual intervals, i.e. between 3-5 years (Table 4.2).

Table 4.2

**Opinion of participants about the procedure of *Kurikalyanam***

Query	Answer	Response in %
Any legal Support	Yes	0
	No	100
Coordinating agency	Yes	0
	No	100
Any priority to select the beneficiary	Season	93
	Need based	99
	Rotation	10
	Lot	0
Method of intimation	Invitation letter	100
	Public notice	100
	Advertisement	1
Intervals between two <i>Kurikalyanam</i>	Less than 3 years	25
	3 – 5 years	90
	More than 5 years	5
Conduct more in same year	No	100
	Only on emergency	10

Source: - Primary survey, 2006

## 4.4 Accounting pattern

Accounting the payments and receipts and keeping the records are the prime concern of a man who participates in this transaction. Without these documents nobody can continue this practice. All information regarding the payments made by him to several persons with date and amount, receipts with name and the balance to receive or pay is properly recorded. Whenever any dispute arises regarding payments these books are considered as authentic. All the participants keep this register with much importance. One of the amazing characteristics of account book is that everybody notes important events or issues of their families and of that locality in it. The attitude, generosity and social involvement of a person are also jotted down in its full enthusiasm in these records. Usually, three types of records are used.

- A record of one's *Kurikalyanam*, in which everything relating to his transactions is recorded. The name of the organizer, venue, date and time of the programme are written in the first page. In the second page onwards the names of the participants who contribute money are written one by one with their contribution. The total amount is summed in each page, but the grand total is not summed up usually. Separate records are maintained for each programme.
- A day book in which the details of payments are recorded chronologically. The date, name, amount, etc. are mentioned there. Some write these details in the last pages of the first book. Of the amount paid, the due and donations are differentiated, and the amounts to be returned are also clearly mentioned.
- A ledger in which one page each is allotted to each subscriber. All transactions, receipts and payments with date and the balance to get or to pay are recorded

there. When one organises a *Kurikalyanam* the subscriber checks this ledger and verifies with the day book and account book, then decides how much is to pay.

While some keep all these in a single book, majority maintain separate books for these purposes.

#### **4.4.1 Accounting Software**

As part of the introduction of new technology to this primitive system, new methods are used for accounting. Exclusive software is developed to account the *kurikalyanam* transactions, which is called '*Payat Information Software*'. It is designed to include the personal information and the accounting information. The total amount to be received and the total amount to be paid are readily available with their complete details. People, who have computer, use this software for their accounting purposes. Many such softwares are available with minor variations.

#### **4.5 Unwritten laws of the system**

As noted earlier, it doesn't have any written rules for the smooth practice of the system. Being a regional arrangement it doesn't have any unanimity in procedures. However most of the participants opine that the system has been following certain unwritten rules for decades. They can be summarized as follows:-

- If one is invited, he should attend and cooperate with the function,
- One should be sincere, trustworthy and honest in all dealings, and that should be proved by his active participation in consecutive programmes.
- In case one fails to attend it, he has to authorize somebody to represent him and the amount should be handed over the same day or at least in the next day.

One's absence is considered as shame and he will be labeled as "*payat cash kodukkathavan*" that is he is 'the man who doesn't give the *Kurikalyanam* amount'.

- If one has no sufficient cash with him, he has to pay the amount even by borrowing or by reducing his family expenditure. Some proverbs like "*ari vangathe payatt kooduka*" (attend the *Kurikalyanam* and pay the cash without purchasing rice to home), "*kadam vangi payat kooduka*" (pay the *Kurikalyanam* cash by borrowing from others) etc. are popular.
- The contribution of one person to the other is the double of his liability, that is if one gets Rs.200, of which Rs.100 is repayment and the other Rs.100 is contribution, he has to pay Rs.200 (double the contribution amount) or more in the next term. The contribution of the double amount ensures continuous cooperation and contributions in the future programmes.
- Everybody should keep the original account book, no correction and deletion are allowed in the original book, and if there is any correction, it should be done by the original writer and be signed by him,
- A delicious food is an inevitable part of it. The food varies according to time. In morning it is *porotae* and mutton or chicken curry, at noon it is meals or ghee rice with chicken, after noon it is rice or wheat cake and beef curry, in the evening it may be tea and snacks. The menu is liable to alterations. All the participants, thus, can save one time food through it.
- The usual season is from January to May. According to urgency, it can be conducted in other periods also.

- If one announces a date for his *kurikalyanam*, others should not decide on the same date and locality
- The venue of the programme should be pre –determined.
- The amount paid to one shouldn't be demanded except through *kurikalyanam*. At any cause that needn't be returned before that.
- The venue is usually decorated by the palm leaves. Leaves of palm have an important role in it. A proverb says that “*the value of palm leaves is one to two lakhs*”. That means if a place is decorated by these, a *Kurikalyanam* is going to be conducted there and thousands of rupees will be collected.
- Every one should consider the needs of the organizer, and should contribute according to his needs irrespective of his liabilities with him,
- In some areas if the collected amount is not sufficient, the elders and responsible people would take and adjust the needed amount (*oppikkal*)
- Nobody can close the account without having sufficient reason.
- Even though one is not directly invited, he can attend the programme.

#### **4.6 Technical terms of *Kurikalyanam*.**

There are certain popular terms in this system. *Pullies* (Members) refers to the total number of people who contributed their share in a particular programme. 750 *pully* means 750 people who attended and donated their share. Out of total *pullies*, majority of them have been conducting *Kurikalyanam* for long time, and some are new, and some have stopped conducting KK. The number of *pullies* of an organiser depends on his social contacts and paying habits. It may be from 100 to 1000; in some cases it exceeds 1000.

If one closes the dealings and transaction with other persons it is called *murinchath* (broken). It means that, he doesn't like to continue the financial transaction with that particular man. It is done when one pays the exact amount that was given earlier. When one has a liability of Rs.100 he has to pay nearly double of that. Then the latter has a new liability with former. But if the former pays only Rs.100, then the latter will not have any liability and he cannot continue the dealings with him. If one closes one's account without reason that may cause frustration in friendship. The acceptable reasons for closure of dealings are, old age, ill health, absence of a responsible person in the family to maintain the accounts, the long absence of the person from the locality etc. In such cases they announce earlier their desire to withdraw from it and try to clear all dues. In such cases, the account is broken.

Similarly, every year in each *Kurikalyanam* there are new entries, which are known as *puthiyath*. These people may be youngsters, new employees, or others. New entries make new liabilities. This is also known as *puthiya pully* or new account.

The total amount called *payat sankya* received by the organiser includes his earlier deposits and the deposits or loans made by the donors. The amount, which has been paid by the organiser is known as *muthal sankya* or capital fund. So the *muthal sankya* is the total amount minus others contribution which has to be repaid.

Another term used is *meny* which literally means quality, nobility, or grace. In *Kurikalyanam* it denotes the quality of donation. It is the per capita contribution. *meny* is obtained by dividing the total amount by the *pully* (total number of entries) If the *meni* of one is higher than that of the other, the first is considered as a better one. A good *Kurikalyanam* is one which has less *pullies* and large *meny* (per capita contribution). The

minimum amount of donation is called *payat* rate. It depends on the socio economic conditions of the society. It was reported that originally the rate was one *ana* (it is the 1/16<sup>th</sup> part of one rupee), then it gradually increased to 25 paise 50Ps, Rs.1, Rs.2, Rs.5, Rs.10, Rs.25, Rs.50, Rs.100. The present rate is Rs.100. It means every body should pay at least Rs.100.

Continuous defaulters, that is persons who had conducted and collected money from others but do not pay back the amount in the respective programmes, are called *karinkuttikal* (black band). They are considered cheats and the society treats them like aliens. Some people persistently make default only to escape from repayment of debt.

In some areas people give more importance to some eminent persons to inaugurate the programme by paying an amount. They are elders in the society having high status. This first name entered in the book is called *Thalapayatt* (Chief client). The people who usually pay and get huge amounts are called *valiya payattukar* (Teams of big accounts). *Thaluva* is derived from *thalika* both means a big plate. In earlier periods this *thaluva* was used to keep cash which are paid by the participants. The *thaluvas* were partially filled with rice and covered by a cloth. Gradually this *thaluva* had been replaced by tables.

## **4.7 Similar forms of *Kurikalyanam***

### **4.7.1 Cover system**

There is another system among the Kerala society as a whole similar to *kurikalyanam* which is known as *cover* system. During particular occasions like marriage and house warming friends, relatives and neighbours give a cover containing a

significant amount or a gift to them. Usually it is cash during marriage and house durables during house warming. At the occasion of the benefactor's programme they return it at a higher value. It differs from *Kurikalyanam* in many ways. Firstly, there is no regular sequence for the programmes. Secondly, it is organised only in particular occasions and not meant for mobilizing cash. Thirdly, all the participants are not expected to pay. Fourthly, there are no systematic procedures and rules to conduct it. Fifthly, gifts may be given either in cash or kind. Sixthly, the donations may be made by groups or associations in case of a member of staff or any association. Finally, these are considered as gifts and presentations. Though there are such dissimilarities it resembles *kurikalyanam* in its character and spirit.

#### **4.7.2 *Sahaya kalyanam***

*Sahaya kalyanam* is another variety of *kurikalyanam* specially meant for the poor. When marriage of a poor girl is arranged, the society takes the financial responsibility of it. Depending on the needs and conditions of the family each member of that society donates. If the collected amount is not sufficient for the purpose then the elders make arrangements for the balance which is called '*oppikal*' (adjustment). It is also organised for other purposes like house construction and job. This arrangement exists all over Kerala. It is very systematically and effectively practiced in areas where *kurikalyanam* exists.

#### **4.7.3 Elephant *Payat* ( *A'ana payat* )**

The *a'ana payat* is a special type of *kurikalyanam* to mobilize a specific and huge amount. *A'ana* means elephant which represents the large size. When one has an urgency to get a huge amount for a genuine need, he organises an *a'ana payat* in



which he invites and requests some selected persons to contribute a specific and huge amount according to his requirements. Usually the invitees are rich, relatives or friends. While the payments in *kurikalyanam* are in hundreds it is in thousands in *a'ana payat*. All invitees come and contribute the specified amount on the day of programme. When the contributor organises *kurikalyanam* this amounts will be repaid in full or in instalments according to his ability to pay.

#### **4.7.4 Pawwa**

*Pawwa* is another financial arrangement that was in existence till recently which was partially similar to chit finance and partially to *Kurikalyanam*. Some people make a group and one takes the leadership of them. There are limited number of subscribers and fixed amount and fixed period as in chit fund. Each participant organises *pawwa* in his turn at his house or other place and invites all members and provide refreshments as in *Kurikalyanam*. This system was popular in Malabar which was mentioned by Logan (1951:173). An old record of *Kunchammed Thiruvangoth* shows that he did a *pawwa* in 1959 among 40 members, the share was Rs.10 each, and the total was Rs.400. In the record of *pawwa* the first name should be that of an important personality of that locality or family. This might be the ancient form of chitty finance and *kurikalyanam*.

#### **4.7.5 Gulf edition of *kurikalyanam***

The migrants from the areas where this system exists continue the same practice in the gulf countries also. When they are in need of lump sum money or when they plan to visit home land they conduct *kurikalyanam* and mobilize a huge amount. The peculiarity of this is that the participants are those who have prior experience in it. They

make a consortium of group of people having common interest and organise it in time.

They say that it is very effective and useful in emergencies.

#### **4.8 A Life Cycle Supposition of *Kurikalyanam***

The financial adjustment under *kurikalyanam* touches the entire life span of a person. The life of such a man is moulded by it from the beginning to the end. A life cycle hypothesis is put under this system. It means this programme is undertaken by a man during his whole life span. One starts his career by organizing it at his early age. Then onwards he is active in it by paying and receiving and thereby satisfying all the basic needs. At the eve of his life he concludes all the transactions by closing the accounts. This is illustrated by an example of a school teacher.

Ahmed Master, a native of Vanimmel village, at the age of 23 in 1975 got an appointment as a teacher in a private management school. He had to give an amount as capitation to the management of the school which was beyond his reach. His first choice was to conduct *Kurikalyanam* and he could mobilize an amount of Rs. 5800. He started repaying the amount by attending the programmes. After three years in 1978 he had to find cash to arrange the marriage of his eldest sister. Then also he organized one and mobilized an amount of Rs.17500 for the purpose. In 1981, at the age of 29, on the occasion of his own marriage he organized another one and received an amount of Rs.60,000. The cash was utilized for the renovation of his house. In 1984 through another *Kurikalyanam* he got Rs. 98000 which was utilized to buy a plot of land. At the age of 35 and 38 he conducted another two *Kurikalyanams*, and got around 3 lakhs of rupees which was used for the construction of a new house. At his age of 43 in 1995, he organized another one at his home and mobilized an amount of Rs.170000 which was

utilized to pay off all his liabilities due to house construction. In the year 2000 at his age of 48 he organized one more and got Rs. 175000. The whole amount was utilized to buy some house hold durables. All these years he also utilized the loan from the provident fund (PF) for other purposes. Now he plans to organize another one in connection with his daughter's marriage. His plan is to continue it as long as he can. The whole life of this man is linked up with *Kurikalyanam* as revealed in Table 4.3.

Table 4.3  
The details of *kurikalyanams* of Ahammed master

Year	Age	Amount received(Rs)	Purpose	Sufficient	Balance	Participants	Contribution(Rs)	
							Min	Max
1975	23	5800	Job	yes	nil	300	5	75
1978	26	17500	sister's marriage	no	otherfund	350	10	100
1981	29	60000	self marriage	yes	saved	500	10	250
1984	32	98000	purchase of land	yes	nil	675	20	500
1987	35	120000	House construction	no	P F	750	50	500
1990	38	150000	house completion	no	P F	850	100	1000
1995	43	170000	debt repayment	no	P F	900	100	1000
2000	48	175000	Durables	yes	nil	927	100	1000
Total		796300						

Source: Primary survey, 2006

It reveals that Sri. Ahmed Master had organized nine *Kurikalyanams* in a period of thirty years and mobilized an amount of Rs.796300 which was utilized for various purposes like job, marriage, purchase of land, house construction, debt repayment and purchasing durables. He conducted it in an interval of three years and sometimes the collected amount was sufficient and in some cases that was not sufficient, then he used other sources (PF loan or assistance from friends and relatives). The number of participants has been increasing each time as well as the minimum and maximum

contribution. One important aspect of this example is that Ahmmed master is not forced to depend on either money lenders or interest-ridden financial institutions for any of his needs. He moulded a better life without having a feeling of indebtedness or debt burden.

Sri.Gopalan, a resident of Thazhakode village reports that without *Kurikalyanam* his life would have been difficult. Gopalan now aged 53, is a casual coolie worker. He arranged the marriage of his three sisters, then he got married, purchased 24 cents of land, built a house, educated his children, and now, in the year 2005, his daughter got married, all with the money he mobilized through *kurikalyanam*. At his age of 23 in 1977, he conducted first one to arrange the marriage of his first sister. He could mobilize Rs.980 then, which was not sufficient for that purpose. He borrowed the balance amount. Again in 1979 he conducted second one for the marriage of his second sister and could mobilize Rs.1230, in which the minimum contribution was Rs.2 and the maximum was Rs.25. The amount was not sufficient for the purpose and he was forced to borrow the balance required. At his age of 27 he got married then he could collect Rs.2500. This time the amount was more than he needed for the purpose. The minimum and maximum contributions were Rs.2 and Rs.25 respectively. In 1984 he bought 14 cents of land by collecting Rs.4000 through it. In 1989 he mobilised Rs.15000 which was used for constructing his house. In 1994, the marriage of his youngest sister was arranged by mobilising Rs.42000. In 1996, he conducted another one and collected Rs. 22000 to clear a part of his debt. Again in 1999, another *kurikalyanam* was organized for the same purpose, and then he got Rs.28000, which was completely utilized to clear all his liabilities. It is in 2005, his only daughter got married. Then, the collection amounted

to Rs.130000. This money was not sufficient to meet the requirements. Hence he had to borrow Rs. 55000 at an interest of 12 per cent from a private bank by pledging the document of his house. But he is confident that he will be able to settle this liability within a few years by organizing one more *Kurikalyanam*.

Table 4.4  
The details of *kurikalyanam* conducted by Gopalan during 1977 -2005

Year	age	amount received (Rs)	Purpose of <i>Kurikalyanam</i>	sufficient	balance	partici-pants	Contribu-tion(Rs)	
							min	max
1977	23	980	sister's marriage	no	borrowed	100	1	10
1979	25	1230	sister's marriage	no	Otherfund	150	2	25
1981	27	2500	self marriage	yes	saved	225	2	25
1984	30	4000	purchase of land	yes	nil	300	5	50
1989	35	15000	House construction	no	relatives	400	25	100
1994	40	42000	sister's marriage	no	borrowed	572	25	200
1996	42	22000	debt repayment	no	borrowed	320	25	200
1999	45	28000	debt repayment	yes	nil	300	25	200
2005	51	130000	daughter'smarriage	no	Bank loan	927	100	1000
Total		245710						

Source: Primary survey, 2006

The Table 4.4 provides an overview of the financial management of Mr. Gopalan during his life span. He organized 9 *kurikalyanams* within 28 years and an amount of Rs.245710 was mobilized, which was utilized for the fulfilment of his urgent needs. The Table reveals that each time he could mobilize an amount that was equal to his income of six months to two years. Moreover he never felt indebted. He is very proud as he could gently perform all his duties within a short period. Even though he was a casual coolie worker, without a permanent job, he worked hard and economized his life. He never spent even a single rupee unproductively. He had no other saving scheme than this and he used to save and invest through *kurikalyanam*. Recently he took membership of a 'welfare fund' and started investing a nominal amount in it, and the total saving in it is

Rs.3000, which is a negligible amount, compared to that of *kurikalyanam*. Gopalan is a marvelous example of the success of this system.

The experience of Babu Haji is very fervent and the influence of *Kurikalyanam* is marvellous when 61 years old Babu Haji reminds the sequence of his life as it was shaped by it. He used to participate in this system from 1961 onwards at his age of 16. He started his career as a coolie by collecting and selling plantain leaves. While his wage was Rs. 2 he mobilized Rs. 500 through *Kurikalyanam* in 1961. After that, he never turned back. Using that amount, he bought land and started agriculture. Within the span of 25 years he conducted 10 *Kurikalyanams*. Each gave him big amounts which were used as capital for starting business. Now he owns a large area of land, and other assets. He has no doubt to say that *Kurikalyanam* is the base of his wealth.

These three examples prove the role of *Kurikalyanam* in their lives at crucial occasions. Most of the respondents of this survey shared similar experiences.

#### **4.9 The Financial market of *kurikalyanam***

The financial flow that occurs in an economy where *Kurikalyanam* exists is entirely different and interesting. It offers a unique financial flow mechanism which is ancient as well as productive. In this financial set up there is neither institution nor intermediaries. Every time money reaches to the hands of needy people. All other people are considered as surplus units and the organiser of *Kurikalyanam* is deficit unit. Then the surplus fund flows in to the deficit unit. Next time there is another deficit unit, all the fund flows to that unit. It creates a daily transaction mechanism. Every day people work, earn something, spend for consumption and the surplus is deposited in this system. A marvelous system without bank and treasury! It is need based as the fund

flows in to the hands of needy people. More usually, that fund is utilized the next day itself.

In spite of the absence of a formal structure, *Kurikalyanam* occupies all the qualities (such as efficiency, productivity, flexibility, good management, financial discipline, security, growth, transparency and high concern of human values) required for a good financial system. Nobody feels debt burden, and suffers any type of exploitation. As *Kurikalyanam* is a common culture nobody feels inferior in organising such a programme. All can expect lump sum money in advance.

#### **4.10 A hypothetical rural economy where *kurikalyanam* exists**

Consider a hypothetical example of a small region constituting 400 families, of which 350 families actively participate in *kurikalyanam*. Suppose on an average, every year 100 families organise it which means within the span of four years all the families can organise at least one. It indicates that all the families get a huge amount once in four years and all individuals and families can live up to their expectations. It implies that the use of resources is controlled and managed by the society through it. It can be seen that only a small group of families undertake big projects in each year. When one is in need of cash, others postpone their needs and cooperate with him. Thus there is an automatic balancing of economic activities and financial flows. Thus with a gap of three or four years everybody could mobilize sufficient amounts to satisfy their needs. It also indicates the efficient allocation of human as well as economic resources. If everybody undertakes all works at a time it leads to shortage and scarcity of resources. In this way also *Kurikalyanam* plays a role in the allocation of resources. The availability and utilisation of bricks, sand, cement, trees etc. are balanced. Moreover the use of finance is also

balanced. Thus the optimum use of all human, natural and economic resources is realized.

One can plan in advance what to do in each year. Big budget projects such as land purchase, house construction, marriage etc. can be planned in advance. All families can enjoy the fruits of economic development of the society. Moreover, the very poor, who can't participate in *Kurikalyanam* are also protected by this system. There will not be great economic disparity in practice. As Leon Walras (Lavasic and Rebman, 1982) has foreseen an invisible hand, an auctioneer adjusts all economic activities. The rural localities of Malabar were the classic examples of the above mentioned rural economy.

#### **4.11 Theory of Social Insurance**

Insurance is a risk-sharing arrangement. In this arrangement between two parties, one party agrees to indemnify another party against certain losses specified by a contract. *Kurikalyanam* is an informal insurance which can be presented in a theoretical form to offer an idea of 'social insurance'. It has a normative approach which includes the value judgments. To put forward the theory the following assumptions are made.

- A harmonious, co-operative social structure exists in the society,
- Each one is beneficiary and benefactor,
- All the members of the society work hard and make a surplus,
- A part of the surplus is used to help others,
- All the members are trustful and generous,
- Exploitative money lending practice does not exist.
- A financial transaction based on co-operation and mutual help exists in the society.



On the basis of the above assumptions the theory of social insurance can be explained as follows. 'All the members of the society will be protected by each other and all their needs satisfied, and the responsibility of it belongs to the society as a whole. When one is in need or in trouble all will be there with a helping hand in cash and kind. Neither poverty nor economic dissatisfaction exists in that society. They know the need and deed each other'. The theory of social insurance explains the protection of each member of the society by the society as a whole. The protection ranges in terms of service, kind and cash. All members will be beneficiaries as well as benefactors which are decided by the circumstances. Nobody will be abstained from it.

*Kurikalyanam* is one form of social insurance. Whenever one is in need of money he organizes a *kurikalyanam* and all other members co-operate with him. Sticking on the social regulations this scheme may be used to satisfy the needs of the society. One interesting feature of *kurikalyanam* is that they use only internal resources. The internal resources are sufficient to tackle the problems of the society, provided the available resources are economically and effectively used. The social insurance scheme may have many practical difficulties. Most of them can be overcome on moral and ethical grounds and by an efficient leadership. If the above mentioned assumptions are satisfied social insurance can easily be attained.

A social insurance institution may be established on this principle. Each member of the society takes the policy in equal value or according to their ability to pay. A part of that amount can be profitably invested to increase the money value of that policy. Whenever any member of them has any problem this scheme helps and solves his problem. By the end of the executing period the balance amount may be equally

distributed among them. In the next period the same procedure may be followed. The important motivation of this scheme is the attitude of the society to help others. So nobody evaluates it in terms of return or profitability. But they can make more profit and share it equally.

