Remittances and the reconfiguration of rural finance in Nepal (1900–1960)

Lekh Nath Paudel
Faculty of Social and Political Sciences, University of Lausanne, Switzerland

Abstract
Remittances have been a crucial component in the lives of Nepali people since the beginning of the 20th century. Despite their importance, remittances only gained the attention of scholars and policymakers towards the end of the century. More recently, remittances have become linked to the global financial inclusion agenda in what has been termed the ‘financialisation of remittances’. This article proposes a temporal and spatial shift to explore the historical antecedents of the financialisation of remittances (1900–1960) and beyond the Global North to focus on the context of rural Nepal. I investigate the role of remittances in the reconfiguration of rural finance and social hierarchies. I propose the concept of ‘debt-reign’ as a political formation that allows to analyse the links between statecraft technologies, debt and caste relations, and remittances. Drawing on document analysis, expert interviews and a focus group discussion, the article shows the transformative power of remittances to bring about: the (re)negotiation of debt relations; an emancipation from debt relations; and the reconfiguration of social hierarchies. Together, these dynamics contribute to a reconfiguration of social power, challenging the domination of certain castes and rural elites and re-stratifying financial and social hierarchies. The analysis also highlights the colonial legacies of remittances that prepared the ground to introduce formal financial infrastructure in rural areas which is fundamental to contemporary financialisation.

Keywords
Remittances, debt, financialisation, colonial legacies, rural finance

Why is a Gorkhali [Nepal] ready to face blackwater fever [a severe form of malaria] in Assam; to become a door-keeper at a Bengali’s; and to become a target of Pathan’s bullet [to die as mercenary in the frontiers of Afghanistan]? This is surprising! it should be. But the hardship Gorkhalis face abroad is nothing compared to abuses they face at the hands of the sahu [money lender] in rural villages, the burden of indebtedness is devastating. Poor men[sic] are haunted by the debt ghost. (Pande, 1987: 231–232)
Introduction

In Nepal, the importance of remittances for the economy and for everyday life since the beginning of the 20th century is such that it has been termed as a ‘remittance economy’ (Seddon et al., 1998). Although remittance inflows have fluctuated over time, they have continued to grow overall, with the largest inflows arriving in rural villages at the end of the First World War when they accounted for more than 10 times the annual national revenue (Pande, 1987). This huge inflow of money has been linked to Gurkha recruitments during British colonial presence in southern and south-eastern Asia until the 1960s. Since 2006, formally recorded remittances sent to Nepal have remained steadily above 20% of its gross domestic product. Though the figure peaked in 2015 at 31.4%, it remained high for 2020 at 24.071%.

Interestingly, this phenomenon did not initially constitute a serious object of inquiry, despite the long-standing importance of remittances for Nepal. There are two notable exceptions; namely, Pande (1987) – who lamented conspicuous consumption, deindustrialisation of traditional industries, and the ‘negative’ cultural impact driven by remittances – and Kansakar, who discussed the productive use of remittances, drawing a direct link to rural development (Kansakar, 1982). It was only towards the end of the 1990s that remittances caught the interest of certain scholars (Seddon et al., 1998) and policymakers who began advocating for their use as a tool for development. More recently, a number of publications and policies have emerged that advocate for the formalisation of remittances and for their use in ‘productive’ investments. They envisage this by the linking of remittances to finance through financial education and financial inclusion projects (Pant, 2008; Shrestha, 2008; Sapkota, 2013). This is embedded in the emergence of what has been termed as the financialisation of remittances (FOR; Hudson, 2008; Datta and Guermond, 2020; Guermond, 2020; Kunz and Ramírez, 2021; Smyth, 2021; Zapata, 2013). Financialisation generally refers to ‘the recent global phenomenon of the growing power and influence of finance in society’ (Kunz et al., 2021). More specifically, FOR refers to global efforts to link remittances to finance; to channel them into formal financial circuits; to promote entrepreneurship and financial infrastructure; and to financially include transnational families (see, Introduction to this special issue). In Nepal, the most salient manifestation of the FOR is in the form of financial literacy education programmes for transnational families, which promote certain debt products while discouraging others. While debt incurred for the sake of investment is highly praised, debt accrued for the necessities of daily life is highly stigmatized (Paudel and Kunz, forthcoming). This currently prominent approach is based upon a neoclassical understanding of problem-solving, whereby remittances are treated as neutral financial flows disembedded from their historical and social context. In so doing, such an approach both obfuscates the social conditions that compel individuals to incur debt for their basic survival, invisibilise certain powers relations and normalises the use of debt for investments. The present article seeks to address these issues by (re)embedding remittances in their socio-historical context. It examines the antecedents of the FOR and the historical role of remittances and their relationship to rural finance. I investigate the co-constitution of debt relations and remittances as well as their joint role in the (re)configuration of social relations in rural Nepal.