#### 4.12 The sociology of *kurikalyanam*

*Kurikalyanam* (KK) provides a secular mode of finance which accommodates all religion and casts of the society. The socio-economic conditions of participants surveyed explain the social inclination and reputation of it. In a plural society where communal harmony exists all sections of the society with a few exceptions usually participate in this particular programme. The religion wise classification of participants is given in Table 4.5

#### Religion and caste wise distribution of participants in *Kurikalyanam*

Table 4.5

Religion	Number	%
Hindu	180	60
Muslim	120	40
Total	300	100

Source:- Primary data, 2006

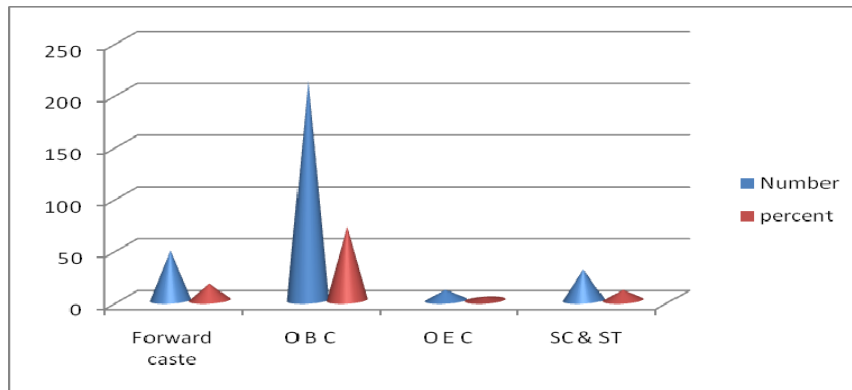
Table 4.6

Caste	Number	%
Forward caste	48	16
O B C	212	71
O E C	10	3
SC & ST	30	10
Total	300	100

The caste wise distribution also reveals the same trend (Table 4.6 and Graph 4.1). Though some customs are restricted to a particular caste, *Kurikalyanam* is being practiced by all.

Graph. 4.1

The caste wise distribution of participants



Source:- Table. 4.6

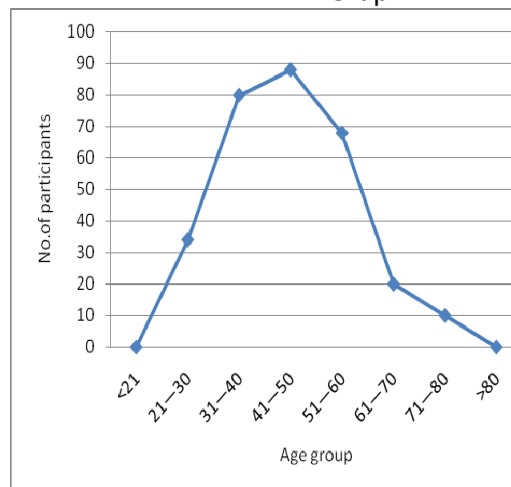
People irrespective of their age participate in it. An age wise sorting provides an idea regarding the attitude of the old as well as the new generation to it. People from all age group actively participate in *Kurikalyanam* and their age is normally distributed with mean age of 43 years (Table 4.7 and Graph 4.2). Most of the participants are married and having families. The marital status of participants is given in Table 4.8 (Graph 4.3).

Age wise distribution of participants in *Kurikalyanam*

Table 4.7

Age in years	Number	%
21—30	34	11
31—40	80	27
41—50	88	29
51—60	68	23
61—70	20	7
71—80	10	3
Total	300	100

Graph 4.2



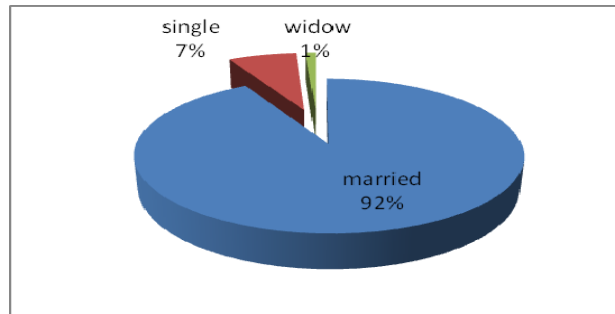
Source:- Primary data, 2006.

### Marital status of participants

Table 4.8

Marital status	Number	%
married	276	92
single	22	7
widow	2	1
Total	300	100

Graph 4.3



Source:- primary data, 2006

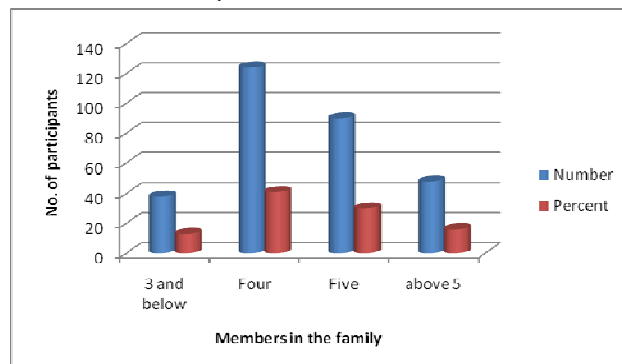
An observation is made on the basis of the number of their family members. It shows that most of them are small, nuclear families (Table 4.9 and Graph 4.4). The number of members includes the respondent, wife, children and parents. The total number of members in all 300 families is calculated as 1348 and the average number of members per family is four.

### Number of members of the participant's family

Table 4.9

Family size	Number	%
3 and below	38	13
Four	124	41
Five	90	30
above 5	48	16
Total	300	100

Graph 4.4



Source:- primary data, 2006

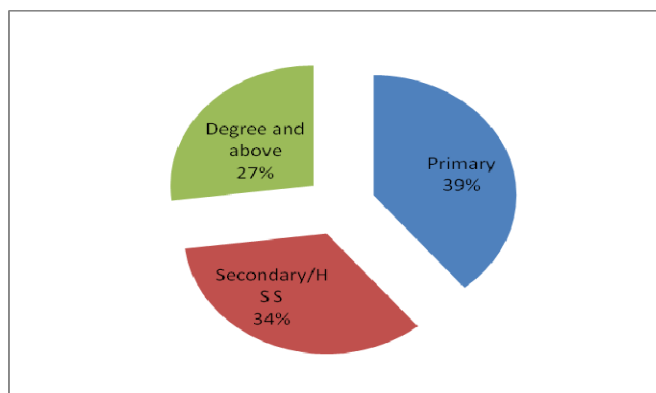
The educational profile of the participants reveals that both highly educated and uneducated people take part in it (Table 4.10 and Graph 4.5). It is found that most of the participants of the elder generation are having primary education while those of the younger generation have either higher secondary or higher education.

### The educational status of participants

Table .4.10

Education status	Number	%
Primary	118	39
Secondary/H S S	102	34
Degree and above	80	27
Total	300	100

Graph . 4.5



Source:- primary data 2006

The occupation profile (Table 4.11 and Graph 4.6) indicates that most of the participants are employed. They constitute government employees, retired employees, self employed, business men, coolie workers, gulf migrants and unemployed.

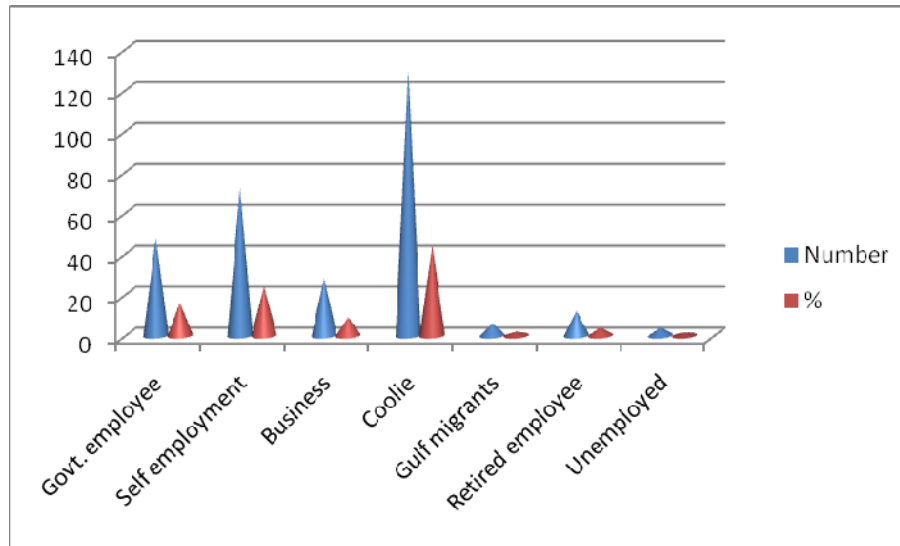
Table 4.11

### Occupation wise distribution of participants

Occupation	Number	%
Govt. employee	48	16
Self employment	72	24
Business	28	9
Coolie	130	44
Gulf migrants	6	2
Retired employee	12	4
Unemployed	4	1
Total	300	100

Source:- Primary data, 2006

Graph No. 4.6  
**Occupation of participants of *Kurikalyanam***



Source:- Table No. 4.11

The Table reveals that most of the participants are either coolie working class or self-employed. None of the participants belong to the high income earning jobs like doctors, engineers, college lectures, etc. There is a wrong presumption that the participation of government employees is an offence as there is financial transaction. They also participate and organise *Kurikalyanam* but they announce the programme as “tea party”.

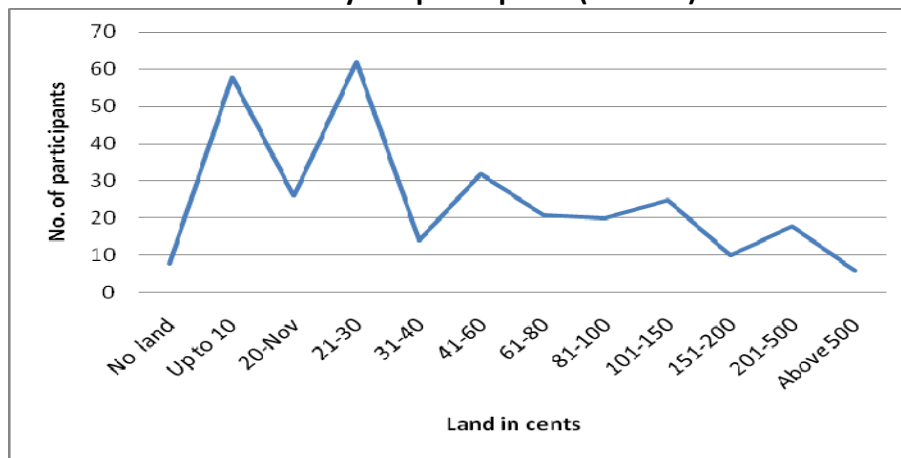
The economic profile of the participants can be analysed by some economic variables. The landowners’ profile shows that the respondents constitute both landless and landlords. 3 per cent of them have no land at all while 2 per cent have land more than 5 acras (Table. 4.12 and Graph 4.7)

Table 4.12  
**Land Owned by the participants**

Land in cents	Number	%	Land in cents	Number	%
No land	8	3	61-80	21	7
Up to 10	58	19	81-100	20	7
11-20	26	9	101-150	25	8
21-30	62	21	151-200	10	3
31-40	14	5	201-500	18	6
41-60	32	10	Above 500	6	2
Total	300	100	Average land	Mean	70
				Median	30
				Mode	25

Source:- Primary data, 2006

Graph 4.7  
**Land owned by the participants (in cents)**



Source:- Table 4.12

All groups including big, medium and marginal land holders, and landless constitutes the participants. Average ownership of land among the respondents gives a different picture. While the arithmetic mean is 70 cent, the median is 30 cent and the mode is only 25. This finding is different from the KSSP study (Aravindan, 2006). According to it, the average ownership of land is 82.8 cents while the average land ownership of the lowest economic group is 38.2 cent. But in our study 60 per cent of the participants have land below this average. The KSSP study reveals the average land of highest economic

group is 189.1 cents but among our respondents 9 per cent have land more than 200 cents. Thus it is inferred that for the lowest group the average land is very low among our respondents while it is high in KSSP study. The reason for the difference of both data may be the presence of Christian community in the KSSP data. Because the highest land owning religious group is Christians (Christian 126.4cents, Muslims 77.1 cents, Hindu 69.1cents) (Aravindan, 2006:54). Table 4.13 reveals that 95 per cent of the total participants live in own houses of which 59 per cent are concrete, 37 per cent are tiled and 4 per cent are thatched houses. The source of water is own well for 86 per cent and 14 per cent depend on either public well or panchayat/public tap. As the facilities in the houses are concerned (Table 4.14) 90 per cent of the houses are electrified, 69 per cent of the houses have attached bathrooms, 62 per cent of them have LPG connection, 70 per cent have subscribed the daily newspaper and 58 per cent are subscribers of weekly or monthly magazines.

Table 4.13

**The nature of the houses of the participants**

Item	Category	%
house	Own hose	95
	Family house	5
Type of house	Concrete	59
	Tiled	37
	Thatched	4
Water	Own well	86
	Public well/tap	14

Source:- primary data 2006



Table 4.14

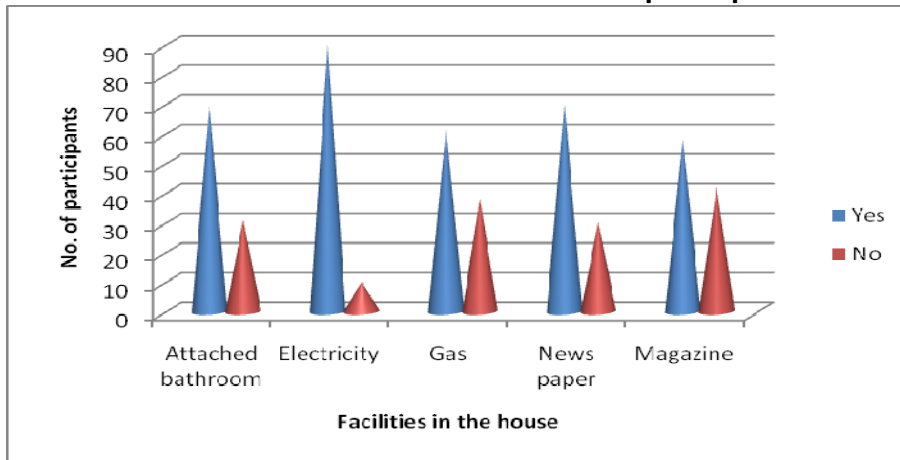
**Distribution of participants by the facilities in their house (%)**

Facilities	Yes	No	combined
Attached bathroom	69	31	100
Electricity	90	10	100
Gas	62	38	100
News paper	70	30	100
Magazine	58	42	100

Source:- Primary data, 2006

Graph 4.8

**Facilities in houses of participants**



Source:- Table 4.14

In the case of other consumer durables like TV, fridge, washing machine, and telephone 23 per cent don't have any of these durables and 29 per cent have owned only any one of these durables. 31 per cent have owned any two of the durables and 17 per cent have owned three or more durables. 72 per cent of the respondents do not have any type of vehicles and only 16 per cent have owned two wheelers. 2 per cent have three wheelers and 10 per cent have got four wheelers.

Table 4.15 explains the income and expenditure pattern of the participants. It reveals that the participants are scattered in all income and expenditure groups. The

annual income ranges between ten thousand to two lakhs. The per capita income is estimated as Rs.15217. It is low when we compare with the estimates of Kerala State Planning Board (Rs.24053) and KSSP (Rs.18603).

Table 4.15  
**Distribution of Participants by their annual income and expenditure**

Amount (Rs.'000)	Number of participants			
	Income		Expenditure	
	Number	%	Number	%
Up to 10	2	1	6	2
10 – 20	24	8	32	11
20 – 30	22	7	68	23
30 – 40	42	14	82	27
40 – 60	72	24	82	27
60 – 80	52	17	24	8
80 – 100	36	12	6	2
100 – 150	32	11	0	0
150 - 200	10	3	0	0
200 and above	8	3	0	0
Total	300	100	300	100

Source:- Primary data, 2006

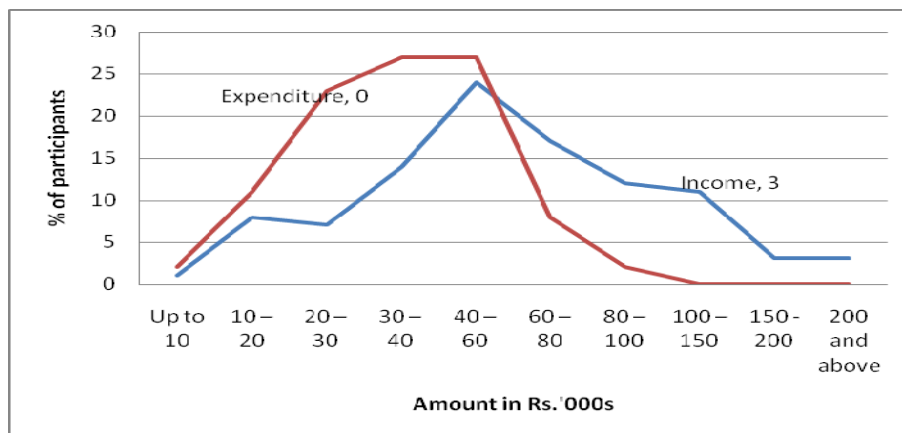
The expenditure side of respondents shows that 35 per cent of them spend less than Rs. 30000 annually and 54 per cent spend between Rs. 30000 and Rs.60000. Only ten per cent spend more than Rs.60,000 and the maximum annual expenditure is rupees one lakh only. It is also observed that usually the expenditure is less than income. The total expenditure includes expenditure on food, medicine, clothes, education, interest of other loans, payments in the *kurikalyanam* and others.

The combined picture of both income and expenditure proves that the participants of *Kurikalyanam* are not concentrated in any particular stratum. There are very poor, middle and rich families. A frequency curve of the participants by their income and expenditure gives a normal curve (Graph 4.9). It indicates most of the

participants are in the middle income group and in both extremes the frequencies are less. It is also seen that in the lower stratum the frequency of expenditure is higher than the frequency of income. In addition, in the higher stratum the frequency of expenditure is less than that of income.

Graph 4.9

**Distribution of participants by their income and expenditure**



Source:- Table 4.15

The nature of respondents' expenditure can be analysed from a split up of expenditure on various heads (Table 4.16).The data show that most of the families spend more money for food. There are 39 per cent of families who spend annually more than Rs.25000 on food. On other heads most of them spend only less than Rs.10000. The data on the average expenditure on various heads (Table4.17 and Graph 4.10) show that the expenditure on food is very high and the expenditure on cloth, education and medical are comparatively low. While majority of them don't pay any interest, a few pay higher amount. The second largest head of expenditure is pay on KK. It is very interesting to consider that most of them are not in debt trap. Only few of them have interest liability due to housing loan of government employees.

Table 4.16

**The expenditure pattern of participants**

Expenditure (Rs.000)	Number of participants ( Percentage)						
	Food	Cloth	Edn	Medical	Interest	KK	Others
Nil	0	6	38	1	73	3	0
1--5	2	94	56	94	18	39	90
5--10	9	0	3	5	5	55	8
10--15	13	0	2	0	0	1	0
15 - 20	16	0	1	0	0	1	1
20 - 25	21	0	0	0	1	1	0
25 - 30	3	0	0	0	1	0	0
Above 30	36	0	0	0	2	0	1
Total	100	100	100	100	100	100	100

Source:- primary data 2006

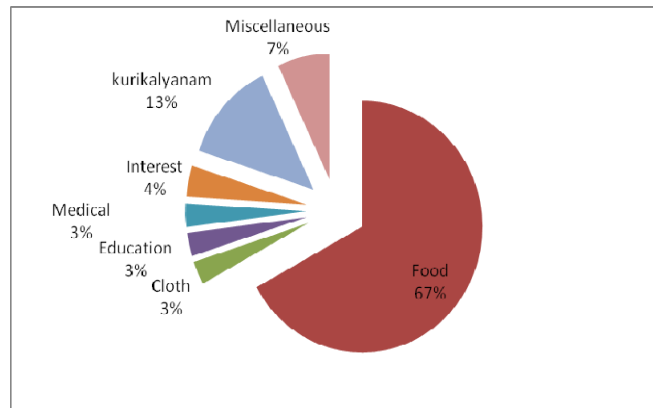
In order to get an idea of savings made by the participants, two measures are used. First is the difference between the total annual income and annual expenditure. Another measure is the ratio of contribution to *kurikalyanam* to the total annual income. If we assume that all the balance between total income and total expenditure is saved, the participants must have saved a considerable amount. The frequency distribution of balance income is given in Table 4.18.

**The average expenditure of house hold**

Table 4.17

Head of expenditure	Amount (in rupees)	Perce- nt
Food	31407	67
Cloth	1557	3
Education	1358	3
Medical	1443	3
Interest	1983	4
<i>kurikalyanam</i>	5770	13
Miscellaneous	3156	7

Graph 4.10



Source:- Primary data, 2006

Table 4.18  
**Distribution of participants according to their annual savings**

Balance Amount (in Rs.'00s)	Number	%
1 – 15	60	19
15 – 50	37	12
50 – 100	33	11
100 – 200	44	15
200 – 400	44	15
400 - 600	54	18
600 -1000	20	7
> 1000	8	3

Source:- Primary data, 2006

It is clear that the participant could make only a negligible amount as balance between income and expenditure. The same picture is evident from the data of accumulated savings of the participants (Table 4.19). It proves that 92 per cent does not have any accumulated savings and 2 per cent have a savings of less than 20000. Another 6 per cent have an accumulated saving of rupees between 20000 and 60000. This signifies that most of the savings are deposited in other's needs. Thus we find that participants do not make any considerable savings, but it is observed that the amount paid in *kurikalyanam* can be considered as savings or deposits which can be encashed and utilized in time of needs.

Table 4.19  
**Savings accumulated by the respondents**

Amount(Rs'00)	No. Participants	%
Zero	276	92
Up to 100	4	1
100-200	4	1
200-400	6	2
400-600	10	4
Total	300	100

Source:- Primary data, 2006

The ratio of the amount paid in *kurikalyanam* to total annual income is calculated (Table 4.20). It is an important measure as there are no other major saving schemes popular among the participants. The saving ratio of the *kurikalyanam* payment to income ranges from 5 per cent to 40 per cent. 24 per cent of them save less than 5 per cent of their income. 40 per cent of the participants save in the ratio of 5 – 10 per cent of their income. Another 21 per cent save between 10-20 per cent of their income. While 11 per cent of the participants save between 20-30 per cent of income, 4 per cent save more than 30 per cent of the income. The average saving ratio is calculated as 10.4 per cent. Hence, we can infer that payment in the *Kurikalyanam* is the main source of saving.

Table 4.20  
**Ratio of *Kurikalyanam* payment to income**

<b>Ratio of payment to income (in %s)</b>	<b>frequency</b>	<b>%</b>
1 – 5	72	24
5 – 10	122	40
10 – 15	46	15
15 -20	18	6
20 – 30	32	11
30 -40	8	3
40 and above	2	1
Total	300	100
Average savings	10.4 % of income	

Source:- Primary data, 2006

It is also observed that there is no remarkable asset possessed by the participants of KK. 91 per cent of them do not have any specific capital. Only 7 per cent have possessed buildings or shops and 2 per cent have taxi or autorikshaws.