My analysis focuses on rural Nepal, in particular the Gandaki Province and Province-1 (1900–1960), which together make up a third of the total territory of Nepal and which featured the largest concentration of remittances at the time. I draw on an extensive review of key scholarly publications, expert interviews and a focus group discussion. I draw on a corpus of two broad categories of publication, the first exposes the emergence of the debt-reign and its caste characteristics (Gaborieau, 1971; Regmi, 1978, 1999, 2011; Bista, 1991; Sharma, 2012; Stiller, 2018). The second highlights the role of remittances in reconfiguring the debt-reign and reconstituting social hierarchies (Pande, 1987; Sagant, 1996; Caplan, 2009, 2014; Subedi, 2012). I also conducted eight expert interviews in 2019 in Kathmandu, including with a retired government official and
member of a debt survey team in the 1940s; three activist leaders who were involved in an anti-debt movement; an anthropologist working on British Gurkha recruitments; and a journalist working on British Gurkha recruitments and its effects. In addition, I carried out a focus group discussion in 2019 in Reading (UK) with former soldiers who served in the British Colonial Gurkha Regiments during the 1950s/1960s and their wives. These interviews and FGD allowed me to collect invaluable insights from an ageing generation (between 85 and 100 years old) who have rich life experiences regarding debt, migration and remittances processes from various perspectives. The combination of documents, interviews, and focus group discussion data serves to draw links between various social phenomena. It also allows to cover perspectives from across the spectrum of rural finance and remittance processes and to cross-check the experiences of migrants and their families with the literature and expert opinions.

In the course of the following analysis, I draw upon, and contribute to, three sets of literature: (1) FOR literature that imbeds remittances in social relations and global inequalities while illustrating the interpolation of remittances, migrants and recipients into the global circuits of finance (Hudson, 2008; Datta, 2017; Guermond, 2018; Kunz, 2018; Zapata, 2018); (2) International political economy (IPE) literature that conceptualises debt as social power (LeBaron, 2014; Roberts, 2014; Roberts and Soederberg, 2014; Soederberg, 2014), and as a ‘technology of power’ that locates the antecedents of contemporary financialisation in colonialism and the slave trade (Chakravartty and Silva, 2012; Dannreuther and Kessler, 2017; Di Muzio and Robbins, 2016; Kish and Leroy, 2015); and (3) socio-anthropological studies on the co-articulation of social relations concerning caste and debt (Rankin, 2004; Guérin, D’Espallier et al., 2013; Harriss-White, 2013; Guérin, 2014; ). My analysis contributes to and moves beyond, this literature in three ways. First, the existing literature on the FOR tends to focus on recent developments and remains disconnected from the historical linkages between remittances and finance. I propose a step back to demonstrate the importance of the socio-historical context and its importance for current debates on the FOR. Second, I contribute to the literature that locates the roots of financialisation in colonialism by analysing how colonial legacies have unfolded in formally uncolonised spaces such as Nepal. Third, my analysis broadens the scope of the existing IPE literature by shifting away from the global North and Anglo-Saxon case studies. In particular, I examine relations of caste – a crucial component of social dynamics in Nepal. Drawing on the socio-anthropological scholarship on caste relations in India, I analyse the transformative power of remittances and the interrelations between remittances, caste, debt, and state formation in rural Nepal. To conceptualise these relations, I propose the relational concept of the ‘debt-reign’ – a political formation that includes relations among the state, the caste system, debt, and remittances in rural areas. This, in turn, allows for a demonstration both of colonial legacies and of the transformative power of remittances, each of which reconfigure governance through debt.