### 4.13 Debt of Participants

The debt position of respondents indicates that debt trap is not an alarming issue among them. Majority of them (68%) do not have debt to either institutions or individuals (Table 4.21). It is also revealed that major debt is either the housing loan availed by them especially government employees, which is a facility supported by the government or the loan availed for business. The purpose wise distribution of debt reveals that 69 per cent of the 96 participants who have taken loans are taken for housing purposes. Another 15 per cent of the debtors have taken loans for productive purposes like self employment, equipment and business. Eight per cent have availed for consumer durables and 6 per cent for marriage (Table.4.22 and Graph 4.12)

Table 4.21  
**Debt position of participants**

<b>Amount (Rs in '000s)</b>	<b>Number</b>	<b>%</b>
nil	204	68
< 15	24	8
16 - 50	26	8.5
51- 100	26	8.5
101-200	12	4
>200	8	3
All	300	100

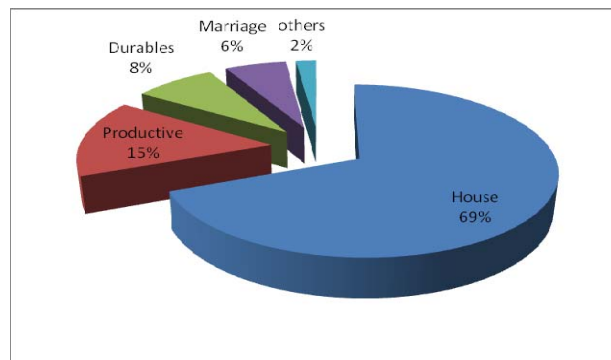
Source:- primary data, 2006

### Purpose of debt of participants of *Kurikalyanam*

Table 4.22

Purpose	frequency	%
House	66	69
Productive	14	15
Durables	8	8
Marriage	6	6
others	2	2
Total	96	100

Graph 4.11



Source:- Primary data, 2006

The agency from which loan availed shows that 75 per cent of the loans were taken from banks and 6 per cent from the co-operative societies. It means 81 per cent of the loans are taken from financial institutions. Only 2 per cent approach moneylenders. 15 per cent of loans are borrowed from friends and relatives and 2 per cent are from other sources (Table 4.23). It implies that when the beneficiaries are forced to borrow they depend on either friends and relatives or formal financial institutions.

Table 4.23

### Agency from which loan is availed

Agency	frequency	per cent
Bank	72	75
Co-op society	6	6
Money lenders	2	2
Friends & relatives	14	15
Others	2	2
Total	96	100

Source:- Primary data, 2006

The capital acquired, accumulated savings and debt position altogether indicate that the economic condition of majority of participants of *kurikalyanam* is not very sound, but average. They could make both ends meet only with the help of



*kurikalyanam*. They symbolize a subsistence level, self-sufficient, need based economy in which there is neither accumulation nor debt trap.

The above statistics indicate that *kurikalyanam* is not a particular practice of any specific group of people; it is an indigenous financial adjustment of all sections irrespective of castes or religion and the participants belong to all economic categories.

#### **4.14 Economics of *Kurikalyanam***

The economic aspects of *Kurikalyanam* can be analysed in two distinct parts. The first part discusses the coverage, cost and receipts, purpose, participation and venue. The second part discusses the economic impacts of it such as saving habit, utilization of fund and its influence on the society. The economic life of Malabar society is not free from the influence of this system as it has served as the local bank to the majority of the people there.

Primary survey revealed that within the last 50 years, these 300 respondents have conducted 1356 *kurikalyanams*. On an average each participant had conducted five (Table 4.24 and Graph 4.12). The Table shows that 63 per cent of the respondents conducted less than five, 25 per cent of them conducted 5 to 7 programmes and the remaining 12 per cent have conducted eight or more. It is also found that the average *kurikalyanam* per year is 30. It can be seen that those who have organized less number are late enrolment to this system and others are seniors in it.

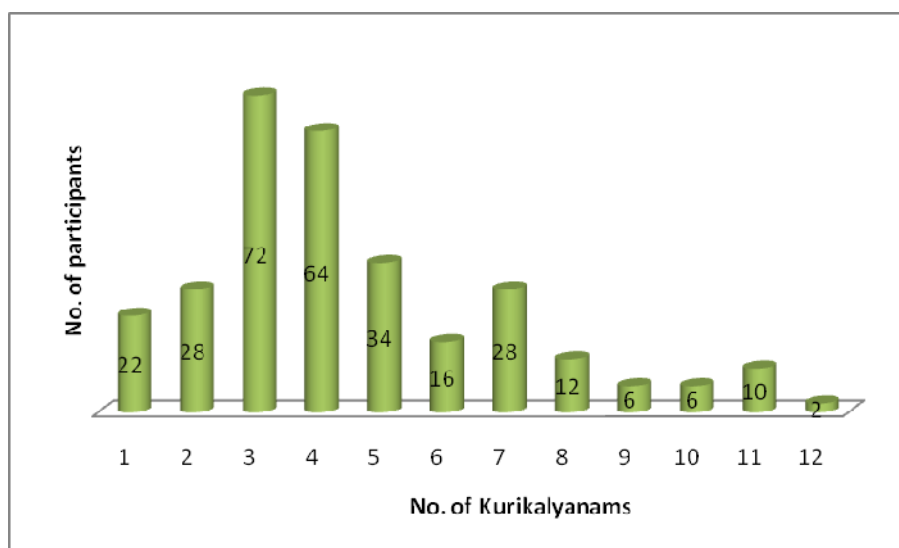
Table 4.24  
**Number of *Kurikalyanam* organized by participants**

Number of <i>Kurikalyanam</i>	No. of persons	Per cent	Total
1	22	8	22
2	28	10	56
3	72	24	216
4	64	21	256
5	34	11	170
6	16	5	96
7	28	9	196
8	12	4	96
9	6	2	54
10	6	2	60
11	10	3	110
12	2	1	24
Total	300	100	1356

Source: Primary survey, 2006

Graph 4.12

**Number of participants according to the no. of *Kurikalyanams* organized**



Source:- Table 4.24

Year wise distribution of *Kurikalyanams* shows that most of them were conducted during the period of 1981 to 2000 constituting 61 per cent. (Table.4.25 and

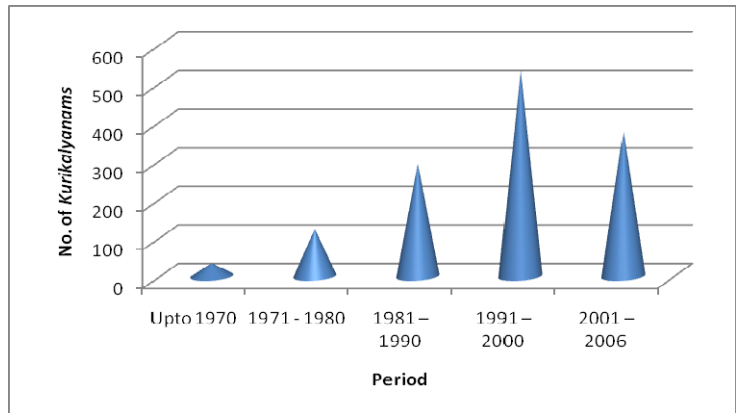
Graph 4.13). After 2001, within six years 374 *Kurikalyanams* were conducted. This shows that each participant has conducted at least one during the period after 2000.

### Year wise distribution of *Kurikalyanam*

Table 4.25

Year	Frequency	Per cent
Upto 1970	34	3
1971 - 1980	122	9
1981 - 1990	292	22
1991 - 2000	534	39
2001 - 2006	374	27
Total	1356	100

Graph 4.13



Source: primary data 2006

Table.4.26 indicates that 11 per cent of the participants started to participate in *kurikalyanams* before 1970's and 50 per cent of them started in 1970's and 1980's and the remaining 39 per cent started after 1990. It was during 1980's and 90's large number of people enrolled in it (see Graph 4.14).

Table 4.26

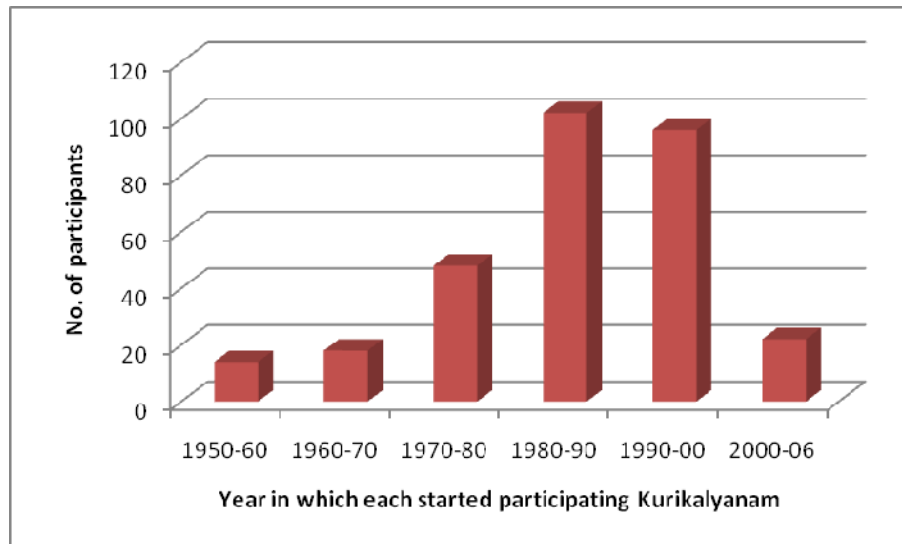
### Year in which the participant enrolled in *kurikalyanam*

Year started	No. of participants	per cent
1950-60	14	5
1960-70	18	6
1970-80	48	16
1980-90	102	34
1990-00	96	32
2000-06	22	7
Total	300	100

Source: Primary survey, 2006

Graph 4.14

**Year in which the participant enrolled in *Kurikalyanam***



Source: Table 4.26

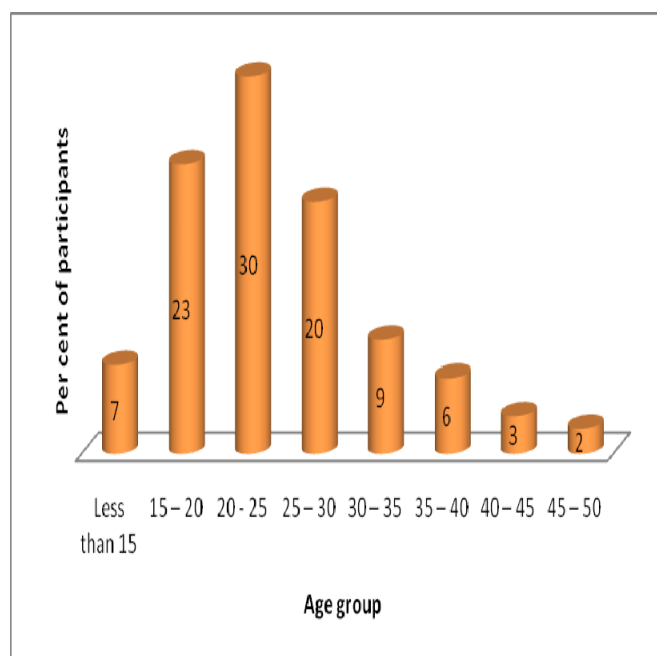
The age of the participants at the time of their joining in the *Kurikalyanam* is an important indicator of the popularity of it. Table 4.27 (Graph 4.15) shows that 82 per cent of the respondents come under the age group of 15 to 35 when they first joined in this system. In the earlier decades when higher education was not common people started to work at an early age. It can be understood that people joined this system when they become a wage earner. Some of them started *Kurikalyanam* to mobilize fund to get a job. Five per cent of them joined this system after 40 years of age. It might be a contingency or emergency that forced them to join this system. It is reported that initially some were reluctant to co-operate with this system, but at their late age they were forced to participate due to compulsions.

### Age of participants when they join *Kurikalyanam*

Table 4.27

Graph 4.15

Age of joining the KK (in years)	No. of participants	per cent
Less than 15	20	7
15 – 20	68	23
20 - 25	90	30
25 – 30	60	20
30 – 35	26	9
35 – 40	18	6
40 – 45	10	3
45 – 50	8	2
Total	300	100



Source: primary data 2006

Year wise distribution of the participants who conducted their last *Kurikalyanam* throws light to the recent trend of it (Table 4.28). It is found that that 95 per cent of them conducted even after the year 2000 and around 60 per cent of them conducted their final one during 2003-06. Thus it is observed that the majority of participants organized *Kurikalyanam* recently and it is very active even in this time. Even in this modern period when banks are extending their help through easy loans, people are not ready to discard this genuine practice of *Kurikalyanam*.

Table.4.28

**Year in which the participants organized last *Kurikalyanam***

<b>Year of last <i>Kurikalyanam</i></b>	<b>No. of KK</b>	<b>Per cent</b>
Before 1995	6	1
1995 – 1999	10	3.5
2000	10	3.5
2001	6	2
2002	20	7
2003	54	18
2004	80	27
2005	84	28
2006	30	10
Total	300	100

Source: primary data, 2006

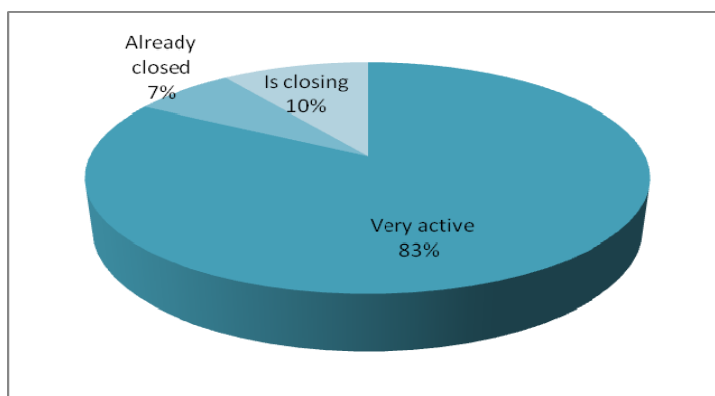
In a span of three or four years, they conduct it frequently. It is found that 83 per cent of the participants are very active in *Kurikalyanam* (Table 4.29 and Graph 4.16). Seven per cent responded that they had already stopped attending and conducting *Kurikalyanam* and another 10 per cent said that they had not completely stopped but decided to close it. They will not conduct a new one but attend the programmes to pay off old liabilities. They also said that the reason for the closing of this was only old age or ill health. It should be noted that 10 per cent of them are more than 60 years of age.

**Status of participation in *kurikalyanam***

Table 4.29

<b>Status</b>	<b>No. of participants</b>	<b>Per cent</b>
Very active	249	83
Already closed	21	7
Is closing	30	10
Total	300	100

Graph 4.16



Source: Primary data, 2006

Though *kurikalyanam* is an indigenous system among the participants it is very strong and being practiced very regularly. Even in the last decade the frequency of it is very high.

#### 4.14.1 Participation and venue

An analysis on the basis of members attended in each programme explains the popularity of this system. As noted earlier the members are called *pullies*. In 50 per cent of programmes the *pullies* are between 250 and 500 (Table 4.30). It can be seen that the average number of members attended is 365. The *Kurikalyanam* of earlier decades were characterized by the lesser number of *pullies*. And the Table 4.31 (Graph4.17) reveals that most of the programmes are organized at tea shops and houses.

Table 4.30  
No. of members attended the programme

<i>Pully</i>	No.of kk	per cent
< 250	472	35
250 – 500	682	50
500 – 750	168	12
>750	34	3
Total	1356	100

Source: primary data, 2006

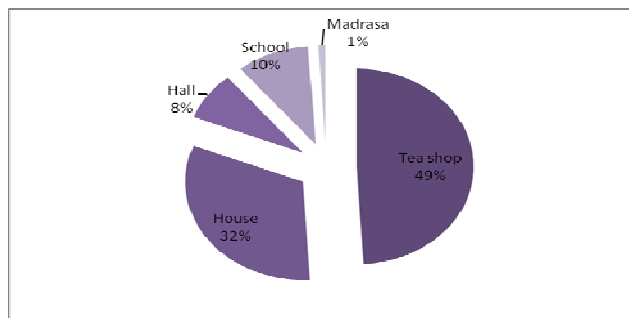
#### Venue of *kurikalyanams*

Table No.4.31

Venue	No.KK	Per cent
Tea shop	664	49
House	438	32
Hall	106	8
School	138	10
Madrasa	10	1
Total	1356	100

Source: Primary data, 2006

Graph4.17



#### 4.14.2 Costs and Receipts of *kurikalyanam*

An observation of *Kurikalyanams* on the basis of the amount mobilized explains that the collected amounts vary from Rs.500 to more than 2 lakhs (Table 4.32). About 33 per cent cases mobilized amounts were between 20000 and 50000. Eighteen per cent mobilized amounts between 50000 and one lakh and 8 per cent mobilized amounts above one lakh. 23 per cent mobilized amounts less than ten thousand.

Table 4.32

#### Distribution of *kurikalyanam* on the basis of amount mobilized

Amount (Rs 000)	frequency	per cent
< 5	178	14
5 - 10	128	9
10 - 20	248	18
20 – 50	454	33
50 – 100	250	18
Above 100	98	8
All	1356	100

Source: Primary data, 2006

There is gradual increase in the amounts collected in later periods. The split up picture of the amounts in various decades is given in the Table 4.33. It explains the gradual increase in the amount mobilized in the course of the decades (Graph 4.18). Altogether it ranges from Rs.500 to Rs.2.5 lakhs. It is clear that the lower denominations amount to earlier decades and higher to recent decades. It can be seen that the range of amount during 1960's is Rs.130 to Rs.3500. while it is Rs.10000 to Rs.2.5 lakhs in the present decade. The average amounts during these decades have shown a sharp increase (Graph 4.19). It is Rs.1546 in 1960's, 3725 in 1970's, Rs.18683 in 1980's Rs.38624 in



1990's and Rs. 64542 in the present decade. All these explain that the amount mobilized have been increasing over the years. The number of *Kurikalyanams* also has been increasing over these decades.

Table 4.33

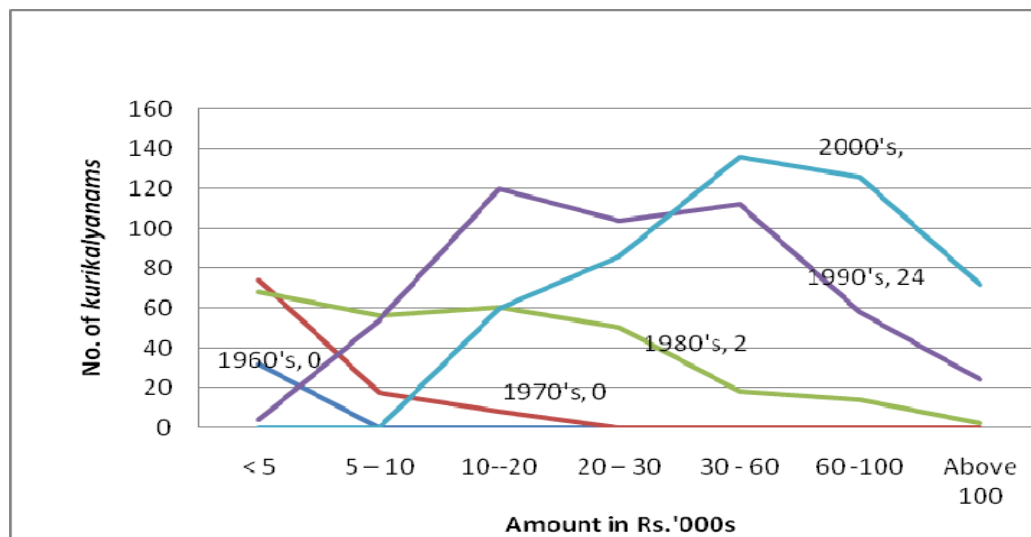
**Distribution of *Kurikalyanams* by the amount mobilized in various decades**

Amount (in Rs. '000s)	Number of <i>Kurikalyanams</i>					
	1960's	1970's	1980's	1990's	2000's	Total
< 5	32	74	68	4	0	178
5 - 10	0	18	56	54	0	128
10 - 20	0	8	60	120	60	248
20 - 30	0	0	50	104	86	240
30 - 60	0	0	18	112	136	266
60 -100	0	0	14	58	126	198
Above 100	0	0	2	24	72	98
Total	32	100	268	476	480	1356
Average ( Rs)	1546	3725	18683	38624	64542	40409

Source: primary data, 2006

Graph 4.18

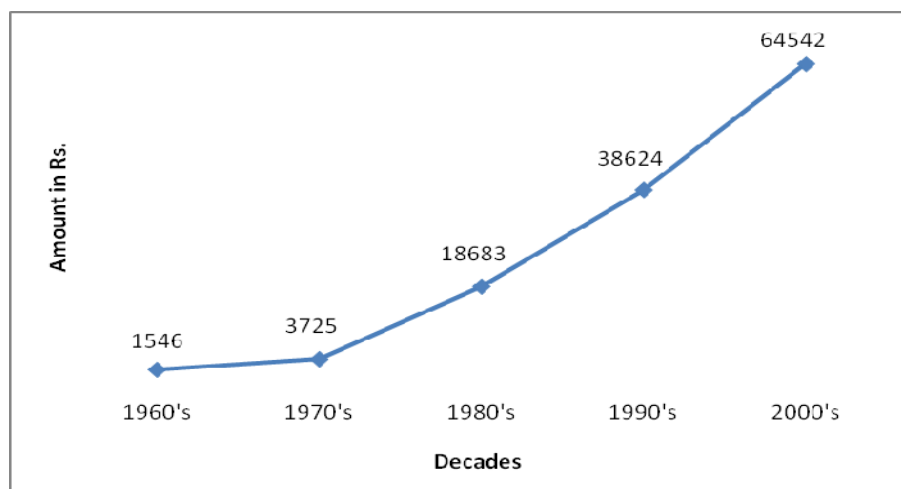
**Amount mobilized in various decades**



Source:- Table 4.33

Graph 4.19

**Average amount mobilized by *Kurikalyanams* in various decades**



Source:- Table 4.33

The total amount collected through *Kurikalyanam* is a major concern. The total amount means the sum of the amount collected by each participant through all the *kurikalyanams* conducted by him in his life. The total amount received ranges from 10,000 to 7 lakhs (Table 4.34)

Table 4.34

**Total amount mobilized by each participant from all *Kurikalyanams***

Total amount (Rs.'000)	No of participants	Per cent
Less than 40	34	11
40 – 80	46	15
80 - 120	60	20
120 - 160	54	18
160 – 200	26	9
200 – 300	32	11
300 – 400	24	8
400 – 600	18	6
More than 600	6	2
Total	300	100

Source: Primary data, 2006

It shows that 73 per cent of the participants had received an amount less than 2 lakhs and 27 per cent have got above 2 lakhs.

It is highly interesting to know the lowest and highest amounts paid or contributed in each programme. Among the respondents some got 25 *paise* and Rs.100 as the lowest and Rs.2 and Rs.5000 as the highest amounts. The lowest amount was Ps.25 and Ps.50 in 1960's, it increased to Rs1 and Rs.2 in 1970's, in 1980's the lowest amount was Rs.2 and Rs.5. It increased to Rs.25 in early 1990's and to Rs.50 in late 1990's, and Rs.100 is the usual lowest amount now-a-days. The highest amount received by a man depends on various factors. The due amount, relation, social status, wealth and income of participant and the purpose of organizing *kurikalyanam* determine the contribution. It is reported Rs.2--5 as the highest amount in earlier decades. In 1970's it was in between Rs.10 and 25. In 1980's, it was Rs.25—200. In 1990's it was in between Rs.200 to Rs.500. In the present decade it is from Rs.1000. Thus it is inferred that the lowest and highest amounts increased in accordance with the decline of money value or the rate of inflation. These amounts are the historical records of standard of living of each period.

The cost of conducting *kurikalyanam* differs on various reasons. If it is conducted at teashops, the cost is less i.e. the price of tea and snacks and a negligible donation to the owner of the shop. If it is conducted at houses more delicious food is to be served, special arrangements to be made, and more people would attend, hence it is costlier. In the case of *kurikalyanam* hall and schools a fixed rent is paid in addition to the cost of food. As there are no intermediaries, neither commission nor other payments be given. The cost also varies according to circumstances. That is, if it is conducted in connection

with marriage or house warming, cost is comparatively higher as there are more people to attend along with those who have accounts. The cost also varies according to period. In earlier decades the cost was less than Rs.100 which is recently around Rs.1000. However, the cost was never very high. The collected data show that the cost varied from Rs.2 to Rs.10000. In 1950's and 1960's the cost was Rs.2,5,10 etc. But in recent years it varies from Rs.3000 to 10000 (Table 4.35).

Table 4.35  
**Cost of Kurikalyanam**

Cost (Rs in 00s)	No. of KK	per cent
<1	114	8
1 -2	66	5
2-5	104	8
5-10	210	15
10 -15	158	12
15-20	110	8
20 - 30	262	19
30 - 50	174	13
50 -100	158	12
Total	1356	100

Source:- Primary data, 2006

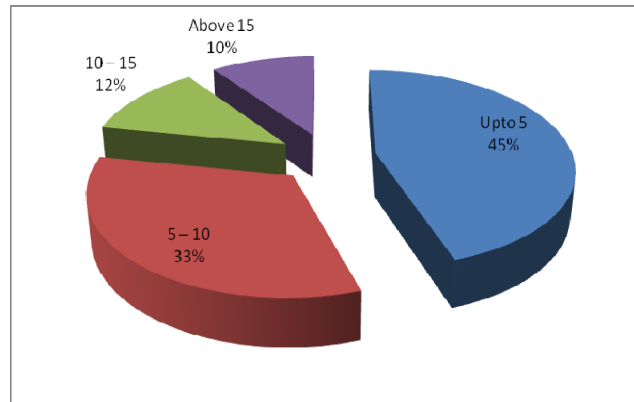
Table 4.36 reveals that in 45 per cent of *Kurikalyanams* the cost is only less than 5 per cent of the amount received and for only 4 per cent the cost is greater than 25 per cent of amount received (Graph 4.20).

### The ratio of the cost to the receipt of *Kurikalyanam* (%)

Table 4.36

Ratio of cost to receipt (%)	Per cent	Cumulative %
Upto 5	45	45
5 – 10	33	78
10 – 15	12	90
Above 15	10	100
Total	100	

Graph 4.20



Source:- primary data, 2006

#### 4.14.3 Correlation analysis

We made an attempt to establish the nature and extend of relation between various variables under *kurikalyanam*.

Firstly we examined the correlation between the year and amount mobilized through *kurikalyanam* and the coefficient is 0.66. As time passes the amount also increases. The influence of inflation, wage hike, decline of the value of money etc. have their impact on the amount mobilized.

Secondly we examined the correlation between the number of members attended (*pully*) and the amount mobilized. It is calculated as 0.6, which explains high positive correlation between the *pully* and amount. As the number of participants increases total amount also increases.

Thirdly we examined the correlation between the cost and amount mobilized. It is calculated as 0.6. As the cost of *kurikalyanam* increases, the amount also increases and vice versa.

One important factor which determines the amount in each *Kurikalyanam* is the contribution made by the organizer to others in their programmes. Usually they get double of their earlier contribution. The data for this can't be obtained.

It is found that the total amount collected is the combined function of period, *pully*, cost and the contributions made by the organizer earlier. A multiple correlation exists between the amounts collected (Y) and the joint effect of the independent variables. The explanatory variables identified are the earlier contribution of the organizer ( $X_2$ ), Year ( $X_3$ ), *Pully* ( $X_4$ ), and cost ( $X_5$ ).

Thus the amount mobilized by each organizer of *kurikalyanam* is a combined function of all known variables and unknown factors.

#### **4.14.4 Purpose of *Kurikalyanam* and utilization of amount**

It is mentioned earlier that usually the *kurikalyanam* is organized to mobilize fund for a certain purpose. A look through the purposes of *Kurikalyanam* organised by each participant (Table 4.37) reveal that majority of them are for the housing purposes (24%). It includes both construction and repair of houses. Our data reveal that 240 house constructions and 90 house repairs are made. Fund mobilising for marriage is another major head (19%). It includes one's own marriage, sister's marriage and daughter's marriage. Another major concern is self-employment or to get a permanent employment and there were 13 per cent cases in this. *Kurikalyanams* were conducted to mobilize fund for the purchase of land also and about 11 per cent participants organized *Kurikalyanam* for this. Eleven per cent *Kurikalyanams* were organized to clear old loans. About 9 per cent *Kurikalyanams* were organised for agricultural and educational purposes as well as for purchasing consumer durable. Other purposes like

medical treatment and well digging are also there. Sometimes it is organized to get the deposited amount without any specific purpose (11%). Ten *Kurikalyanams* were conducted to close their account. They declare that they can't continue with *kurikalyanam* so that they close their accounts by accepting the due amounts only.

Table 4.37  
Purpose-wise distribution of *Kurikalyanam*

Category	Purpose of KK		Utilisation of fund of KK	
	No. of <i>Kurikalyanams</i>	per cent	No. of persons	per cent
House	330	24	200	67
Land	150	11	106	35
Marriage	258	19	168	56
Loan repay	130	10	80	27
Job	180	13	114	38
Agriculture	10	1	8	3
Durables	102	7.5	82	27
Education	8	.5	8	3
Saving /asset	144	11	22	7
Others	34	3	4	1
Total	1356	100	792	264

Source:- Primary data, 2006

It reveals that 67 per cent of the used this fund to construct or repair their houses. About 35 per cent persons bought plots of land by using *Kurikalyanam* fund. About 21 per cent individuals used the amount to start or to improve the business, which is the livelihood of these people. Another 14 per cent persons used this amount to get a permanent job or to start a self-employment. Again 3 per cent of them used this amount to take off to the Arabian countries for a job. Altogether, 38 per cent of our respondents have invested a considerable amount to secure a good career. It can be noticed that the fund of more than one *Kurikalyanam* has been utilized for the same purpose like house construction and procurement of land. About 56 per cent persons

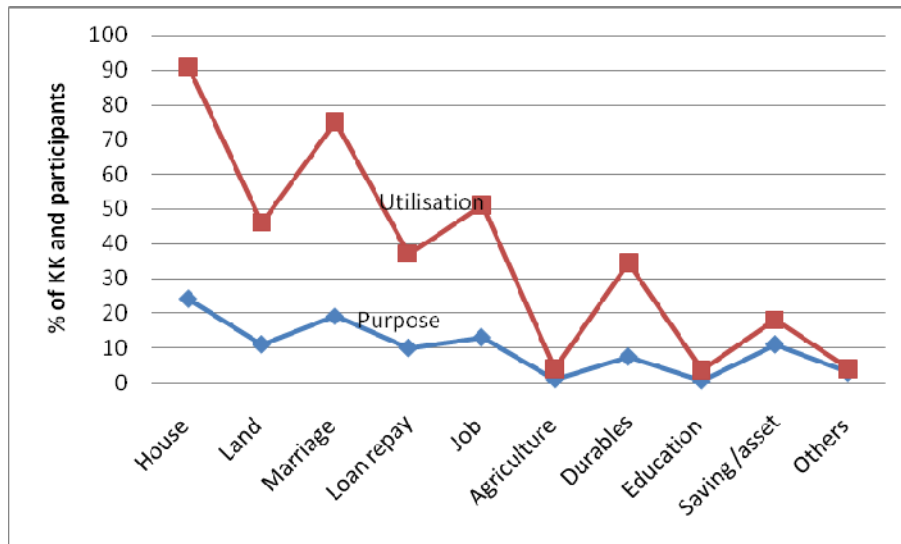
used the *Kurikalyanam* fund for marriage, to buy gold and others. It has a double impact. Primarily many girls got married, and secondly the amount is invested in the form of gold. Nearly 27 per cent used the amount to pay off the old debt and 27 per cent used it to buy consumer durables. Thus the amount is purposefully utilized. During the survey neither the stories of misuse nor the diversion are reported. When we asked whether they could make any asset by using the cash of it, they were unanimous to say that they had succeeded in making financial and physical assets. The land, house, buildings, business shop, gold, vehicle, etc. are some of the assets created by it.

Graph 4.21 gives a comparative picture of the purpose and utilization of fund. It explains that the fund mobilized through *Kurikalyanam* has been utilized very effectively and productively. The number of *Kurikalyanam* organised and the amount utilized are the same for the house construction. In all other cases the percentage of utilization is more than it is aimed. It means though some *Kurikalyanams* were organised without any particular purpose, the amount is utilized with intention. The utilization for education is comparatively high. The amount mobilized for a particular purpose is never diverted and the chance for misusing is very less. Overall, the society acts as the watchdog of utilization of this fund. If anybody misutilises this amount, the society questions it and corrects. As noted earlier, in the case of poor, if the collected amount is not sufficient to meet the purpose, the elders and leaders of the locality help them to mobilise the balance amount. Each respondent could remember for what and how they utilized the amount of each *Kurikalyanam* and for what purpose it was used. The utilization pattern of this fund explains the influence of this system on the society.



Graph 4. 21

**The purpose and utilization of fund mobilized by KK**



Source:- Table 4.37

As the amount mobilized through *Kurikalyanam* is for a specific purpose, an enquiry in to whether the amount was sufficient for that purpose is also of special concern. The enquiry led us to infer that 60 per cent of the amounts collected through *Kurikalyanams* were sufficient for the purpose. These purposes were low range expenditures like making a saving, buying durables, etc. For 30 per cent of *Kurikalyanams* the amounts mobilized were sufficient only to meet more than 50 per cent of the total cost. But for 10 per cent the amount met below 50 per cent of the total cost. Most of these cases are related to house construction, purchase of gold for the marriage of daughters and sisters, purchase of land, etc. It is obvious that big budget expenditures cannot be met by a single *Kurikalyanam* as it brings a limited amount and data show that low cost activities are done by the *Kurikalyanam* alone.

It is interesting to found how they mobilized fund to meet the deficit for fulfilling their needs. Table 4.38 shows that 23 per cent of the participants neither borrowed nor

sold any assets but they completed the purpose by rearranging their income and using other funds. But in 14 per cent of the cases they borrowed from friends and relatives without interest and about 2 per cent took loan from financial institutions. About one per cent sold their assets like gold and land.

Table 4.38  
**The way to meet the balance**

<b>Ways to meet the balance</b>	<b>Frequency</b>	<b>Per cent</b>
Borrowed	192	14
Adjusted	306	23
Loan	30	2
Sold land/gold	8	1
No deficiency	764	56
Made surplus	56	4
Total	1356	100

Source:- Primary data,2006

It is found that most of the *Kurikalyanams* were organized to satisfy the basic necessities of life. They could satisfy their basic needs without having any debt burden or disposal of their limited property. In the absence of such a system, people are forced to dispose their property or are thrown to the hands of money lenders and financial institutions. When we compare the present scenario we can understand the impact and influence of *Kurikalyanam* in the society. Those people could enjoy the fruit of mutual help and could live proudly without any indebtedness. Nowadays, even government employees, with permanent job and income are in life long indebtedness as they depend financial institutions to get money for their emergencies. Thus their peace of mind is cruelly snatched by those who lend them money.

The data regarding the amount mobilized through *Kurikalyanam* provides an overview of its influences and the extent of its monetary impacts upon the society. During the period

1950 to 2006 there is continuous increase in the number of programmes, the total amount mobilized and the average amount per participant. Table 4.39 gives an overall picture about the number of *Kurikalyanam* and the amount mobilized during the last 50 years. It shows that 300 participants altogether received an amount of Rs.5 crores and the average amount is Rs. 21400. The trend of it can be understood from the Graph 4.22. It reveals both the number of *Kurikalyanam* and the amount have an increasing trend and in the later period the rate of growth is very high.

Table 4.39

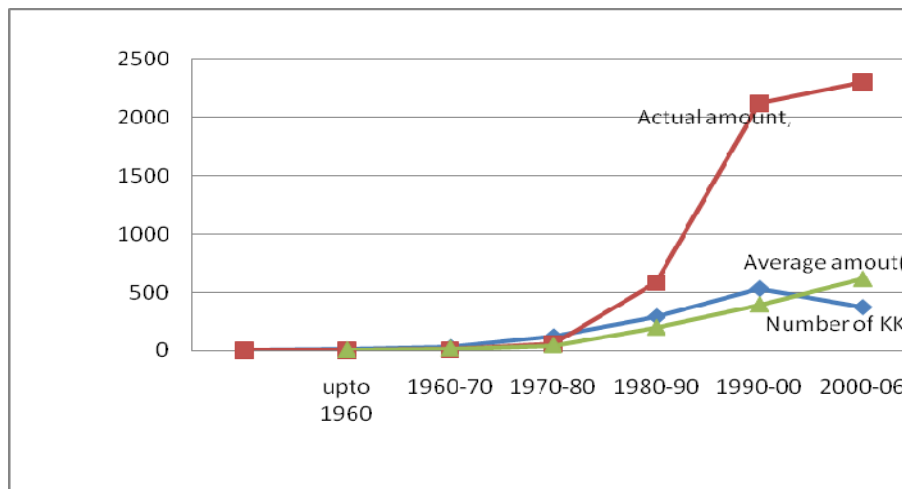
**The Number of *Kurikalyanam* and amount mobilized in each decade**

Period	Number of <i>kurikalyanam</i>	Actual amount (Rs.'0000)	Average amount(Rs.'00)
upto 1960	6	0.4	6
1960-70	28	5.3	19
1970-80	122	57.8	47
1980-90	292	582.5	199
1990-00	534	2114.8	396
2000-06	374	2304.8	616
Total	1356	5066	214

Source:- Primary data, 2006

Graph 4. 22

**The No. of *Kurikalyanam*, Actual amount and average amount mobilised**



Source:- Table 4.39

In fact, *kurikalyanam* excels a banking system as the total transactions accounted for five crores. About 300 individuals mobilized and disbursed such an amount without having any legal support, interest or collateral security. Even before the advent of the banking system the rural people practiced such systems of saving, deposit and investment effectively.

The most important feature of *kurikalyanam* is that there is no cost involved in the financial transaction. Though the modern period is characterised by tremendous growth of financial institutions and financial transactions the debt trap and suicides also increased. Here, *kurikalyanam*, the indigenous system does a great deal to ease the financial crisis of the society. This aspect of *kurikalyanam* emphasizes the need of an alternative set up for financial transaction when many people are being trapped by interest under other financial institutions and are forced to commit suicide.

Another important feature of this system is the volume of money mobilized and utilised. The total amount mobilized by 300 participants is Rs.5 crores during the last five decades which is too surprising. An attempt is made to find the present value of the amount mobilised (Table 4.40).

Table 4.40

**The present value of the amount mobilized through *Kurikalyanams***

Period	Average amt.	Avg wage	Present wage index	Present value	No.of KK	Total PV
upto1960	600	2	100	60000	6	360000
1960-70	1900	8	25	47500	28	1330000
1970-80	4700	20	10	47000	122	5734000
1980-90	19900	63	3	59700	292	17432400
1990-00	39600	125	2	79200	534	42292800
2000-06	61600	200	1	61600	374	23038400
Total					1356	90187600

Source:- primary data, 2006

The Table reveals present value of the amount mobilized. For this, the average amount of *Kurikalyanam* of each period is found. Then, the average wage rate of each period is obtained from the respondents. On the basis of this, 'present wage index' is prepared taking the year 2000 as the base. Then, the average present value for each period is estimated, by multiplying the average amount by wage index. Multiplying the average present value by the number of *Kuri Kalyanam*, the present value of each period is calculated. The sum of all these values is the total present value.

The total present value accounts for Rs. 9 crores while the actual value is Rs. 5 crores only. The present value is 4 crore more than the actual value. If we guestimate 500 such centers in Malabar having 300 participants, the total turnover accounts for Rs.2500 crores. The corresponding present value comprises Rs. 4500 crores. Though there may be deviations in total amount due to variations in the number of participants and number of centers, it gives a snap shot of financial flow. In a period when modern financial institutions and services were not familiar people used to deposit and borrow in these types of indigenous systems.

No welfare schemes of government could provide such a helping hand to the common people. While financial institution extends loan to various purposes to those who has creditworthiness, this system connects all people by giving and taking. The excellence of this system is superb and unblemished and makes us nostalgic of those bygone days and we realize that the practice of *Kurikalyanam* is an inevitable one in the present society where economic inequality, indebtedness, suicide and other hardships are very common.

The economic survey of Kerala for the year 2006-07 reveals that the income of 40 per cent of people has been reduced and the costs of life and burden have been increased. On the other hand the banking system has achieved a significant growth and made profit. These data indicate the increasing economic inequality and concentration of wealth. The socio economic analysis of Kerala Shastra Sahitya Parishat, “*Kerala Padanam*” also reveals the same phenomenon. According to the study, a great inequality exists among various economic groups in terms of per capita income and per capita expenditure. The study reported that 61 per cent of the total households were indebted, and on an average each household was indebted to Rs.44310 (Table 4.41).

Table 4.41

**The debt of the household of Kerala during the last 5 years**

<b>Economic group</b>	<b>Number of Debted Families(%)</b>	<b>Avg debt amount</b>	<b>Ratio to family income</b>
I (very poor)	60	14496	13
II (poor)	66	26449	13
III ( lower middle class)	61	53289	15
IV (upper middle class	50	105897	12
Average	61	44310	13

Source: Aravindan,2006: 60

It can be seen that the major heads of indebtedness are marriage, house construction, medical, house repair, employment, purchase of vehicle and land and consumption (Table 4.42). It clearly explains the extent of indebtedness of Keralites. They usually rely on loan to satisfy their basic needs. The average debt of family varies from Rs.24000 to Rupees One lakh according to the purpose of loan. People depend on

a loan of about one lakh and more for employment, purchase of land and house construction, marriage of daughters, medical treatment, house repair and consumption. Usually this extends for ten to twenty five years. One important point to be noticed is that all the heads of debt are identical with the purposes of *kurikalyanam* and with the utilization of fund mobilized through it. This indicates that the participants usually satisfy their major necessities of life through *kurikalyanam* and consequently they could be free from indebtedness. But today when such a humane system was replaced by the interest based banks with all its attractions, people are compelled to approach them.

Table 4.42

**The reasons for debt of Kerala society**

Reason for debt	per cent	Average amount(Rs)
Marriage	20	79017
House construction	18	106539
Medical	12	34642
House repair	10	36635
Employment	10	101586
Purchase vehicle	5	111380
Purchase land	4	106558
Consumption durables	2	24352
Various other heads	1	188098
Miscellaneous	19	55018

Source: Aravindan,2006: 60

A generalization about the debt status of the participants of *Kurikalyanam* reveals (Table 4.21) that there is dramatic fall in indebtedness among them. Almost 68 per cent of them have no debt at all, whereas 8 per cent have only a nominal debt of less than Rs.15000. The analysis also suggests that they were forced to borrow due to

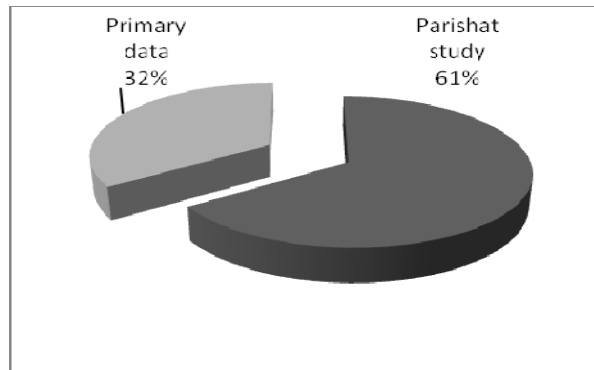
insufficiency of fund mobilized through *Kuri Kalyanam*. It is also found that the average debt of kerala families is Rs.44000 and 61 per cent are indebted. However the corresponding figures among the participants are Rs.22500 and 32 per cent (Table 4.43 and Graph 4.23).

### Debt among Kerala society and participants

Table 4.43

Debt status	KSSP study	Primary data
Avg. debt amount(Rs)	44310	22500
% of debted families	61	32

Graph 4.23



Source:- Aravindan, 2006: 60 and Primary data,2006

### 6.15 *Kurikalyanam*- A poor man's saving

It is interesting to find that almost three fourth of the participants have no accounts with the post office saving schemes, chity finance, welfare board nidies, and also deposits in banks or cooperative societies. People mostly depend on *Kurikalyanam* to make a saving. It is a compulsory saving as they are not free to withdraw from it. Whenever there is *Kurikalyanam* programme they have to attend and pay the amount. It is also considered as the poor man's saving. Most of them are not able to make a surplus and deposit somewhere. But they consider payments in *Kurikalyanam* as part of their usual expenditure. By this they make some saving and deposit in the hands of society. Forty two per cent of them have a deposit of less than 10000 and 57 per cent has a deposit between 10000 and 50000 and one per cent has more than 50000 (Table 4.44).



Table 4.44  
Avenues of saving of participants

Savings	Avenues of saving and percentages											
	Amount in '000s	KK	%	Nidhi	%	Co-p Bank	%	Bank	%	Chity	%	Post office
Nil	0	0	234	78	200	67	266	88	264	88	264	88
1 - 5	86	29	40	13	40	13	6	2	4	1	32	10
5 - 10	40	13	14	5	30	10	10	3	14	5	2	1
10 - 20	108	36	4	1	30	10	2	1	8	3	0	0
20 - 50	64	21	6	2	0	0	2	1	6	2	2	1
Above50	2	1	2	1	0	0	14	5	4	1	0	0
Total	300	100	300	100	300	100	300	100	300	100	300	100

Source:- Primary data, 2006

While looking to their overdependence on *Kuri Kalyanam*, they asserted that *Kurikalyanam* is the most convenient method of saving, deposit and credit. All other schemes are either exploitative or difficult to access. An opinion survey is made in this regard. Their responses are categorized into three heads, Easy and convenient, difficult to access and exploitative. The results are given in Table 4.45.

Table 4.45  
Opinion of participants on the nature of credit of various sources

Nature of the system	Response of the participants									
	Bank		Co-op bank		Nidhi		Chity		Money lender	
	+ve	%	+ve	%	+ve	%	+ve	%	+ve	%
Easy, convenient	108	36	160	53	160	53	40	13	20	6
Difficult to access	180	60	100	33	140	47	200	67	80	27
Exploitative	12	4	40	14	0	0	60	20	200	67
	300	100	300	100	300	100	300	100	300	100

Source:- Primary data, 2006

While all of the respondents opine that *kurikalyanam* is an easy and convenient method of raising fund, only 36 per cent feel that banks are an easy source. Further 60 per cent opine that due to the complex formalities of banks it is beyond the reach of common man. Sixty seven per cent opine that chit funds are difficult in terms of liquidity. Majority of them believe that moneylenders are highly exploitative with high rates of interest. Participants are unanimous that *Kurikalyanam* is the best means of saving and credit. However it is difficult to keep correct accounts and payments in consecutive programmes.

The economic survey of 2006-07 reveals the realities of inequality among kerala people. The KSSP study also throws light in to the deep-seated inequalities of Kerala society. According to the KSSP study top 10 per cent of our society enjoys 41.2 per cent of total state income whereas bottom 10 per cent has only 1.3 per cent and 80 per cent of our people has only 43 per cent of total income (Table 4.46).

Table 4.46

**The income of four economic groups**

<b>Economic group</b>	<b>Families (%)</b>	<b>Individuals (%)</b>	<b>Avg. percapita montly income(Rs)</b>	<b>Avg. family Montly income(Rs)</b>
I (very poor)	14	15	363	1922
II (poor)	32	35	633	3279
III (middle class)	43	41	1344	6050
IV(upper middle class)	11	9	3822	14928

Source:- Aravindan, 2006:68

The Table shows that 46 per cent families and 50 per cent individuals are poor and 43 per cent families and 41 per cent individuals are middle class and 11 per cent families and 9 per cent individuals are upper middle class including rich. Though this reality exists the indigenous finance system serves as a bridge among these groups and helps to reduce this economic divide.