In the ‘Remittances and debt-reign’ section, I present the concept of debt-reign. Section ‘Emergence of the debt-reign’ provides an overview of caste dimensions and the emergence of the debt-reign in rural Nepal before the arrival of remittances. Section ‘Remittances and the reconfiguration of the debt-reign’ identifies three patterns that demonstrate the disruptive, emancipatory and indebting power of remittances as related to financial hierarchies. It also examines the ensuing (re)configuration of debt-reign and the transformation of caste relations. The conclusion highlights certain implications of my analysis for the current debate on financialisation.

Remittances and debt-reign
There is an existing body of literature connecting remittances to debt. Macroeconomic studies linking remittances to foreign exchange reserves suggest that remittances alleviate the situation for the low-income countries in the servicing of national debt (UNDP, 2011). Other studies
linking remittances to debt-led migration and debt-servicing practices examine to what extent they are used for debt repayment, and their impact on saving and borrowing behaviours and so on (Ambrosius and Cuecuecha, 2016; Hassan and Holmes, 2018). These approaches are underpinned by neoclassical assumptions that read remittances as neutral (macroeconomic) flows. A further body of literature, by contrast, looks into the social relations of debt, migration and remittances. A number of these studies disentangle the relations of credit and debt – as well as their connections to the migration cycle – by documenting the ways in which migrants’ debt and credit practices are linked to spatialities and temporalities (Datta, 2012; Datta and Aznar, 2019). Others unravel the ways in which linking remittances to microcredit programmes increased the burden of debt among transnational families (Kunz, 2011). The transformative power of remittances in (re)adjusting debt relations and (re)configuring financial and social hierarchies in societies in the global South, however, has received considerably less attention.

The financial crisis of 2007/2008 gave new life to a long-standing scholarly conversation on conceptualisations of debt across a variety of disciplines.3 Marxian feminist IPE conceptualises debt as a ‘social power’ ‘constituted through historical and contemporary forms of violence and direct coercion’ that ensures class domination (Federici, 2014; LeBaron, 2014; Roberts and Soederberg, 2014: 664). Debt is conceived as a class-based form of power that creates forms of bondage, which enable it to govern property and labour relations (LeBaron, 2014; Roberts and Soederberg, 2014). The disciplinary effects of debt are institutionalised through the legal instruments of the neoliberal state (Roberts, 2014). This serves to undermine class antagonism and individualise workers while weakening resistance to its effects (Federici, 2014). It equally obfuscates gendered forms of inequalities in wages, property ownership, and the division of unpaid labour (Roberts and Zulfiqar, 2019). Hence, class, gendered, racial, and ethnic inequalities are reproduced and perpetuated through debt (Roberts, 2014). This produces extremely exploitative debt-driven forms of accumulation and dispossession that reproduce a cycle of predatory debt relations (LeBaron, 2014; Soederberg, 2014). This notion of debt as social power is well suited to an analysis of wealth and labour relations as governed by debt. It is also very effective at addressing the social dynamics of societies in the global North.

Drawing on this understanding of debt as social power, Di Muzio and Robbins (2016) link debt to colonialism and the rise of national debt. They examine the links between debt and British colonialism as well as the ways in which debt was mobilised in India and South Africa in the 19th century. They understand debt as a ‘technology of power – [a] skill, art, or manner of doing something connected to a form of rationality or logic and mobilized by definite social forces’ (Di Muzio and Robbins, 2016: 7) and trace ‘the role of debt in the emergence and development of capitalist modernity’ that constructed the dominance of finance based in the global North (Di Muzio and Robbins, 2016: 11). The social power of debt is rooted in unequal private ownership in favour of elites that is constituted by virtue of domination over the state apparatus (Di Muzio and Robbins, 2016). This laid the foundation for mobilising ‘tax debt technology’ – ‘the imposition and mobilization of extractive taxation arbitrarily through a coercive state apparatus that imposed debt obligations on the population’ (Di Muzio and Robbins, 2016: 40). This ‘tax debt technology’ works through monetisation – a monetary system enforced by the state. This technology is mobilised by European states to finance wars and was imposed on colonies to ‘fund the savagery of for-profit colonial projects’ (Di Muzio and Robbins, 2016: 51). Specifically, this was achieved through ‘imperial monetization’, that is, whereby the colonial state imposes a monetary system, changing existing money forms to imperial currencies (Di Muzio and Robbins, 2016). As this happened through imposing colonial currency in parts of South Asia, I use ‘colonial monetisation’ hereafter. The tax debt technology’ further consolidated the elite’s control over (colonial) currency through which dominant forms of credit are expressed that perpetuate a network of indebtedness in the (colonised) population. Hence, a permanent flow of labour for landowning elites was created,
which in turn led to the enforcement of wage labour relations and debt-based forms of labour discipline (Di Muzio and Robbins, 2016). This established a (colonial) mode of appropriation and expropriation of land, labour and other resources that transferred wealth from debtor to creditor (Chakravartty and Silva, 2012). This illustrates a complex political formation, in which a minority of elites avail of their domination over state power to impose tax debts thus ensuring control over credit circuits. This enables said elites to mobilise the social power of debt.