The KSSP study explains that the upper middle class includes school teachers, other govt. employees, business people etc. and the very poor people includes coolie workers, agricultural workers, unemployed, temporary workers etc. The occupational status of participants shows that there are 16 per cent government employees, 24 per cent self employed, 9 per cent business men and 45 per cent coolie workers. This reveals that all economic groups interact and cooperate with each other which results in the free flow of funds among all groups. Thus a huge amount is flowing through various hands in needs irrespective of economic groups and no money is blocked or concentrated anywhere.

In addition to this the KSSP study reveals that the extent of poverty is very high in north Kerala (Malabar). The poverty index is estimated as 0.8 in south Kerala, 0.7 in central Kerala and 1.4 in north Kerala. In contrast to this, the income expenditure statements of the participants give a rough idea that there are only 25 per cent poor, 50 per cent middle class, and other 25 per cent rich. It means the incidence of poverty is comparatively less among the participants. While north Kerala is lagging behind in economic indicators, the participants of *Kurikalyanam* could reduce their burden through it.

The participant's responses were elicited to find the impact of *Kurikalyanam* (Table 4.47). Almost 95 per cent of them opined that this system helped them to improve their saving habit. Some opine that it is a forced saving as they are compelled to pay some times by borrowing. Nearly 98 per cent of them opine this system helps to keep up the social commitment and helping attitude. People find this as a cheap source of mobilizing fund. Ninety nine per cent of them opined that it facilitates zero per cent interest loans. Most of them opined that *Kurikalyanam* helps to amplify communal harmony by synchronizing various people from all religion and caste. One prejudgment about this system was, the argument that it caused the escalation of dowry system. Nevertheless, the response of them was wonderful. 96 per cent of them opined that this system never caused for the expansion of dowry system. Still a 3 per cent opined that it encouraged the dowry system.

Table 4.47

**Evaluation of participants about *Kurikalyanam***

Category	Impact	Response(%)
Experience	Good	100
	Bad	0
Saving habit	Improved	95
	Reduced	5
Social commitment	Increased	98
	Not increased	2
Mobilize fund Without interest	Yes	99
	No	1
Communal harmony	improves	95
	To some extent	5
Dowry system	Encouraged	4
	Not encouraged	96
Bad habit	Encouraged	3
	Not encouraged	97
Any exploitation	Some extend	15
	No	85

As regards to the bad habits like extravagance, misuse of money and criminal activities, 97 per cent opine that it never encourages any while 3 per cent are of the view that it stimulates some bad habits. Responding to the question of exploitation, 85 per cent are of the view that no exploitation is possible in it. In contrast, 15 per cent opined that some exploitation like the non payment prevailed among the clients.

It is very interesting to know how people evaluate this system with regard to its popularity and effectiveness (Table 4.48).

Table 4.48  
**Opinion of participants on hypothesis about *kurikalyanam***

Hypothesis	Opinion	Response in %
A good alternate financial system	Yes	95
	no	5
Solve the financial problem of family	Sufficient	85
	Some extent	13
	Not sufficient	2
Solve the financial problem of region	Sufficient	80
	Some extent	20
	Not sufficient	0
Effectiveness of this system	Very effective	91
	Effective	7
	Not effective	2
Popularity of kurikalyanam	Popular	68
	Declining	32
Kurikalyanam has decayed	Not	66
	Declining	34

Source:- Primary data, 2006

When they were asked whether it could be considered as a good alternative economic system, 95 per cent positively answered since it is an easy means of mobilizing fund and depositing scheme. Almost 85 per cent were of the view that it was sufficient to solve the financial problems of families and locality. Only 2 per cent opined that it was not sufficient to solve the problems of the family. Ninety one per cent opined that it

was very effective. Answering the question of popularity of this system, 68 per cent opined that the system is still popular and no damage has happened for this. At the same time, 32 per cent of them strongly argue that the system still exist but its relevance and popularity are declining gradually.

#### **4.16 Advantages of *kurikalyanam***

*Kurikalyanam* is a financial adjustment scheme which cuts the roots of exploitation and helps to maintain and strengthen social harmony and economic interactions. It has economic as well as sociological advantages. Some of them are discussed below.

The amount borrowed from the society need not be repaid altogether. It has to be settled within years. One school teacher who mobilized two lakhs five years back for paying the capitation to his school manager, has repaid almost 80 per cent of the fund through *Kuri Kalyanam*. He had enough time to settle it.

The amount borrowed through *kurikalyanam* is not liable to any type of interest. At the time of repayment he has to pay only the capital amount to his client with an addition of new investment. Any way it doesn't bear any interest or exploitation.

As a social institution, *kurikalyanam* is recognized and agreed by all. When one collects money through this in an emergency situation, he never feels inferior to his party or has any sense of borrower's ill feelings. It is neither borrowing nor surrendering.

Borrowing money from others may be considered as degradation, but raising money through this is not bad or irritating. Instead, participating in this social institution is gentleness and decency.

A person requires money for obtaining job, marriage, purchase of land, construction of house, etc. All these needs can be wholly or partially financed by this. The data show that *kurikalyanam* has played a crucial role in financing of these major activities (see 'The life cycle hypothesis of *Kuri Kalyanam*).

Mutual cooperation and social commitment are the part and parcel of *kurikalyanam*, without which such a system can never be existed.

*kurikalyanam* facilitates circular flow of income as every body in the society has to pay in *kurikalyanam*, no balance amount could be kept idle and the surplus income of them is circulated through the hands of the needy people. This reduces the idle accumulation of income, and it is utilized fruitfully.

Under *kurikalyanam*, money is collected to meet some urgent necessities and it is purposefully utilised. Money and *kurikalyanam* are interrelated as both generate each other. Further, the surplus amount cannot be utilized to make more surplus as it has to be paid to the needy on their turn through this. Thus it facilitates for the existence of a need-based economy.

One of the important peculiarities of *kurikalyanam* is that the amount paid has the elements of loan and investment. If one pays Rs.250, Rs.100 is repayment of old due and Rs.150 is loan which will be repaid in due course with an addition of Rs.150 or more. Hence it is considered an investment.

The unwritten laws which are obeyed by all guarantees the stability and sustainability of the system.

Ready cash is an important aspect of this system. If we sell some of our property or assets it takes weeks and months to get the cash. But there is no delayed payment in

*kurikalyanam*. So it can be considered as one of the most important source of ready cash.

Apart from the above, this system encourages people to work hard, to maintain economic discipline and punctuality. *Kurikalyanam* acts as an alternative banking system and a social institution which connects all and bridges the gap between the rich and the poor. This system, can never be annihilated by a single person.

#### **4.17 Limitations of *Kurikalyanam***

*Kurikalyanam* which needs more caution and care in transactions and proceedings has many difficulties. Its disadvantages force the participants to get rid of such a system. Some of the practical problems faced by them are discussed below.

##### **High financial burden in season**

The majority of *Kurikalyanams* are conducted during the season January to May. During this period each man has to pay a big amount almost daily. It is estimated that the amount ranges from 7000 and above annually. It can't be mobilized through daily wage or salary. There people suffer a lot to make both ends meet. As it is expected people may save and keep some money and borrow from others. For average and low income groups, it is difficult to manage the sum needed in the season.

##### **Difficulty of account keeping**

This system exists on the accurate accounts. Everybody has to keep and maintain the actual account book. Being a life long system all accounts should be kept forever. Whenever one pays an amount to some that should be correctly noted, the dues should be correctly calculated. Some people conduct *Kurikalyanam* after a long period, and he



might have paid many times. In this case for to getting the correct due all old documents should be thoroughly searched.

### **Multiplicity of needs**

A man may have many necessities one after the other. Then he can't conduct more *kurikalyanam* to mobilize additional fund for all needs. If he conduct more *kurikalyanam* in a short span, the repayment becomes very difficult. He may be forced to conduct another *kurikalyanam* to pay the *kurikalyanam* amount. A proverb is familiar that ' *payatt koodan payatt nadathuka*' means conduct a *kurikalyanam* to repay its earlier dues. Ultimately it may make one bankrupt.

### **It may lead to despair**

A man conducts *kurikalyanam* expecting an amount for the purpose. If it is not mobilized he becomes unhappy or disappointed. For instance the experience of the shocking fate of Kanarachan pinpoints to that reality (Rasheed K P: 2003). When the marriage of his younger daughter was arranged, *Kurikalyanam* was the only way to mobilize fund. He was confident as he had earlier experiences during the marriage of his elder daughters, and had much deposit in the *kurikalyanam*. As usual he fixed a date, three weeks before the marriage, in the tea shop .....He decorated the venue and arranged food and prepared to welcome the people. Unfortunately, things fell flat, and he missed the target. Not as many people participated as expected; only half of his expected amount was realized. The disappointed Kanarachn was hospitalized due to heart attack and passed away before his daughter's marriage.

### **Time consuming**

To maintain the relation smoothly it needs some hard work. Everything should be done in a proper way. It consumes more time. For a busy man it is not possible to maintain it in a proper way.

### **Devaluation**

If one organizes a *Kurikalyanam* after a long period he gets the payments according to his old transaction. The net value of the fund so mobilized may be lower than that of his deposits as there is fluctuations in the value of currency day to day.

### **Never-ending liabilities and dues**

It is not easy to close and clear all the transactions related with *kurikalyanam*. As long as one continues this transaction, he can't be free easily as he has to check and clear the dues and liabilities. Even after he cuts the transactions he can't be fully free. For long years he has to wait to clear the balance. There are a number of examples of those who couldn't clear all the dues, and after a long period pass on the amount to the successors.

## **4.18 Deterioration of *Kurikalyanam***

Eventhough the *kurikalyanam* is an ideal, indigenious economic set up the practice of it is coming down. The frequency, the number of participants and its supremacy have been reduced due to various factors mentioned below.

### **Economic well being of the society**

The standard of living of people and economic wellbeing of the society have improved due to economic development. Hence they have much money in their hands and need not depend on the indigenious system like *Kuri Kalyanam*. Though lion share of

the society are deprived of resources and money, the general improvement of economy reduced the relevance of the system.

### **Increasing economic disparity among the society**

In spite of some economic development, the disparity between rich and poor are growing alarmingly. The rich are becoming richer and the poor are deteriorating rapidly. Consequently the size of middle class is also very less. In the present context of Kerala it is impossible to have a cooperative financial intermediation among the society. As a result rich need not depend on others to mobilize money and the poor cannot expect a helping hand from the rich. This gap leads to the decline of this system.

### **Withdrawal of rich**

As the rich people need not depend on others to mobilize more money, they started to turn away from participating *Kuri Kalyanam*. This system cannot be sustained by the poor people only. As a result in some areas it is limited to a few hands or disappeared.

### **Easy alternative financing facilities**

The development of modern banking system and popularity of banking habit resulted in depending financial institutions for financial services. Easy credit facilities and substantial growth of financial institutions attracted people to depend more on banks. As the society feels that banking system is more comfortable and easier *Kurikalyanam* habits weakened and enervated.

### **Gulf boom**

Large scale migration during the last few decades resulted in the affluence of monetary resources and absence of bread winner in the family. Both these factors adversely affected the practice of *Kuri Kalyanam*.

### **Decline of social relation**

The precondition for the survival of *Kurikalyanam* is a harmonious and cooperative social relationship. Mutual understanding and co-operation are the life blood of this system. As the modernity spreads, it loosens the strings of intra social relationship. Profiteering and self centeredness overcome the pious and cordial relationship. Consequently the survival of *Kurikalyanam* fell in to trouble.

Failure in mutual trust, disintegration of need based economy , inability of people to repay regularly, complicated procedure and account keeping and change in the pattern of use of money are some other factors fastened the downswing of *kurikalyanam*. The participants have evaluated that the availability of easy alternative sources (60%), improvement in the general economic condition (55%) and attitude of the society are the major reasons for the down swing of *Kurikalyanam* (Table 4.49).

Table 4.49

### **Participants view on the reason for the downswing of *kurikalyanam***

Reason for downswing of KK	+ve response in per cent
Easy alternative sources	60
Improvement in economic condition	55
Gulf boom	37
Attitude of the society	50
More self centered	7
Withdrawal of rich	27
Difficulties of account keeping	30
Built in instability	5
Misappropriation	1

Source:- Primary data, 2006

#### 4.19 Regional comparison

A comparative analysis of the experiences of *Kurikalyanam* in different regions show that there are more similarities and some dissimilarities. As noted earlier, in Kozhikode taluk it is known as *kurikalyanam* while in Koyilandi and Vadamakara taluks it is popular in the name of *panampayat*. The maximum amount collected is more than 2 lakhs in both taluks while it is around one lakh in Kozhikode taluk (Table 4.50).

Table 4.50

#### Number of *Kurikalyanam* and amount in three taluks

Talluk	Amount		Number of KK	Frequency of the amount	
	Lowest	Highest		>1lakh	<1000
	Koyilandi	980	250000	412	18
Vadakara	300	215000	448	74	10
Kozhikode	36	130000	496	8	18

Source:- Primary data,2006

The lowest amount in the three taluks were Rs.980, Rs.300 and Rs.36. It also indicates that 18 participants out of 412 in Koyilandi, 74 out of 448 participants in Vadakara and 8 out of 496 in Kozhikode were able to mobilize an amount higher than Rs.1 lakh. However 32 participants in the three regions could fetch only an amount less than Rs.1000. Table 3.51 reveals a considerable size in the amount mobilized from a *Kurikalyanam* during 1970-2006. In Koyilandi, the lowest amount rose from Rs.980 in 1970 to Rs.16000 during 2000-06; in Vadakara it increased from Rs.300 to 1300 and in Kozhikode it jumped from Rs.130 to 10000. The highest amounts spurt from Rs.2000 to 2.5 lakhs, Rs.35000 to 2.15 lakhs and Rs.2000 to 1.3 lakhs in the three taluks respectively.

The Table 4.52 shows that Kozhikode taluk leads by organizing largest number of *Kurikalyanams* (496). Though all three areas give almost similar trend in Number of *Kurikalyanams*, the periodical analysis gives another picture. In 1970's and 1980's more *Kurikalyanams* were conducted at northern side (202 in Kozhikode, 132 in Vadakara and 112 in Koyilandi) but after 1990 it is the eastern side leads in this (294, 312, 300 respectively). Even though the difference is marginal, it represents the present trend of this system. While *pananampayat* is very actively organized in northern sides of Kozhikode district it is limited to some members and areas in the eastern side. During

1980's and 1990's a remarkable increase in *Kurikalyanam* is observed in all the three taluks (Graph 4.24).

Table 4.51

**Lowest and highest contribution in 3 taluks in different periods**

Area	Koyilandi		Bdagara		Kozhikode	
	Lowest	Highest	Lowest	Highest	Lowest	Highest
Upto 1970	-	-	300	3500	130	2000
1970-79	980	2000	306	17500	360	7500
1980-89	2500	30000	2157	120000	500	30000
1990-99	7500	180000	5845	150000	2000	100000
2000-06	16000	250000	13000	215000	10000	130000

Source:- Primary data, 2006

Table 4.52

**No. of *Kurikalyanam* in various periods in 3 taluks**

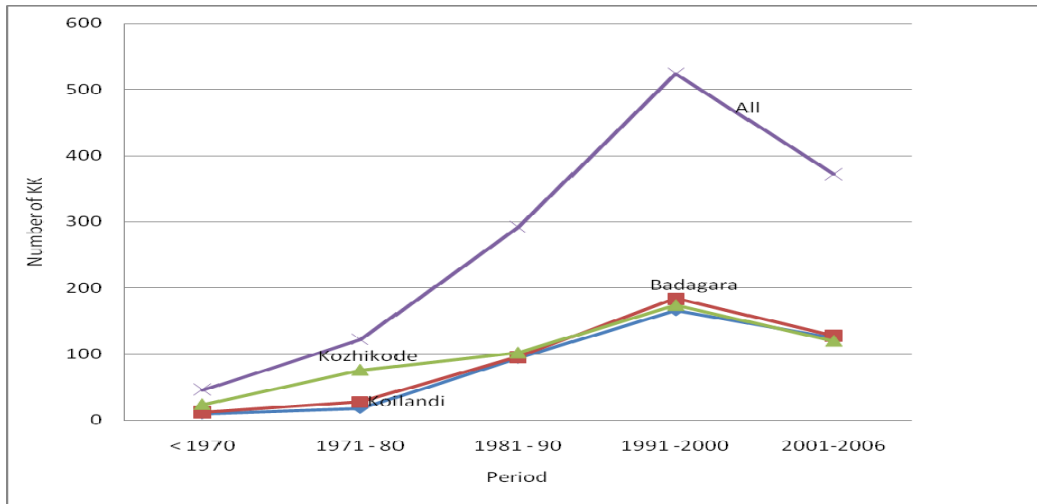
Period	Taluks			All
	Koyilandi	Vadakara	Kozhikode	
< 1970	10	12	24	46
1971 - 80	18	28	76	122
1981 - 90	94	96	102	292
1991-2000	166	184	174	524
2001-2006	124	128	120	372
	412	448	496	1356

Source:- Primary data 2006

Table 4.53 reveals that in Koyilandi, there were 132 *Kurikalyanams* with less than 250 participants. It is 88 *Kurikalyanams* in Vadakara and 252 *Kurikalyanams* in Kozhikode. It more or less similar number of *Kurikalyanams* for the participation between 250 and 500. In Vadakara, there were 110 *Kurikalyanams* with participants of 500-750 persons.

Graph 4.24

**Number of *Kurikalyanam* organized by participants in 3 taluks during 1970-2006**



Source:- Table 4. 59

Table 4.53

**Number of *pullies* in *Kurikalyanam* in three taluks**

Participants	Koyilandi	Vadakara	Kozhikode	All
<250	132	88	252	472
250 -500	236	226	220	682
500 -750	38	110	20	168
> 750	6	24	4	34
All	412	448	496	1356

Source:- Primary data, 2006

The present study proves that a large volume of transaction is possible without having any collateral security or interest. During the last five decades these people have been sharing their money to meet their requirements. The system is completely interest free. The system is structured in such a way that no pre fixed returns are levied on it.

*Kurikalyanam* claims atleast a century's history in the Malabar area. Thousands of families were survived through the benefits of this age old custom of mobilizing a



lump sum amount to meet emergencies in their life. Based on human values and mutual co-operation *Kurikalyanam* brought all the members of a particular locality on one string and thus enhanced economic as well as social well-being of the society. All people irrespective of caste, religion, age and occupation enjoyed the fruit of this by raising a considerable amount at the time of their emergencies. This *Kurikalyanam* based economic set up of a locality discarded the exploitative money lending practice and it facilitated free flow of fund and reallocation of resources. All the participants who are surveyed opine that it is an ideal method for mobilizing fund and maintaining social solidarity. People of such a locality feel self sufficiency and self reliance. The surveyed people alone mobilized around 5 crores during this period. The total amount mobilized by all in Malabar area through *Kurikalyanam* thus account for many crores. All these amounts were utilized for the necessities of life. However, this system has been gradually fading out from the lives of the people. In the face of highly exploitative nature of other financing systems, it is high time to renovate this century old *kurikalyanam* for the uplift of the poor and downtrodden.

**Interest free financial  
transactions-**

**A comparative view**

Interest is the predetermined price paid for the use of savings over a given period of time. Economists have given different definitions to interest. 'Interest is the excess of money paid by the borrower to the lender over and above the principal for the use of the lender's liquid money over a certain period of time. Accepting this broad definition, the practice of interest can be traced back approximately to four thousand years (Jain, 1929). References to the concept such as the counsel against excessive interest can be found in the texts of the Abrahamic religions. During its subsequent history it has been repeatedly condemned, prohibited, scorned and restricted, mainly on moral, ethical, religious and legal grounds. It's most visible and vocal critics can be seen in the religious doctrines of Hinduism, Buddhism, Judaism, Christianity and Islam. Ancient western philosophers and politicians, as well as various modern socio-economic reformers also can be listed here in this context.

Theologians, philosophers, social thinkers, philanthropists public men and economists have been debating the ethics of interest from the time immemorial. The oldest known references to interest are found in ancient Indian religious manuscripts. Jain(1929) provides an excellent summary of these. The earliest of such records derives from the Vedic texts of Ancient India (2000-1400 BC) in which the "usurer" (kusidin) is mentioned at several contexts and interpreted as any lender at interest. More frequent and detailed references to interest payment are found in the later Sutra texts (700-100 BC), and in the Buddhist Jatakas (600-400 BC). It is during this latter period that the first sentiments of contempt against interest are expressed. For example, Vasishta, a well known Hindu law-maker of that time, made a special law which forbade the higher

castes of Brahmanas (priests) and Kshatriyas (warriors) from being usurers or lenders at interest. Also, in the Jatakas, interest is referred to in a demeaning manner: “hypocritical ascetics are accused of practising it”.

By the second century AD, however, interest had become a more relative term, as is implied in the Laws of Manu of that time: “Stipulated interest beyond the legal rate being against (the law), cannot be recovered: they call that a usurious way (of lending)” (Jain, 1929: 3-10). This dilution of the concept of interest seems to have continued through the remaining course of Indian history so that today. It is still condemned in principle. Among the Ancient Western philosophers who condemned interest, Plato, Aristotle, the two Catos, Cicero, Seneca and Plutarch got prominence (Birnie, 1958).

The criticism of interest in Islam was well established during Prophet Mohammed's life and reinforced by of his teachings from the Holy Quran dating back to around 600AD ( Choudhari, 1992). In Islam, the ruling against interest is very clear and final. Almighty God has clearly stated in the Holy Quran, “Those who devour usury will not stand except as stands one whom the Evil one by his touch hath driven to madness. That is because they say "trade is like usury". But God hath permitted trade and forbidden usury. Those who after receiving direction from their Lord, desist shall be pardoned for the past; their case is for God (to judge); but those who repeat (the offense) are companions of the fire they will abide therein (for ever)” (Ali, 1934: 2:275)

Prophet Muhammad strictly warned against interest. Prophet abolished all interest, which the people owed to them. He issued strong instructions that if they persisted in demanding interests, war should be declared on them. He said, “All

Interest on loans taken during the period of ignorance (i.e. Pre-Islamic era) stands abolished. And I abolish all interest on loans advanced by my uncle Abbas". "He who takes interest and he who pays it and the scribler who writes the contracts of interest and he who utilises it will have the curse of the God upon them" (Akram Khan,1992:159-160)

Building on the authority of Bible, the Roman Catholic Church had by the fourth century AD prohibited the taking of interest by the clergy; a rule which they extended in the fifth century to the laity. In the eighth century under Charlemagne, they pressed further and declared interest to be a general criminal offence. This anti-interest movement continued to gain momentum during the early Middle Ages and perhaps reached its zenith in 1311 when Pope Clement V made the ban on usury absolute and declared all secular legislation in its favour, null and void (Birnie, 1958).

Some may be surprised to discover that Adam Smith, despite his image as the "Father of the Free-market Capitalism" and his general advocacy of laissez-fair economics, came out strongly in support of controlling interest (Jadlow, 1977; Levy, 1987). While he opposed a complete prohibition of interest, he was in favour of the imposition of an interest rate ceiling. The great twentieth century economist John Maynard Keynes held a similar position believing that "the disquisitions of the schoolmen [on usury] were directed towards elucidation of a formula which should allow the schedule of the marginal efficiency to be high, whilst using rule and custom and the moral law to keep down the rate of interest, so that a wise Government is concerned to curb it by statute and custom and even by invoking the sanctions of the

Moral Law” (Keynes 1936:351). The modern interest critics like Douglas (1924), Fisher (1935), Simons (1948) and Soddy (1926) proclaim that it is completely wrong and unacceptable for commercial banks to hold a monopoly on the money or credit creation process as they bear no sacrifice or opportunity cost.

## **5.1 Economic impacts of interest**

Interest is unjust and thus inexpedient. It is the destabilizing factor in the economy. It is detrimental to growth and development, a negation of distributive justice and heavily loaded in favor of rich class. It is exploitative in nature and creates a gulf between the rich and the poor. Interest distorts the signaling mechanism of price system through an unjust distribution of reward between the financier and entrepreneur, which brings about misallocation of resources and ultimately slows down the capital formation. Interest mars the development opportunities, causes depression and delays the recovery process. Interest stands in the way of fuller utilization of resources thereby creating unemployment in the society.

It is argued that interest is like double billing. As money a consumable good, for which the ownership passed from lender to borrower in the course of the loan transaction, with the fair price of ‘sale’ therefore being the exact amount of the money advanced. Hence to ask for more in the form of interest was illegal and immoral, “like selling a loaf of bread and then charging in addition for the use of it” (Birnie,1958: 6). Or, as Aquinas intimated in his *Summa Theologiae*, it would be to sell the same thing twice (Ruston, 1993).

Interest is exploitation of the needy as it is evident from this quote: "It is Usury - the rankest, most extortionate, most merciless Usury - which eats the marrow out of the bones of the raiyat [cultivators] and condemns him to a life of penury and slavery" (Jain, 1929: 110-111). Ruston (1993) claims that usury still exists in modern times as exploitation of the needy. "It's like being caught, gotcha, and then they [the banks/lenders] start winding you in". Hence, the poor have to sweat doubly so that the rich might live on interest. Interest acts as a mechanism by which 'the rich get richer and the poor get poorer'. "Interest, by making capital a quasi-monopoly, effectually prevents the establishment of a true competitive system" (Birnie, 1958: 1).

The psychological effect of this on the relatively poor can be seen to be magnified when merely quantitative evaluation of transfers from poor to rich is superceded by consideration of the qualitative cost of such a wealth transfer. For the relatively rich, the utility gain provided by usury is marginal to the already substantial utility of the principal sum. The principle of the diminishing marginal utility of wealth therefore applies to each incremental unit of wealth procured by interest earnings. The poor, however, experience the converse of this. For them, the loss in utility incurred by having to pay interest is qualitatively much greater than the gain to the rich. Each unit of interest paid incurs increasing marginal utility loss. Permitting usury to operate in an economy therefore reduces overall utility in the economy. This must count as one of the strongest arguments against usury.

One major reason to condemning interest is that it is an agent of economic instability. An interest based system is inherently unstable due to lack of synchronization between

enterprise's payment obligations to its financier and its expected receipts (siddiqi:1998). Gesell's (1904) main objection to interest is that it is an endemic factor in the instability of interest-based economies, i.e. the cycles of boom and bust, recession and recovery. Ahmad, arguing from an Islamic perspective, claims "the greatest problem in the capitalist economy is that of the crises [and] interest plays a peculiar part in bringing about the crises" (1958: 36).

Even Keynes, the campaigner for interest-based monetary policy, admits the fact that "the rate of interest is not self-adjusting at the level best suited to the social advantage but constantly tends to rise too high" (1936: 350). Kennedy (1995) is bolder, suggesting that the compounded growth of interest may in fact cause inflation.

Another reason cited for condemning usury relates to the concept and practice of discounting future values. Because compound interest results in an appreciation in invested monetary capital, it is presumed rational for people to prefer having a specified amount of currency now than the same amount some time in the future.

"The theory of interest has long been a weak spot in the science of economics, and the explanation and determination of the rate of interest still gives rise to more disagreement among economists than any other branch of general economic theory" (Haberler,1937:195).

Since in an interest based system funds are provided on the basis of strong collateral and the end-use of funds does not constitute the main criterion for financing, it encourages people to live beyond their means. The rich people do not borrow for productive projects only, but also for conspicuous consumption. Similarly, governments borrow money not only for genuine development programs, but also for their lavish



expenditure and for projects motivated by their political ambitions rather than being based on sound economic assessment. Non-project-related borrowings, which were possible only in an interest-based system, have thus helped in nothing but increasing the size of our debts to an awesome extent.

When business is financed on the basis of interest, it brings injustice either to the borrower if he suffers a loss or to the financier if the debtor earns huge profits. Although both situations are equally possible in an interest based system, there are many examples where the payment of interest has brought total ruin to the small traders. The injustice brought to the financier is more pronounced and much more disturbing to the equitable distribution of wealth.

In India while distress suicide and starvation deaths stalked our rural areas, the number of individual billionaires increased from 71 to 311 during the course of last year. They have a net worth of Rs.364000 crore. At an 8 per cent of interest they would be earning Rs. 29000 crore a month or 80 crore a day (Yachoori, 2006). The villain behind the miserable fate of Waynad district of Kerala is the competition among the financiers with easy loan. The study reveals that the farmers have not been driven to death by poverty but by unbearable debt burden due to excessive rate of interest, exploitation and public humiliation by the hands of loan giving agencies (Kumar, 2004:42). The interest oriented global economic order has created great divide between rich and poor.

## **5.2 A comparison of various finance systems**

A comparative analysis of *Kurikalyanam* with other finance system is done.

### **5.2.1 *Kurikalyanam* and Chit Finance**

Chit finance is one of the oldest forms of indigenous systems. Now it is institutionalized and legalized. There are similarities and dissimilarities between chit finance and *kurikalyanam*. In chit finance a limited number of subscribers are enrolled on behalf of a foreman for a specified period and each pays equal instalments monthly/weekly/daily and the whole amount is given to one who is decided by the lot or auction. In this, collecting cash from many and giving it to one are similar to *Kurikalyanam*. But it differs in many angles. Presence of a foreman, limited number of subscribers, equal instalments and a specified period etc. are exclusive features of chit finance. While chit finance is legalized the other maintains its indigenous form.

### **5.2.2 *Kurikalyanam* and micro finance**

Microfinance is a set of schemes, which provides financial services like credit, micro saving, micro insurance and training in entrepreneurial development. It is a new origin and is getting popularity. As small amounts are collected and micro credit facility exists, it resembles with *Kurikalyanam*. But in its essence, practice and procedures it differs from it. The objective of extending financial credit to as many unbanked borrowers as possible is coming in to conflict with sustainability of microfinance institutions. These institutions are gradually moving towards making microfinance activity a profit venture. In order to improve profitability of MFI, additional costs in the form of margin money, compulsory savings and insurance premium are being imposed on borrowers. Majority of MFI borrowers are poor and illiterate women. They are not expected to understand and realize various financial jargons used by MFIs and their effective cost. The effective interest cost ranges from 30 per cent to 193 per cent per

annum (Mitra, 2005). Fancy terms like membership fee, service charges, flat rate of interest, margin money, savings and insurance are quite confusing.

### **5.2.3 *Kurikalyanam* and interest free institutions**

There are many similarities between *Kurikalyanam* and interest free institutions (IFI). First of all, both these systems are strongly against the interest with all its kinds and categories. Secondly both have an element of solidarity to the fellow being. Thirdly, the cash is not kept idle and it is being circulated among the members of the society according to their needs. Fourthly, both create a social consciousness in the use of money. The deprived and the poor will be protected and helped by the society. Though some similarities exist both *Kurikalyanam* and IFI are different in their nature, structure and practice.

A comparative analysis of *Kurikalyanam* with chit finance, micro finance, interest free institutions and money lenders is done in respect of certain criteria. These criteria are credit facility, terms of credit, amount of loan, saving facilities, returns from savings, investment opportunities, social commitment, transparency, convenience, legal protection, government control, participation of society, chances of exploitation and so on. It is given in the Table 5.1

The table explains the differences in the functioning of various finance systems existing in the society. *kurikalyanam* facilitates credit in need easily, without interest and other formalities. The amount depends on circumstances which never lead to debt trap. It stimulates saving habit, timely returns, social commitment, participation of the society and social security. It lets off the hook of government control, legal protection, link to

any formal set ups, lottery system and exploitation and it is popular in the areas where it is practiced.

Table 5.1

Comparison of various financing facilities

	<b>Criteria</b>	<b>Kurikal yanam</b>	<b>Chity</b>	<b>Micro finance</b>	<b>Interest free institution</b>	<b>Money lenders</b>	<b>Formal sector</b>
1	Credit facility in time	Easy	not easy	easy	easy	easy	Not easy
2	Interest on loan	nil	nil	high	nil	Very high	Mkt. rate
3	Amount of loan	flexible	Fixed/alternative	flexible	limited	depends	depends
4	Debt trap/burden	no burden	no debt	shared	no burden	high	trap
5	Saving habit	Compulsory	Compulsory	Encourages	Encourages	nil	motivates
6	Chance to loss	minimum	exists	no	no	exists	no
7	Investment	low	low	yes	low	No	yes
8	social commitment	full	partial	full	full	nil	partial
9	Legal protection	no	partial	yes	no	no	yes
10	govt. control	no	yes	yes	no	no	yes
11	Link to formal sector	nil	yes	yes	no	no	yes
12	participation of society	full	yes	partial	partial	nil	partial
13	Exploitation	nil	low	nil	nil	yes	possible
14	Insurance	partial	no	group	no	no	depends
15	Popularity	average	high	high	low	limited	high

Source:- Primary data, 2006

For comparative purposes numerical values are assigned for each criteria depends on the easiness of the system which ranges from 3 to -2 in descending order. The Table 5.2 gives a clear picture.

Table No. 5.2

Comparison of various finance facilities (numerical values)

	Criteria	Kurikal-yanam	Chity	Micro finance	Interest free institution	Money lenders	Formal sector
1	Credit facility/in time	3	1	2	1	2	2
2	Interest on loan	3	2	2	3	-2	-1
3	Amount of loan	2	1	2	1	2	2
4	Debt trap/burden	3	3	3	3	-1	-1
5	Saving habit	3	3	3	2	-1	0
6	Chance to loss	2	2	3	3	1	1
7	Investment	1	1	3	1	0	2
8	Social commitment	3	2	3	3	0	1
9	legal protection	0	1	2	1	0	3
10	Govt. control	3	1	2	1	0	0
11	Link to formal sector	2	1	1	0	0	2
12	Participation of society	3	2	3	2	-1	2
13	Exploitation	3	2	2	3	-1	2
14	Insurance	3	1	2	0	-1	1
15	Popularity	2	3	2	1	1	3
	Total	36	26	35	25	-1	19

Source:-Table 5.1

The Table 5.2 proves that *kurikalyanam* is the most convenient and easy finance systems among all other systems. It helps the people to mobilize easy loan with least effort and procedures.

### **5.3 *Kurikalyanam* as an interest free arrangement**

It can be seen that though a large volume of money has been flown through hands of the rural people in their needs it never bears any type of interest. The modern era is characterised by the tremendous growth of financial institution where interest is the keystone. And there is a strong conviction that interest free transactions are utopian. The banking habit has grown and people depend on such institutions to meet their financial needs. Money lenders also provide financial services to its customers. While financial institutions charge a market rate of interest the money lenders extract an abnormal rate of interest. Exploitative interest is honoured and legalised by the modern system.

The analysis of 'economics of *Kurikalyanam*' (4.14) proves that thousands of rupees are transacted through various hands on their needs and for specific purposes. These transactions never involved any rate of interest or collateral security. It also be seen that, it has successfully brought together the saving surplus units and deficit units and it has been continuing for a long period. Hence, it can be confirmed the hypothesis that *Kurikalyanam* is an interest free financial arrangement which promotes the well-being societies who practice it.

### **5.4 Modelling of an interest free financial system**

An entrepreneur plans to undertake a project with capital of Rs. 10 lakhs. The entrepreneur borrows the amount from a financier on specific date at 10 per cent rate of interest. The entrepreneur has to pay Rs. 1 lakh as interest by the end of one year. The entrepreneur is responsible to pay the agreed interest whether the actual profits

are above or below the expected profits. He must pay predetermined amount of interest even if he incurs a loss.

The same transaction can be done in an interest free structure in a more equitable way. Assume that entrepreneur has the same project and approaches the financier. Both the entrepreneur and financier look in to the profitability of the project. Both expect that the project will yield 25 per cent profit during the year. The financier gives Rs.10 lakhs to the entrepreneur and both agree to share the profit in a 40:60 ratio among them respectively. At the end of the year, if the actual profit turn out to be the same as the expected profits then the financier receives Rs.1 lakh in the form of profit share and the entrepreneur keeps the rest i.e. Rs.1.5 lakhs. If the actual profit is more than that of expected rate, the financier gets a higher amount at the same ratio and if it is less than that of expected profit, he receives a lower amount in that ratio. If the business is break-even, the financier gets no return. If the business incurs losses, the losses are taken from the capital and born by the financier.

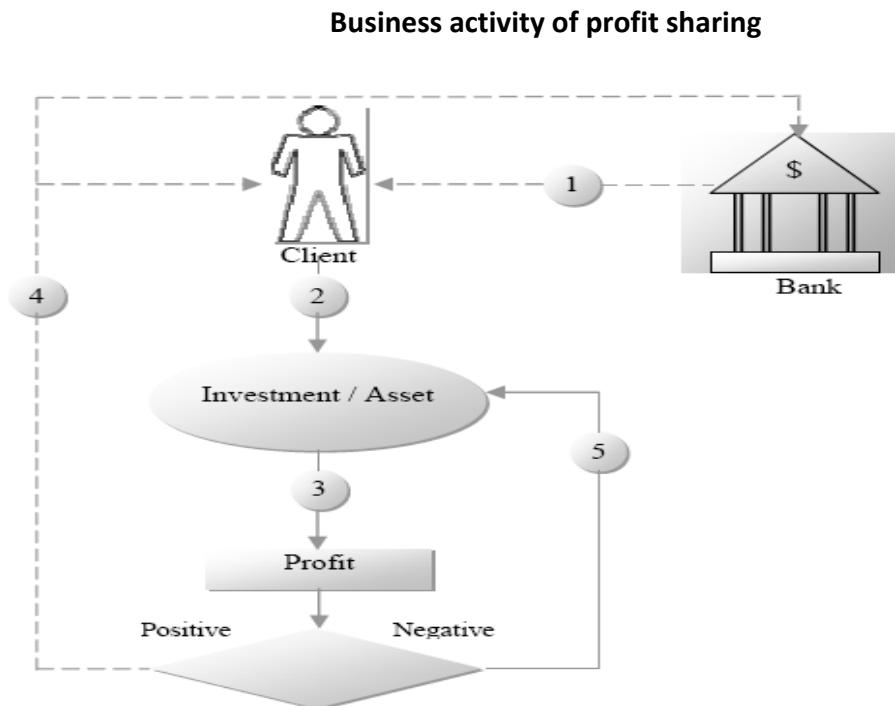
While in an interest based system, the yield for the financier is fixed in advance irrespective of actual profitability, in the interest free system, the actual profit (which cannot be determined in advance) of the project distributed between the entrepreneur and financier on a pre agreed ratio. This procedure ensures the real output growth of the economy and just distribution. It also guarantees the stability, real growth and equity (Siddiqi, 2000).

The above illustration gives a pattern for financial transaction of interest free institutions. They offer a wide range of services in various kinds. Some of them are given below.

### 5.4.1 Profit sharing

One party deposits its capital which the other party uses for trade or investment. If the project is profitable, the profits are shared between both parties in the ratios agreed at the beginning. Clients receive funds from the bank or the financier and manage operations independently. Loss, if any, unless caused by the negligence or violations of the terms is borne by the provider of capital. The illustration is given in diagram 5.1

Diagram 5.1



*Dotted line indicates flow of funds*

- Activity 1:** Bank and Client discuss business plan; Bank provides funds to client towards capital investment;
2. Client sets up the business and manages its operations;
  3. Business generates positive or negative profits;
  4. Profits if positive, are shared between Client and Bank as per a pre-agreed ratio;
  5. Profits if negative, are absorbed by Bank; effectively bringing down the value of the asset created with its investments

Source:- Obaidulla, 2005

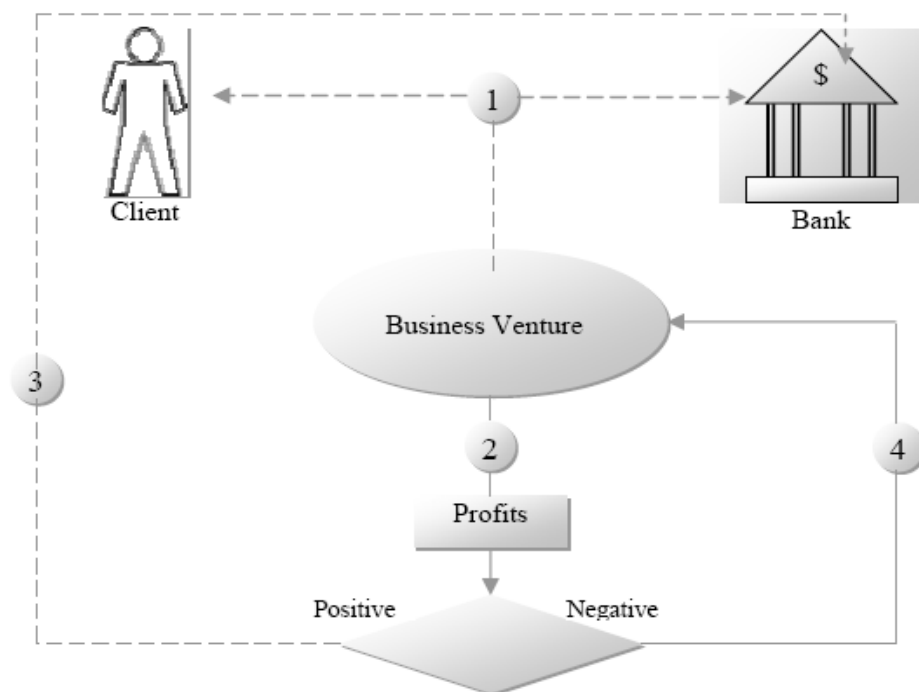


### 5.4.2 Partnership

Under the active partnership bank provides fund which mingles with the funds of owners of the business enterprises. All providers of capital are entitled to participate in management but are not necessarily to do so. Profits are distributed among the partners, strictly in proportion to respective capital contribution. The business activity is presented in diagram 5.2.

Diagram 5.2

#### Business activity of Partnership



- Activity 1: Client and Bank discuss business plan and jointly contribute to capital of the venture;
2. Client and Bank jointly set up the business venture and manage its operations, sharing the responsibilities as per pre-agreed terms; Business generates positive or negative profits;
3. Profits if positive, are shared as per a pre-agreed ratio;
4. Profits if negative, are shared in proportion to capital contributions; effectively bringing down the asset value while keeping their respective shares in it unchanged.

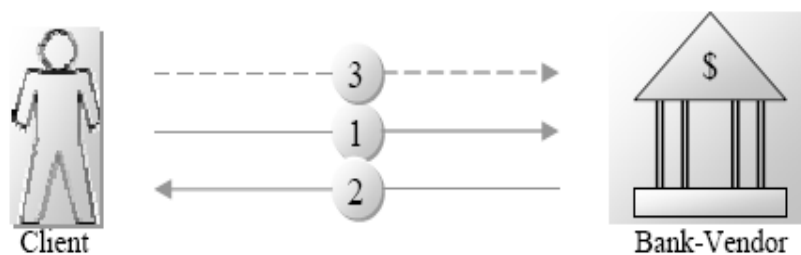
Source:- Obaidulla, 2005

### 5.4.3 Mark up contract

A client wants to purchase an equipment or goods, request the bank to purchase the item and sell them to him at a cost plus a declared profit. And the client pays the price in future as shown in Diagram 5.3.

Diagram 5.3

#### Business activity of mark-up contract



*Dotted line indicates flow of funds.*

- Activity 1. Client approaches Bank-Vendor and identifies commodity, collects relevant information that includes base price and the mark-up;
2. Bank sells commodity, transfers ownership and possession to Client at marked-up price;
3. Client pays marked-up price in full or in parts over future (known) time period(s).

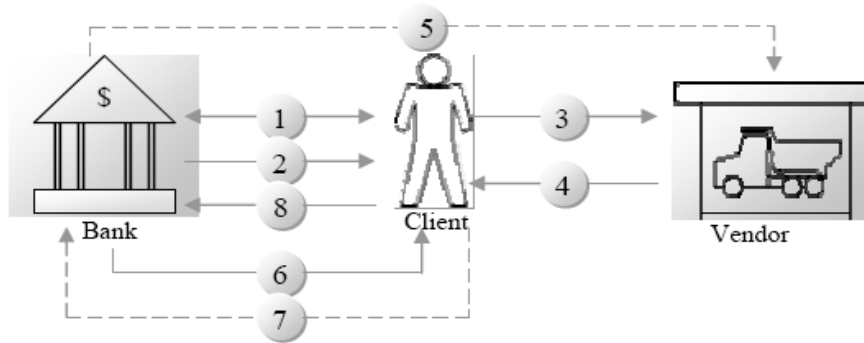
Source:- Obaidulla, 2005

### 5.4.4 Leasing

Leasing is a hire- purchase agreement between a bank and its client. The bank agrees to buy and rent a building, equipment or other facility for the client, together with an undertaking from the client to make periodic payments. By the end of lease period the asset reverts to the bank or the client becomes the owner of the asset, depends on the agreement. It is shown in Diagram 5.4

Diagram 5.4

**Business activity of leasing**



*Dotted line indicates flow of funds.*

1. Activity 1. There is an agreement of mutual promise between Bank and Client whereby the Bank promises to lease and the Client promises to take on lease the asset against predetermined rentals for a definite time period;
2. Bank appoints Client as its Agent;
3. Client identifies the vendor, selects the asset on behalf of the bank and advises its particulars, including the vendor's name and its purchase price to the bank in writing;
4. Vendor makes physical delivery of asset to Agent (Client) of Bank; trained staff from bank oversee the process of client taking physical possession of asset;
5. Bank makes arrangement for payment of purchase price to Vendor;
6. The agency contract comes to an end; Bank leases the asset on the basis of the agreement of mutual promise, transfers possession and right of specified use to Client;
7. Client pays known rentals over future (known) time period(s).
8. Asset reverts back to Bank.

Source:- Obaidulla 2005

These banks provide many other financial services like deposit and borrowing.

One can deposit in these banks on profit loss sharing basis. Then the banks make use of the fund and share the profit among the depositors. Demand deposit schemes, saving

deposits and time deposit schemes are available there. Banks also provide loan for non productive purposes without charging any rate of interest.

## **5.5 Advantages of Interest free Banking and Finance**

Justice and fairness to all concerned was the main feature of a model of financial intermediation whose core was profit-sharing. Interest was essentially unfair because our environment does not guarantee positive returns to business enterprise financed with borrowed money capital. Current practice penalizes entrepreneurship by obliging it to return the principal even when part of it is lost due to circumstances beyond the entrepreneur's control. Justice requires that money capital seeking profit should share the risk attached to profit making. A just system of financial intermediation would contribute to a more equitable distribution of income and wealth.

Interest free finance will foster greater stability as it synchronizes payment obligations of the entrepreneur with his or her revenues. This is possible only when the obligation to pay back the funds acquired from the financier and pay a profit is related to realization of profits in the project in which the funds are invested, as it is in the profit-sharing model. Contrary to this, in the debt-financing model the payment obligations of the entrepreneur are dated as well as fixed in amount. The same is the case with the financial intermediaries; their commitment to the depositors in time and saving accounts is to pay back the sum deposited with interest added. When a project fails and businessman defaults, the financial intermediary must also default with ripple effects destabilizing the whole system. The debt based financial system of capitalism is inherently prone to recurrent crises. This malaise of the capitalist financial system is well discussed by Minsky Hyman (1986).