For this article, I draw on the understanding of debt as a political formation (Montgomerie and Tepe-Belfrage, 2019: 98) that brings about the social reproduction of indebted subjects and functions as an ‘instrument of power and technology of control in action’ (Antoniades, 2018: 286). Based on this understanding, I propose ‘debt-reign’ as a relational concept that allows us to theorise connections between state formation, multiple social hierarchies, and the mobilisation of debt as a technology of power. Debt-reign’ allows for an examination of the interlinkages between the social power that is imbued in debt, and certain technologies of statecraft, such as monetisation and tax debt. By so doing, this concept thus integrates social power dynamics into the analysis, moving beyond existing analyses that tend to concentrate on financial power dynamics. In the context of Nepal, it is thus crucial to include caste dimensions to fully understand the debt-reign. In the following paragraph, I define caste, before outlining how the concept of the debt-reign allows us to integrate an analysis of caste relations. This conceptualisation is situated within the call for a relational analysis in global political economy. Such an analysis reveals the interconnections among multiple social hierarchies (Peterson, 2003). Furthermore, it helps disentangle social processes and exposes the historical and political construction of seemingly natural social hierarchies (Peterson, 2003).

The caste system has been defined in a number of ways. For Weberians, it is a human hierarchy – *homo hierarchicus* – constituted by the ritual logics of ‘purity’ and ‘pollution’ based on the Hindu religion (Dumont, 1970; Sharma, 2012). This ‘oriental exceptionalism’ is contested by the subaltern approach that defines the caste system as a political order whereby religion and politics intermingle in a community of mutual separation and interdependence defined by the various groups’ relationships with the state (Chatterjee, 1989; Prakash, 1992; Dirks, 2007). For Marxist political economists, it is a system of economic and political domination that is constituted by a monopoly over means of production and political power (Aahuti, 2014; Singh, 2014). They claim that equal ownership of property would ultimately dissolve the caste system (Aahuti, 2014; Singh, 2014). This understanding of caste transposes a European mode of theorising that privileges class and homogenises heterogeneous histories (Prakash, 1992). A closer context-specific examination reveals that power exists in relationality; it interlinks with various forms of social dynamics, such as class, caste, ethnicity, and gender (Prakash, 1992). Drawing on these debates, I define the caste system as a social hierarchy that mediates unequal access to economic, political, and cultural means and ends. This understanding of caste allows us to trace the complex interlinkages between caste and debt in relation to remittances as part of the debt-reign.

Analysing the relationship between caste and debt in the context of South India, researchers claim that caste, along with other social dynamics shape debt relations (Guérin, Morvant-Roux et al., 2013: 3). In turn, ‘debt places people within local networks of wealth distribution while strengthening dependency, clientelism, and patronage’ (Guérin, 2014: 48). Concretely, caste affects access to, and mobilisation of, credit, as well as shaping the terms and conditions of debt relations (Harriss-White, 2013). However, the emergence of creditors from lower caste in rural creditscape withers away domination of specific castes in lending (Harriss-White, 1981 cited in Guérin, 2014). The debt relations within the same caste are less extractive compared to upper to lower castes (Harriss-White, 2013). In the latter case, debt operates as means to control labour force from lower caste (Guérin, D’Espallier et al., 2013: 1157).