The linking of depositors' entitlements to the actual profitability of the projects in which their moneys are invested through the services of the financial intermediary, the bank, would almost eliminate the risk of runs on the bank in so far as the investment accounts are concerned. A report or rumour that the bank investments are not doing well will not prompt a rush of withdrawals from investment accounts as depositors could get only what is actually salvageable. Waiting till the situation improves would be a more rational option. Interest free finance is more efficient as it allocates investable fund on the basis of expected value productivity of projects rather than on the criterion of creditworthiness of those who own the projects, as is the case in debt based finance. There is no guaranty that the most promising projects seeking finance will come from the most wealthy and the most innovative may be empty handed. But debt finance would not serve these. It would prefer those who, on the basis of other assets owned by them, would be able to pay back the sum borrowed, interest added, even when the project being financed failed to create additional wealth.

Last but not the least, interest free finance will be less prone to inflation and less vulnerable to gambling-like speculation, both of these being currently fueled by the presence of huge quantities of debt instruments in the market. Debt instruments function as money substitutes while equity-based financial instruments do not. And speculators find it much easier to manipulate debt instruments than those based on profit-sharing. In the case of productive loans the borrower may sometime lose, yet interest based lending obliges him/her to repay the principal plus interest. Some time the borrower may reap huge profits, yet the lender gets only the stipulated rate of interest which is usually a very small part of the actual profits.

Modern researches have shown that interest has bad consequences for the economy. It results in inefficient allocation of society's resources. It contributes to the instability of the system. Also, it increases the inequality in the distribution of income and wealth as it guarantees a continuous increase in the moneys lent out, mostly by the wealthy, and puts the burden of bearing the losses on entrepreneurs and, through loss of jobs, the workers. Interest free economics research has shown that the economic system can function without interest. A system using profit-sharing modes where possible and trade based modes, e.g. mark up contract, leasing, etc. where necessary, will be more equitable, more efficient and more stable than the current interest based system. In the case of consumption loans, if it is for food, drinks, clothing, etc. necessary for survival, charging interest violates the nature of social life which requires cooperation, care and help of the needy by the well to do. If the loan is for consumer durables aiming at increase in efficiency, mark up contract provides a safer, better way of financing than interest based lending.

The claimed advantages of the Interest free banking approach to finance are that it results in: more just and equitable distribution of resources; more responsible and profitable lending due to the necessarily closer bank-client relationship; less volatile business cycles; and more stable banking systems (Taylor& Evans, 1987); as well as "the relative efficiency of the interest-free money system over the alternative interest-based system" (Darrat, 1988). The strict directions of Islam against interest motivated people especially the Muslims to establish interest free institutions. There are number of mainstream interest free banks functioning all over the world. Such banks are also known as 'Islamic Banks'.

To conclude, the practice of interest was severely condemned by all societies. It is only the greed of human mind that advocates interest as a method of thriving. Shakespear's Shylock represents the dirty face of greed and selfishness. Interest is an evil with social as well as economic consequences. It is an unjust practice which aggravates inequality. It dampens the economic development and destabilizes the economy. To maintain a peaceful equitable society interest should be eliminated. Interest free finance will foster greater stability, it is more efficient, less prone to inflation and it ensures more just and equitable distribution of resources. The indigenous finance systems like *Kurikalyanam* provide a model for financial transactions without interest. Based on human values of *Kurikalyanam*, various forms of financial activities can be undertaken. The principles of interest free financial arrangements which are getting great acceptability now can be absorbed for the purpose. Thus the hybrid of interest free financial institutions and *Kurikalyanam* will provide an ideal model for healthy financial flow in our society.

**CHAPTER SIX**

**SUMMARY AND CONCLUSION**



Human society is a social entity and the co-operation among its members is inevitable for its existence. Man needs financial assistance for various reasons and the existing financial system facilitates the transfer of funds from savings surplus units to savings deficit units. It is a fact that most of all the financial institutions based on interest have the element of exploitation and the people who once visited such institutions are under the hidden trap of their business. The interest based financial institutions have widened the gap between the rich and the poor and they have a crucial role in the economic tragedy of the poor. In the economic history of human society, we see numerous financial adjustments based on human values and cooperation. Rotating Savings and Credit Associations(ROSCA), Chit Fund, Micro finance, *Kurikalyanam* and other Interest Free Financial Institutions are some of them. Such financial systems coordinated surplus units and deficit units and offered a cordial and equitable social structure which eased economic development.

The informal financial institutions like chit funds and money lenders failed to flourish in Malabar area due to various reasons. One of such reasons may be the active functioning of other indigenous systems like *kurikalyanam*. Therefore, the study of *kurikalyanam* is much relevant and useful.

For long years, it has been in existence in Malabar and almost all of the economic as well as social activities of the people of that region are influenced by it. However, with the onslaught of modern financial institutions, the systems like *kurikalyanam* receded to the background. Now we see only the relics of this system, which once was all-pervading. Nevertheless, it has not disappeared completely in the debris of the past. It still acts as a source of consolation in this interest-ridden financial set up. All modern

financial institutions are extending their help generously. But when one receives this help, he becomes under the complete control of these institutions and the repayment of the loan will be a lifelong process. And in case he fails to repay, all his assets will be confiscated and he finds refuge in committing suicide. In this God's own country suicides of those who are in debt trap do not get even the proper news value.

Therefore, an alternative is necessary to save the society from the clutches of interest. Here, if we could regenerate the systems like *kurikalyanam* scientifically, it would bring a marvelous change in the present plight of the Kerala society. The evolution and rapid spread of microfinance in Bangladesh and the recognition through the Nobel Prize obtained by Muhammed Yoonus emphasizes this fact. In this context, an in-depth study regarding how far the systems like *kurikalyanam* has helped the bygone societies in their socio-economic field is relevant. The implementation of such a system in the modern society with modification and restructuring also should be looked in to.

The present study analyses how far *Kurikalyanam* can be applied in the modern economy for the betterment of the society. More specifically we look into the nature, trend, impact and revival of *Kurikalyanam* in the economy and society of Kerala.

Though various studies have been conducted on indigenous and informal finance, most of them failed to recognize the financial arrangements based on human values and cooperation. The financial intermediation without interest or other elements of exploitation is out of their consideration. Though *kurikalyanam* and *panampayat* are discussed by some of the scholars they are not comprehensive in their structure, functioning and impact on the society. Hence the present study is a humble attempt to fill this gap.

*Kurikalyanam* is one of such financial systems that emerged and developed in the northern sides of Kerala and more than one century it has been in existence in the Malabar society. It is an ancient financial institution emerged and developed in Malabar. It has historical, economical and sociological importance.

The person who intends to conduct a *Kurikalyanam* informs his friends and relatives the date, time and venue through printed notices or letters. The invitees are served light refreshments. The invitee comes and gives a sum of money to the organizer. In the others' turn he repays the amount along with some additional. Like this, all participants organise *Kurikalyanam* and participate in others' function. Keeping proper records of transactions for future reference is very essential, both the organizer and participants maintain records of money received and paid. The usual season is the summer from January to May. It doesn't have any written rules; still it functions smoothly on strong unwritten rules which guarantee the trustworthiness and sustainability of it.

The financial arrangement through *Kurikalyanam* cuts the roots of exploitation and helps to maintain a harmonious social set up. It mobilizes a lump sum amount without any difficulty. The amount need not be repaid in lump sum. It doesn't have any type of rate of interest. There is no feeling of borrowing. All major activities of households can be financed by this. It encourages social commitment and mutual cooperation. Money is not kept idle instead it flows. It represents a need based economic system. Still it is not devoid of some notable disadvantages like high financial burden in peak season, difficulty in account keeping, multiplicity of needs, devaluation and never-ending liabilities and dues.

All the members of the society are protected and all their needs are satisfied. The responsibility belongs to the society as a whole. When one is in need or in trouble all are there with a helping hand in cash and kind. Neither extreme poverty nor economic dissatisfaction exists in that society. They know the need and deed each other. It is reported that in the areas where *Kurikalyanam* is prevalent the entire life of a man is moulded by it. A man starts his career by organizing a *Kurikalyanam* at his early age. Then onwards he is active in it by paying, receiving money and fulfilling all the basic needs. At the fag end of his life, he concludes all the transactions by clearing the dues and closing the accounts.

The economic as well as natural resources of a rural area are effectively allocated by *Kurikalyanam*. All individuals of that area participate in *Kurikalyanam*. And in one year some of them organize and mobilize a lump sum amount and utilize it for some specific purposes. Others postpone their needs to next years. Thus within a span of three to five years all can organize a *Kurikalyanam* and thus satisfy their needs. Thus the economic uses of scarce resources are realized.

*Kurikalyanam* has played a crucial role in the socio economic sphere of Malabar society. The economic condition of the members of the society, their saving pattern and mode of borrowing are influenced by it. All members of the society irrespective of religion, caste or socio-economic conditions, participate in *Kurikalyanam*. All age group actively participate in it and their age is normally distributed with mean age of 43 years. Almost 92 per cent of the participants are married, most of them have small families. Majority of them have only primary or secondary education. All the participants are employed in one or the other fields and they constitute government employees, retired

employees, self employed, business men, coolie workers and gulf migrants. The land ownership profile shows that the respondents constitute both landless and landlords. Almost 95 per cent participants live in the own houses. The types of house show that 59 per cent are concrete, 37 per cent are tiled and 4 per cent are thatched houses.

The participants of *Kurikalyanam* are scattered in all income and expenditure groups. The combined picture of both income and expenditure proves that the participants of *kurikalyanam* are not concentrated in any particular stratum. There are very poor families, middle class families and rich families. It is very interesting to consider that most of them are not in debt trap. Only a few of them have interest liability due to housing loan of government employees. The data prove that generally the participants of it do not make any considerable savings other than the payments in *kurikalyanam*. Through *kurikalyanam* the saving ratio ranges from 5 per cent to 40 per cent. There is no remarkable asset possessed by them. All these show that in the areas where this system is being practiced all people irrespective of religion, caste and economic background co-operate and participate in it.

The 300 respondents who have been surveyed conducted 1356 *kurikalyanams* altogether. That is on an average each participant has conducted five numbers. Large majorities (83%) of the total participants are very active in *kurikalyanam* and want to continue it for a long period.

The total amount collected by each participant through *kurikalyanam* ranges from Rs. 10000 to Rs.7 lakhs. 300 respondents altogether have collected an amount of Rs.5.1 crores. The present value of total amount accounts for Rs.9 crores. On an average each man has mobilised an amount of Rs.1.7 lakh. The amount mobilized in each

*kurikalyanam* varies from Rs.500 to more than 2 lakhs. The cost of the programme varies from 5 per cent to 25 per cent of the total amount received. The purposes of mobilization of funds are different like house construction, procurement of land, marriage, loan repayment, job, agriculture and accumulation of saving. Usually the programmes are conducted at tea shops, houses and separate halls meant for the purpose. The number of participants varies from 100 to 750.

It is observed that *Kurikalyanam* functions as a poor man's saving and it excels a banking system as the total transactions accounted for five crores without involving any rate of interest. It promotes social welfare and releases the society from the debt burden. It facilitates sharing of available resources and enhances social commitment and communal harmony. *Kurikalyanam* is an effective alternate financial system. It solves the financial problems of families and localities. The amount borrowed from the society through *Kurikalyanam* need not be repaid altogether. Ninety nine per cent of participants opined that it facilitates zero per cent interest loans. The amount paid has the elements of loan and investment. Raising money through this is not bad or irritating and it is recognized and agreed by all. All the needs of a man can be wholly or partially financed by this. Mobilization of ready cash is an important aspect of this system. *kurikalyanam* facilitates circular flow of income and reduces the idle accumulation of income, and it is utilized fruitfully. *Kurikalyanam* encourages people to work hard, to maintain economic discipline and punctuality. *Kurikalyanam* acts as an alternative banking system and a social institution which connects all and bridges the gap between the rich and the poor. This system can never be annihilated by a single person. *kurikalyanam* occupies the structure of a need-based economy.

Almost three fourth of the participants have no accounts with any other deposit schemes. They mostly depend on *Kurikalyanam* to make a saving. It is a compulsory saving as they are not free to withdraw from it. It is also considered as the poor man's saving. But they consider payments in *Kurikalyanam* as part of their usual expenditure. By this they make some saving and deposit in the hands of society.

One important aspect of *kurikalyanam* is its social commitment; nearly 98 per cent of them opine that this system helps to keep up the social commitment and helping attitude. Another important social aspect of *Kurikalyanam* is communal harmony which is amplified by synchronizing various people from all religion and caste. Against the prejudgment 96 per cent of them opined that this system never caused for the expansion of dowry system. It was benefited to realize the dreams of poor girls getting married. Ninety seven per cent opine that it never encourages any bad habits.

*Kurikalyanam* differs from all other finance systems in terms, functions and services and impact. Though the process of collecting cash from many and giving it to one is similar in both *kurikalyanam* and Chit finance, limited number of subscribers, fixed period, equal instalments, and the presence of a foreman and lot system are some exclusive features of chit finance. Microfinance and interest free institutions are also maintain some similarities and dissimilarities with *kurikalyanam*.

In recent times the relevance of *kurikalyanam* is declining. Several factors like economic well being of the society, increasing economic disparity among the society, gulf boom, withdrawal of rich from participating it, alternative financing facilities, decline of social relation, loss of mutual trust, disintegration of need based economy,

inability of people to repay regularly, complicated procedure and account keeping etc. fastened the downswing of *kurikalyanam*.

From time immemorial theologians, philosophers, social thinkers, religious scholars, philanthropists public men and economists have been debating the ethics of interest. Modern economists like J M Keynes, Douglass, and Fischer argue for abolition of interest or lowering its rate to minimum. Interest is unjust and thus inexpedient. It is the destabilizing factor in the economy. It is detrimental to growth and development, a negation of distributive justice and heavily loaded in favor of rich class. It is exploitative in nature and creates a gulf between the rich and the poor. Interest distorts the signaling mechanism of price system through an unjust distribution of reward between the financier and entrepreneur, which brings about misallocation of resources and ultimately slows down the capital formation. Interest mars the development opportunities, causes depression and delays the recovery process. Interest stands in the way of fuller utilization of resources thereby creating unemployment in the society.

The harambee, (“working together for a common purpose”) concept embodies the ideas of assistance, joint effort, mutual self responsibility and community self-reliance. As such, it has been responsible for substantial developments in the provision of basic needs and social service facilities of Kenya. It has brought about near miracles especially in the country-side. The harambee movement stresses working together for the good of the community as a whole and individual person as well.



Resource mobilization theory has presented an alternative interpretation of social movements. A multifaceted model of social movement formation is advanced, for resource mobilization, emphasizing resources, organization and political opportunities in addition to traditional discontent hypothesis (Craig Jenkins.1983).

The rural economy of our country has plenty of resources. The economic needs and financial transactions of our rural economy can be restructured by the resource mobilization theory on the principles of interest free finance and *kurikalyanam*. For that, it requires some changes in the mind set and way of life of the society. Some of them are hereunder.

- Develop a socially committed mind and attitude in the society.
- Share the available resources for the maximization of social welfare.
- Maintain a harmonious and co-operative social structure.
- Treat interest as sin and keep away from giving and receiving it as possible.
- Limit the credit needs as possible.
- Familiarise the smooth functioning of *Kurikalyanam* and practice it.
- Limit the banking facilities only for productive purposes.

Preserving all these values and thus maintaining a cordial social order, the society can implement a co-operative economic order. For this, *Kurikalyanam* can be revived in the following manner.

- Institutionalise *Kurikalyanam* according to the modern requirements.
- Introduce *Kurikalyanam* in all localities as a social bank.
- Set up an agency (an executive body from the public) to take care of it.
- Make rules and regulations for the smooth functioning of *Kurikalyanam*.

- Identify with the rural resources and utilize it.
- Ensure the participation of all members of the society in it.
- Make investment schemes, productive avenues and employment opportunities.
- Generate a mutual fund from the fund mobilized through *Kurikalyanam*.
- The agency considers all the issues like education and health of the society.
- Maintain the trustworthiness among all members.
- Make sure the effective utilization of mobilized funds.
- Organize socio-cultural programmes to ease the tensions in the society.
- Make a pooled fund to meet the emergencies of the members.

The economy based on the principles of interest free finance system like *Kurikalyanam* can function in various forms.

The society accepts *Kurikalyanam* as the prime method of mobilizing fund. A social agency takes up the responsibility of it and enrolls all the members of the society in it. When one member is in need of money the agency undertakes the programme, fixes the date, informs all by a general announcement, arranges it, accepts the cash for him, records the accounts by suitable software and finally hands over the cash and accounts after deducting the operating cost. By this the complexity of account keeping and other procedures can be eliminated. All *Kurikalyanams* can be arranged through this agency in order to maintain suitable gaps between two functions that reduce the financial burden of people.

The society can make an investment mutual fund to undertake the productive activities and share the profit and losses equitably. A certain per cent of the fund mobilized through *Kurikalyanam* can be reserved for this purpose. Various productive ventures like agriculture, industry and service sector can be included in it. This can be on the basis of profit and loss sharing partnership (Graph 5.2).

The social agency can undertake some of the business activities for the society. When one is in need of one consumer durable or an asset the agency can supply it by its own capital at a mark up price. The price can be charged in full or in parts over future time period (Graph 5.3). The agency can procure the asset on behalf of the member and reach in a contract of leasing for a certain time period. When the contract period ends, the agency transfers the possession and right of the asset to the member (Graph 5.4).

All the members of the society can mobilize the fund, invest in productive ventures, and consume any commodity on the basis of mutual co-operation and help. Moreover a sustainable development pattern generates and the fruits of development can be enjoyed by the whole society equitably.

To conclude, *Kurikalyanam*, provides a model of resource mobilisation through mutual co-operation and trustworthiness among the society. The bygone societies of Malabar practiced it for a century and satisfied most of their basic needs. They could reduce the debt burden and kept away the exploitative money lenders. They treated money as a medium of exchange and enjoyed the merits of the humane finance system. *Kurikalyanam* can be revived and modified according to the needs of the time. On the basis of the principle of *Kurikalyanam* a comprehensive finance system can be developed. Reallocate the resources of the society on human values without interest

and channelize it in to the productive sectors by which the society as well as the economy attains the real economic prosperity. Further, *Kurikalyanam* provides a secular mode of finance and a big platform for community living. In the present situation where the human minds are disintegrated, it can help to strengthen the social relation. The social justification of *Kurikalyanam* is that through financial sharing and cooperation, the dream of an egalitarian society can be realized. Hence, this system should be re-emerged everywhere as it was in the historical past to encourage an all 'inclusive society'. For that efforts must be taken by the community leaders.

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Appendix- I  
Questionnaire

**THE IMPACT OF INDIGENOUS FINANCING SYSTEMS ON THE SOCIETY  
A CASE STUDY OF KURIKALYANAM IN MALABAR**

SHAHEED RAMZAN C P.

Dpt. Of ECONOMICS, Dr. John Mathai Centre, CALICUT UNIVERSITY

**Household Questionnaire**

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**I. GENERAL**

Identification code:

Village:                      Ward No. :                      House No.

Name of Respondent:

House address

Religion : Hindu/ Muslim/ Christian/ Others

Caste : FC/OBC/ OEC/ SC/ ST/ Others

**II HOUSEHOLD DETAILS**

Name of Members	Relation	Age	Sex	Marital Status	Education	Occupation	
						Main	Sub

**III HOUSEHOLD EXPENSES (Rs. /Month)**

Items	Amount
Food	
Clothing	
Education	
Medical	
Interest	
Others	
Total	

**IV FAMILY ASSET AND FACILITIES**

Land owned by the family in Acres

Capital assets (Rs.000)

Accumulated Savings (Rs.000)

Ownership of the house : Owned/Rented  
 Type of house : Concrete/Concrete& Tiled/Tiled/Thatched  
 water : Well/Pipe/Panchayat Tap/Public well/ tap  
 Attached Bath Room : Yes/No  
 Electricity : Yes/No  
 Gas connection : Yes/No  
 Vehicles : Two wheeler/ Three wheeler/Four wheeler  
 News Paper : Yes/No  
 Magazines : Yes/No  
 Durables : TV/Fridge/Washing machine/Phone

#### V ECONOMIC STATUS OF THE FAMILY

##### A. Annual Family Income

B.

Source of Income	Amount(Rs/year)	
	Year 1985	Year 2005
Agriculture & allied		
Wage/salary		
Business/trade		
Small industries		
Rent/interest		
Foreign Remittance		
Zakah/Alms		
Kurikalyanam		
Others		
<b>Total</b>		

##### B. Family Savings (Amount/Year)

Kurikalyanam	Nidhi	Bank	chitty	Post office	Others

**C. Debt of the family (as on the date of the survey)**

	Bank	Co-op society	Money lender	Nidhi	Friends & relatives	others
Amount borrowed						
Month and year of borrowing						
Nature of interest						
Purpose of loan						
Type of security						
Duration of loan						
Outstanding due						

**D. Financial assistance from any other sources**

	Year	Agency(Panchayat, Govt.,NGO,Zakaath,others)	Amount	Purpose	Terms	Remarks
1						
2						
3						
4						
5						

**VI A. Details of *kurikkalyanam***

Are you an active participant in *Kurikalyanam*?

In which year you started *Kurikalyanam*?

Do you continue the same?

Reason:

The motivation to participate in *Kurikalyanam* instrument of:- saving/ mobilizing fund/mutual co-operation/help/ social commitment/compulsions/social status

Do you find any difficulty in participating *Kurikalyanam*

Do you keep regular account

No. of *Kurikalyanam* you conducted; details

	1	2	3	4	5	6	7
Year							
Amount received							
No.of participants							
Venue							
Purpose							
Minimum amt. received							
Maximum amt. received							
Was it sufficient for- the purpose							
If not how did you- meet the balance?							
How much you - returned/deposited?							
Asset crated out of KK							
Who is the - intermediary/agency?							
Cost of conducting - <i>Kurikalyanam</i> ?							
Remuneration of the - Agent							

B Details of Chitty/Nidhi

Are you an active participant in *Chitty /Nidhi*

In which you started *Chitty /Nidhi*?

Do you continue the same.

Reason

No. of *Chitty* /Nidhi you participated; details

	1	2	3	4	5	6	7
Year							
Amount received							
No.of participants							
Agency/Institution							
Purpose							
Was it obtained for- the purpose							
Was it sufficient for- the purpose							
If not how did you- meet the balance?							
How much you - returned/deposited?							
No of defaulted - installments?							
No of outstanding- installments?							
Asset created by chity/Nidhi							
Remuneration of the -Agent							

VII. A. GENERAL INFORMATION ABOUT THE *Kurikalyanam*

The year in which *Kurikalyanam* was started in this region

How did it emerge in the locality? ( compulsions/forces)

Is there any organization to co-ordinate *Kurikalyanam*

Is there any legal sanction for it

The mode of operation ( season,advertisement,priorityof purpose,priority of date ...)

Amt. of commission given to the Agent

The criteria of priority to decide *Kurikalyanam* to particular person

- Lot/ Need based/ Rotation/ Discretion of the Agent

Is there any unwritten rules for conducting *Kurikalyanam* ? Explain

The effectiveness of K K -Very effective/effective/not effective

Reason:-

Can anybody conduct *Kuri Kalyanam* more than once in a year, if yes reason?

Do you find any difficulty in repayment? :- Yes/no

Reason:

Could you get return payment without fault? :- yes/no

Explain:

Is there any missing? : Yes/no  
 If yes:- -how much?. -from whom? -reason?  
 Do you continue the *Kurikalyanam*? Yes/no, only for repayment/active  
 Reason  
 If not, have you completed all dues?  
 Is this system sufficient to solve the financial problems of the family?  
 Yes/no/up to some extent  
 Is this system sufficient to solve the financial problems of the locality?  
 Yes/no/up to some extent  
 Why does the system not common/popular at present?  
 Does the Agent misappropriate any amount?  
 If yes, how do you come to know of this?  
 B. Your opinion about alternate sources of financing:-

Source	security	interest	duration	repayment	Paperwork	Delay	Avality esy/dif
Bank Co-op society Nidhi Chitty Interest free loan Money lende Zakah Others							

C. UTILIZATION PATTERN OF MONEY MOBILIZED THROUH *Kurikalyanam*  
 Amount spent on different items

Items	I	II	III	IV
Repayment of arrears(specify) House Gold Marriage Medical Education Business Self-employments Others(specify)				

Was there any habit of overspending/ conspicuous consumption?.