In the context of Nepal, researchers have studied the ‘economics of caste’ and illustrated the caste dimensions of economic domination, the division of labour, and land ownership in Nepal
(Cameron, 1995, 1998; Rankin, 2004: 130). These dimensions shape upper caste control over credit circuits, hence debt relations. Studying a Newar community in suburban Kathmandu, Rankin exposes the exploitative nature of debt relations and the dependence of lower on upper castes for credit (Rankin, 2004). For some districts in the Western Plains, studies have shown how debt is mobilised to maintain a particular mode of appropriation that transfers wealth from lower caste debtors to upper caste creditors, thus (re)creating labour bondage (Fujikura, 2007; Hoffmann, 2014, 2018; Maycock, 2020). These same studies also have demonstrated that political struggles and social movements have been crucial for the resistance of debt bondage (Fujikura, 2007; Hoffmann, 2015, 2018).

The caste system interacts with debt to exacerbate inequalities. As such, caste relations are imbued with the social power of debt that accentuates financial hierarchies. Such hierarchies are established by the debt-reign, which renders governance through debt more effective. The debt-reign as a relational concept shows interlinkages among social power imbued in debt, technologies of governance and state processes. In addition, this also reveals connections among multiple social hierarchies, such as financial and caste hierarchies. Thus, this concept allows me to understand the ways in which ‘upper’ caste elites, by virtue of domination over the state apparatus, enforced unequal ownership of land and other resources to constitute financial hierarchy through tax debt and monetisation. This ensured control over credit circuits and enabled those upper elites to cultivate debt relations. Thereby, the conceptualisation of debt-reign allows us to illustrate the ways in which governance occurred through debt before and after the arrival of remittances.

In Nepal, the spectre of debt continues to shape both emigrations from the rural villages (as stated in the opening statement) and the arrival of remittances. Only recently have scholars begun paying attention to the ways in which remittances have shaped social relations of debt and caste. Sunam (2020) contests complacent narratives that posit that transnational migration and remittances contribute to development, exposing the complex ways in which this changes social relations in rural villages (Sunam, 2020). Looking at the first decade of the 21st century, Sunam (2014) illustrates how remittances allowed Dalits to contest and reconfigure caste institutions through destabilising caste-based divisions of labour and investments (Sunam, 2014). In contrast, Hoffmann shows that in the late 1970s and 1980s remittances allowed ‘high’ caste members in Western Terai to reinforce their domination through the purchase of land, thus strengthening the debt-bondage labour system (Hoffmann, 2018). This recent literature shows that remittances act as a force to (re)shape debt and caste relations in complex ways (Sunam, 2014, 2020; Hoffmann, 2018). This article contributes to this literature by proposing a relational analysis of this complex process. The concept of debt-reign, in particular, allows us to conceptualise the influence of remittances on social relations of debt and caste as well as demonstrate their complex transformative power. It provides us with a tool to map the interference of remittances with technologies of governance. In addition, it also helps to reveal connections between financial and social hierarchies and the ways in which they were reconfigured after the use of remittances had been established.

In the next section, I outline the emergence of the debt-reign and its operation in rural Nepal before the arrival of remittances.

**Emergence of the debt-reign**

By 1885, Nepal had been through: (1) a long unification war that brought together a number of statelets into one kingdom (1740–1814); (2) a war against the British colonial conquest of 1814–1816; and (3) continuous power struggles in Kathmandu to gain control over the state. Since unification, the Nepali state has been constituted on the Hindu principle of state and social order (Sharma, 2012). By the mid-19th century, the Hindu notion of social order was inscribed in and governed through the *Muluki Ain* (Hofer, 1979). This ensured the rules of the caste system whereby
people of all castes as well as of multiple ethnic, cultural and linguistic groups were all made inclusive part of it, and ranked in a hierarchy of the high and low’ (Sharma, 2012: 159). For example, non-Hindu ethnicities such as Magar, Gurung, Rai, and Limbus were forcefully brought into the caste hierarchy and classified them as unenslavable Matawalis\(^ 5 \) (Hofer, 1979), later reclassified as the ‘martial caste’ by the British Colonial Administration (BCA). The caste hierarchy ensured a political, cultural, and economic division of labour in favour of the ‘upper’ caste. The high political, military, and administrative ranks were reserved for Thakuri/Kshetri families and religious and judicial roles for those Brahmins who were closest to the regime. The ‘lower’ caste – matawali and Dalits – were marginalised with some exceptions such as Newar merchants, Subba and some other functionaries (Bista, 1991). These state formation processes were also interlinked with economic domination by the ‘upper’ caste elites.