D. Mobilization of funds for major family requirements

Item	Sources	Year	Amount
Marriage of daughter			
House construction			
Gulf travel			
Business/Trade			
Medical treatment			
Education			
Vehicle			
Others			

VIII. Impact of *Kurikalyanam*

saving habit : improved/ not improved/ no change. % of change

unnecessary expenditure : reduced/not reduce/ no change % of change

social commitment- : increased/not increased/ no change

dowry system : encouraged/ not encouraged/ no change

other bad habits : encouraged/ not encouraged/ no change

tool for mobilizing fund without interest Yes/No

is there any chance for exploitation (non repayment, corruption by agent, others)

IX. DECLINE OF *KURIKALYANAM*

Is this system popular now? Yes/no

If no:- the reasons for the decline/disappearance of this system

-gulf boom/easy alternate sources/general improvement of economic condition/

more self centered/mispropagation of money lenders/misappropriation of agents

extravagance by beneficiaries/-withdrawal of rich people from this

Whether *kurrikalyanam* an alternative solution for solving the financial problems of the poor? Yes/No

Reason:-

Remarks of Investigator:

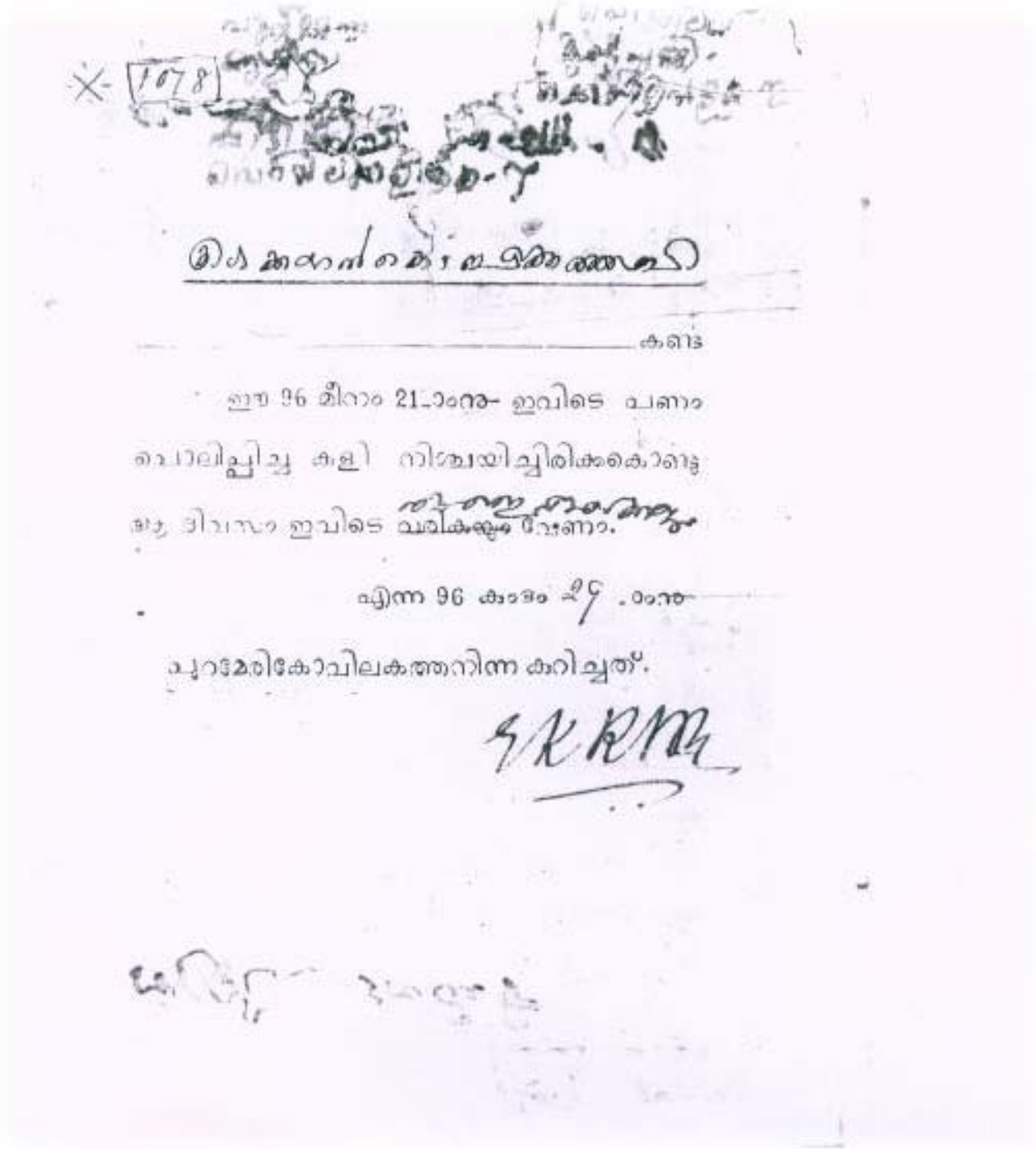
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Date of interview:

Name of Investigator:

Appendix-II

An Invitation letter of Panam polippicha kali In 1921





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**Appendix-IV**  
**Model of Invitation letters**

കാവിൽ

**2003 സപ്തംബർ 15**  
(1179 ചിങ്ങം 30) തിങ്കളാഴ്ച

പകൽ 2 മണിക്കുമേൽ കാവിൽ പള്ളിയന്തകുന്നിൽ വെച്ച് കഴിക്കുന്ന പണംപയറ്റിന് താങ്കളെ ക്ഷണിക്കുന്നു എന്ന്,

**കളരിപറമ്പത്ത് രാജൻ**

കഴിഞ്ഞപയറ്റ്: 1999 മെയ് 31, 1174 ഏടം 17

കണ്ണി കടുത്ത

കാവിൽ

**2005 മെയ് 27**  
(1180 ഏടം 13) വെള്ളിയാഴ്ച

പകൽ 2 മണിക്കുമേൽ കാവിൽ പള്ളിയന്തകുന്നിൽ വെച്ച് കഴിക്കുന്ന പണംപയറ്റിന് താങ്കളെ ക്ഷണിക്കുന്നു എന്ന്,

**എ.സി. ദാസകരൻ**

കണ്ണി കടുത്ത

കണ്ണി കടുത്ത

**2003 മെയ് 2**  
(1178 മൂലം 19) വെള്ളിയാഴ്ച

പകൽ 3 മണിക്കുമേൽ ചാരത്താത്തതാഴെ 'സൽക്കോ' ഭവനത്തിൽ വെച്ച് കഴിക്കുന്ന പണംപയറ്റിന് താങ്കളെ ക്ഷണിക്കുന്നു എന്ന്,

**മാപ്പറ്റ ഉണ്ണിനായർ**

കഴിഞ്ഞപയറ്റ്: 1999 സപ്തംബർ 15 (1175 ചിങ്ങം 30)

കണ്ണി കടുത്ത

കാവിൽ

**2003 ജൂൺ 25**  
(1178 മൂലം 10) ബുധനാഴ്ച

പകൽ 3 മണിക്കുമേൽ കാവിൽ പള്ളിയന്തകുന്നിൽ വെച്ച് കഴിക്കുന്ന പണംപയറ്റിന് താങ്കളെ ക്ഷണിക്കുന്നു എന്ന്,

**തൊടുവയിൽ അബൂബക്കർ**

കണ്ണി കടുത്ത

കാവിൽ

**2005 ഒക്ടോബർ 30**  
(1181 തുലാം 14) ഞായറാഴ്ച

പകൽ 3 മണിക്കുമേൽ കാവിൽ പള്ളിയന്തകുന്നിൽ വെച്ച് കഴിക്കുന്ന പണംപയറ്റിന് താങ്കളെ ക്ഷണിക്കുന്നു എന്ന്,

**പൊറയിൽ ശശി**

കണ്ണി കടുത്ത

കാവിൽ

**2005 മെയ് 27**  
(1180 ഏടം 13) വെള്ളിയാഴ്ച

പകൽ 3 മണിക്കുമേൽ കാവിൽ പള്ളിയന്തകുന്നിൽ വെച്ച് കഴിക്കുന്ന പണംപയറ്റിന് താങ്കളെ ക്ഷണിക്കുന്നു എന്ന്,

**കെ.സി. മാധവ്, കച്ചേരില്ലത്ത്**

" കാവിൽ

കഴിഞ്ഞപയറ്റ്: 2002 മെയ് 24

കണ്ണി കടുത്ത

കാവിൽ

**2003 മെയ് 24**  
(1180 ഏടം 10) ചൊവ്വാഴ്ച

പകൽ 3 മണിക്കുമേൽ കാവിൽ പള്ളിയന്തകുന്നിൽ വെച്ച് കഴിക്കുന്ന പണംപയറ്റിന് താങ്കളെ ക്ഷണിക്കുന്നു എന്ന്,

**വി.പി. അബ്ദുള്ള കാവിൽ**

കണ്ണി കടുത്ത

കാവിൽ

**2003 മെയ് 19**  
(1179 ചിങ്ങം 25) വെള്ളിയാഴ്ച

പകൽ 2 മണിക്കുമേൽ കാവിൽ പള്ളിയന്തകുന്നിൽ വെച്ച് കഴിക്കുന്ന പണംപയറ്റിന് താങ്കളെ ക്ഷണിക്കുന്നു എന്ന്,

**കളരിപറമ്പത്ത് രാജൻ**

കണ്ണി കടുത്ത

കാവിൽ

**2005 മെയ് 27**  
(1180 ഏടം 13) വെള്ളിയാഴ്ച

പകൽ 3 മണിക്കുമേൽ കാവിൽ പള്ളിയന്തകുന്നിൽ വെച്ച് കഴിക്കുന്ന പണംപയറ്റിന് താങ്കളെ ക്ഷണിക്കുന്നു എന്ന്,

**കെ.സി. മാധവ്, കച്ചേരില്ലത്ത്**

" കാവിൽ

കഴിഞ്ഞപയറ്റ്: 2002 മെയ് 24

കണ്ണി കടുത്ത

കാവിൽ

**2003 മെയ് 2**  
(1178 മൂലം 19) വെള്ളിയാഴ്ച

പകൽ 3 മണിക്കുമേൽ ചാരത്താത്തതാഴെ 'സൽക്കോ' ഭവനത്തിൽ വെച്ച് കഴിക്കുന്ന പണംപയറ്റിന് താങ്കളെ ക്ഷണിക്കുന്നു എന്ന്,

**മാപ്പറ്റ ഉണ്ണിനായർ**

കഴിഞ്ഞപയറ്റ്: 1999 സപ്തംബർ 15 (1175 ചിങ്ങം 30)

കണ്ണി കടുത്ത

കാവിൽ

**2005 മെയ് 27**  
(1180 ഏടം 13) വെള്ളിയാഴ്ച

പകൽ 3 മണിക്കുമേൽ കാവിൽ പള്ളിയന്തകുന്നിൽ വെച്ച് കഴിക്കുന്ന പണംപയറ്റിന് താങ്കളെ ക്ഷണിക്കുന്നു എന്ന്,

**കെ.സി. മാധവ്, കച്ചേരില്ലത്ത്**

" കാവിൽ

കഴിഞ്ഞപയറ്റ്: 2002 മെയ് 24

കണ്ണി കടുത്ത

കാവിൽ പള്ളിയാഴ്ച 14-2-02.

1992 ഓക്ടോബർ 4

1167 കുംഭം 21

പകൽ 12 മണിക്കുമേൽ കാവിൽ പള്ളിയന്തകുന്നിൽ വെച്ച് കഴിക്കുന്ന പണംപയറ്റിന് താങ്കളെ ക്ഷണിക്കുന്നു എന്ന്,

**കളരിപറമ്പത്ത് രാജൻ**

കണ്ണി കടുത്ത

കാവിൽ

**1997 ഡിസംബർ 5**  
(1173 വൃശ്ചികം 19) വെള്ളിയാഴ്ച

പകൽ 2 മണിക്കുമേൽ കാവിൽ പള്ളിയന്തകുന്നിൽ വെച്ച് കഴിക്കുന്ന പണംപയറ്റിന് താങ്കളെ ക്ഷണിക്കുന്നു എന്ന്,

**തൊടുവയിൽ അബൂബക്കർ**

കണ്ണി കടുത്ത

Appendix-V-A  
A page of the account book  
Details of collection on Kurikalyanam( 1st page)

1987 ഫിബ്രവരി 27-ാം തീ വള്ളകൽ പഠമ്പത്ത് <sup>3</sup> അമ്മൻപാളി

പഠമ്പറ്റ ക്ഷീര പണം വാങ്ങിയ കണക്ക്.

✕ വള്ളകൽ പഠമ്പത്ത്	കുഞ്ഞാലി പാളി	500 x
✕ പഠമ്പത്ത്	അമ്മൻപാളി	60 x 35
✕ മെൻ. പി.	സൂപ്പി. (P.S.C)	100 x
✕ തിരുവരങ്ങാത്ത്	സലാം	250
✕ തിരുവരങ്ങാത്ത്	മളിർ	250 x 50
✕ തിരുവരങ്ങാത്ത്	കുഞ്ഞാലി	100
✕ പാറേമുക്ക്	ചെമ്പു	75 x
✕ കെ. കെ.	അപ്പു: ടി.പി.	150 x 50 x
✕ നാത്താമുക്കി	അപ്പു: ടി.പി. സൂപ്പി	75 x 50
✕ ഭരതാടത്തിൽ	കുഞ്ഞപ്പുഴ പാളി	150 x 100 x
✕ ൨	ചെമ്പു	50 x
✕ ൨	അലിപാപ്പൻ	25
✕ ൨	അമ്മൻ	100
✕ ചേലവിട്ടിൽ	സൂപ്പി	50 x 25
✕ ചെറിയ പഠമ്പത്ത്	അശ്ര	50 x
✕ കുമ്പുർ	കുഞ്ഞപ്പുഴ	100
✕ മനപ്പിള്ളയിൽ	സൂപ്പി	40 x 15 x
✕ ൨	അമ്മൻ	150 x 100 x
✕ ജ. പി.	കുഞ്ഞമ്മൻ പാളി	25 x
✕ തെരുവകുണ്ടി	ചെമ്പു	25 x 15 x
✕ വള്ളകുണ്ടിയിൽ	ചെമ്പൻ പാളി	100 x 50
✕ അഴ പിടികുണ്ടിയിൽ	അലിപാപ്പൻ	250 x 200 x
✕ കിളങ്ങിപ്പുറം	കുഞ്ഞപ്പുഴ	15 x
✕ പഠമ്പത്ത്	അമ്മൻ കുട്ടി പാപ്പൻ	150 x 100
✕ എ. കെ.	അമ്മൻ പാപ്പൻ	125 x 25
✕ കിഴക്കിൽ	അമ്മൻ പാപ്പൻ	115 x 100 x
✕ തിരുവരങ്ങാത്ത്	അപ്പു: പാളി	50
✕ അരയാകുണ്ടി	ചെമ്പൻ കുട്ടി പാപ്പൻ	110 x 100 x
✕ പണി കൂട്ടിയിൽ	സൂപ്പി	25 x
30 ✕ പണി കൂട്ടിയിൽ	അശ്ര	35 x 10
		3300



Appendix-V-B  
A page of the account book  
Details of collection on Kurikalyanam( 2nd page)

		- 2 -	5
X താഴെപിടികളിൽ	അമ്മൻ	75	x 50
X തറേലകളിൽ	ചന്ദ്രനായർ	35	x 25
X ബി. ഫം.	ബൃഹദാഭ്	50	
X ചിത്രകളിൽ	അമ്മൻ	70	x 50
X വടക്കേക്കൽ	അമ്മൻ	25	
X വള്ളക്കൽ	അച്ഛൻ	50	
X കൂറേരിന്റെ	ചെമ്മൻ	10	
X നായർ വീട്ടിൽ	അപ്പൻ (കുഞ്ഞിൻ)	55	
X പുന്നമ്പലിൽ	പടവൻ അമ്മൻ	35	x 20
X മുഴലി കര മിന്നൽ	ചെറിയ ചന്ദ്രൻ	15	
X ബിട്ടൂരിൽ	കുഞ്ഞമ്മൻ മാപ്പൻ	10	
X അരക്കൽ	അപ്പൻ	25	
X തൊട്ടലിൽ	കുഞ്ഞമ്മൻ	30	x 20
X തെങ്ങലകളിൽ	സുഖി	25	x 15
X പാറേഴ്ച പറമ്പൽ	അപ്പൻ	20	x 10
X തോട തോട്	ചെമ്മൻ	20	x 15
X താഴെ നായർ	പടവൻ അമ്മൻ	25	
X താഴെ	അമ്മൻ	25	
X താഴെ	അമ്മൻ	20	x 10
X ചെമ്മൻ	അമ്മൻ	150	x 100
X ചെമ്മൻ	അമ്മൻ	50	x 25
X ചെമ്മൻ	അമ്മൻ	30	x 15
X അമ്മൻ	അമ്മൻ	55	
X അമ്മൻ	അമ്മൻ	100	x 60
X അമ്മൻ	അമ്മൻ	50	x 15
X മിന്നൽ	അമ്മൻ	35	x 10
X മൂലം	അമ്മൻ	25	
X തോടത്തിൽ	അമ്മൻ	50	x 25
X താഴെ	അമ്മൻ	60	x 25
60 x കുളി ചിലിൽ	അമ്മൻ	50	x 15
		1275	

Appendix-VI-A  
A page of the account book  
Details of repayment ( 1<sup>st</sup> page)

1987 - ഓഗസ്റ്റ് മുതൽ ഡിസംബർ വരെ

		ചെലവിടുകൾ		പിടിച്ചുകൊടുക്കലുകൾ			
27-2-87	കാലാലം	ആശ്രിതം	25x10	15	✓		
28-2-87	ചെലവിലെത്തൽ	അടവുകൾ	50x25	25	✓	✓	
1-3-87	C-H	മുഖ്യ അംഗങ്ങൾ	20x10	10	✓		+
2-3-87	കുടുംബം	ചെലവുകൾ	60x35	25	✓		✓
2-3-87	വകുപ്പുകൾ	ചെലവുകൾ	40x25	15	✓		✓
3-3-87	ചെലവിലെത്തൽ	അടവുകൾ	45x		✓		
		കാലാലം	25x		✓		
5-3-87	ചെലവിലെത്തൽ	അടവുകൾ	75x45	30	✓		✓
6-3-87	അടവുകൾ	അടവുകൾ	40x20	20	✓		✓
6-3-87	ചെലവിലെത്തൽ	മുഖ്യ	25x10	15	✓		✓
6-3-87	C-M	അടവുകൾ	50x25	25	✓		✓
6-3-87	കാലാലം	അടവുകൾ	75x50	25	✓		✓
6-3-87	ചെലവിലെത്തൽ	അടവുകൾ	150x100	50	✓		✓
7-3-87	ചെലവിലെത്തൽ	അടവുകൾ	75x50	25	✓		✓
8-3-87	അടവുകൾ	അടവുകൾ	55x30	25	✓		✓
8-3-87		അടവുകൾ	50x25	25	✓		✓
9-3-87	അടവുകൾ	അടവുകൾ	40x20	20	✓		✓
11-3-87	അടവുകൾ	അടവുകൾ	45x30	15	✓		✓
12-3-87	ചെലവിലെത്തൽ	അടവുകൾ	100x50	50	✓		✓
15-3-87	അടവുകൾ	അടവുകൾ	40x25	15	✓		✓
15-3-87	അടവുകൾ	അടവുകൾ	50x25	25	✓		✓
18-3-87	അടവുകൾ	അടവുകൾ	50x25	25	✓		✓
18-3-87	അടവുകൾ	അടവുകൾ	25x10		✓		✓
20-3-87	അടവുകൾ	അടവുകൾ	90x65	25	✓		✓
24-3-87	അടവുകൾ	അടവുകൾ	20x10	10	✓		✓
25-3-87	അടവുകൾ	അടവുകൾ	30x15	15	✓		✓
28-3-87	അടവുകൾ	അടവുകൾ	40x25	15	✓		✓
29-3-87	അടവുകൾ	അടവുകൾ	50x25	25	✓		✓
	അടവുകൾ	അടവുകൾ	65x40	25	✓		✓
30-3-87	അടവുകൾ	അടവുകൾ	40x25	15	✓		✓
3-4-87	അടവുകൾ	അടവുകൾ	50x25	25	✓		✓
			1585 865 635				



Appendix-VI-B

A page of the account book

Details of repayment ( 2nd page

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ചെങ്കി മുൻ തീറ്റൽ

3-4-87	കിടന്നച്ചേര	ആച്ചി.	25-10x15	✓	
4-4-87	കുടിപ്പുഴയിൽ തിരുത്തലർ-2000		30-15x15	✓	✓
5-4-87	മുണ്ടാലി	കുടിപ്പുഴ	50	X	
7-4-87	മുണ്ടാലിയിൽ തിരുത്തലർ		50-25	25	✓
	കുടിപ്പുഴയിൽ തിരുത്തലർ		50-40	10	✓
9-4-87	കുണ്ടാലിയിൽ	ആച്ചി.	100-50x50	✓	
	കുണ്ടാലിയിൽ	ആച്ചി.	50-25x25		
10-4-87	കുണ്ടാലിയിൽ	ആച്ചി.	40-20x20	✓	
	കുണ്ടാലിയിൽ	ആച്ചി.	30-15x15	✓	
	കുണ്ടാലിയിൽ	ആച്ചി.	10-10x		
	കുണ്ടാലിയിൽ	ആച്ചി.	250-150x100	✓	
11-4-87	കുണ്ടാലിയിൽ	ആച്ചി.	250-200	50	✓
	കുണ്ടാലിയിൽ	ആച്ചി.	40-15	25	✓
	കുണ്ടാലിയിൽ	ആച്ചി.	100-50x50	✓	
	കുണ്ടാലിയിൽ	ആച്ചി.	25	25	✓
12-4-87	കുണ്ടാലിയിൽ	ആച്ചി.	50-25x25	✓	
	കുണ്ടാലിയിൽ	ആച്ചി.	25-10x15	✓	
	കുണ്ടാലിയിൽ	ആച്ചി.	25	10x	✓
14-4-87	കുണ്ടാലിയിൽ	ആച്ചി.	20	10x10	✓
16-4-87	കുണ്ടാലിയിൽ	ആച്ചി.	50-25x25	✓	
17-4-87	കുണ്ടാലിയിൽ	ആച്ചി.	150	100x50	✓
	കുണ്ടാലിയിൽ	ആച്ചി.	20-10x10	✓	
19-4-87	കുണ്ടാലിയിൽ	ആച്ചി.	50-25x25	✓	
	കുണ്ടാലിയിൽ	ആച്ചി.	50-25x25	✓	
20-4-87	കുണ്ടാലിയിൽ	ആച്ചി.	25-15x10	✓	
	കുണ്ടാലിയിൽ	ആച്ചി.	120-70x50	✓	
1-4-87	കുണ്ടാലിയിൽ	ആച്ചി.	50-25x25	✓	
	കുണ്ടാലിയിൽ	ആച്ചി.	225-175	50	✓
2-4-87	കുണ്ടാലിയിൽ	ആച്ചി.	50-25	25	✓
	കുണ്ടാലിയിൽ	ആച്ചി.	50-25	25	✓
3-4-87	കുണ്ടാലിയിൽ	ആച്ചി.	50-40	10	✓