Beginning with the war of unification, land and other resources were confiscated from the resisting elites of former statelets and (re)distributed to the military leaders and proteges in the form of land grants (birta), emoluments for military bureaucracy (jagir) as well as contracts for mining, minting, tax-farming and trade (Stiller, 2018). This redistribution of wealth shaped the emergence of landowning elites from the ‘upper’ caste that controlled credit and other resources, thus allowing them to operate as money lenders and merchants in villages (Regmi, 1999). Regmi (1999) uses the term ‘village elites’ to designate all these groups of functionaries, merchants, landowners, and moneylenders. The ‘village elites’ were not limited to their respective villages, they were also well connected to regional administrative centres (Pande, 1987), for which reason I find the term ‘rural elites’ more accurate. By the mid-19th century, the Nepali state had formed a complex of rural elites and a military bureaucracy consisting of the ‘upper caste’. Within a century, approximately 2% to 5% of the population were composed of beneficiaries of this state complex while the rest of the population remained peasant subjects (Pande, 1987). The latter had to resort to tenant farming and wage or servile labour for everyday subsistence, despite the abundance of land (Regmi, 2011). Appropriation of produce was a continuous source of accumulation for the elites and led to further impoverishment of the peasantry. Consequently, the stratified private ownership of property constituted a multi-layered financial hierarchy in terms of ownership of credit. This inequality in terms of wealth and power established the conditions for social power technology to operate. Although provisions pertaining to debt appeared to be secularised in the Muluki Ain (Gaborieau, 1971), this preserved the inequalities of the caste order that disadvantaged lower castes.

Multiple wars and the emergence of the state in Nepal were extensively financed by the mobilisation of tax-debt technology. Heavy taxes and rents were arbitrarily imposed on almost everything: agricultural produce, forest produce, cattle, households, tributes on royal ceremonies and judicial fines on caste affairs (Bista, 1991). Inability to pay was met with punitive measures such as loss of rights over land, labour bondage, and corporal punishment. By the 1830s, the state had initiated monetisation efforts to ensure stable revenue flows and ease revenue collection methods as well as govern the production and circulation of currency, thus facilitating a uniform monetary system (Stiller, 2018). Hence, by virtue of their domination over the state apparatus, the elites were able to control the limited supply of credit. Furthermore, the corvée labour regimes that had initially been instituted for the purposes of war had been transformed into exploitative privileges for the elites (Regmi, 2011). These obligations transferred the labour force away from the production of goods to satisfy everyday needs (Stiller, 2018). For tenant farmers to meet their tax requirements, for example, they were obliged to sell the share of their produce and borrow from the same Sahu. Writing on this topic, Stiller states:

They [elites] had the capital to make loans or buy grains, and as birta owner they could requisition jhara [a form of corvée labour] labor to transport grains to the market where sales were possible … The villager will find himself [sic] in the position of transporting grains that he himself [sic] had sold to a low
price to the *birta* owner because he *[sic]* had to have the cash to pay taxes and also of seeing that same grain sold for a good profit in a market some days distant from his *[sic]* village. (Stiller, 2018: 301)

Expenses for housing, health, and rituals, as well as the prospect of occasional crop failure together, constituted a heavy burden for the majority of the population, who struggled to pay their taxes and rents. They were frequently forced to turn to rural elites for credit, even for their everyday needs. As a result, the technology of tax debt shaped the emergence of ubiquitous rural debt. In addition to the exorbitant interest rates reaching as high as 200% and which were to be paid in cash and higher in-kinds, potential debtors were also expected to pay additional tributes and labour obligations (Pande, 1987). These debt relations were enacted through mortgaging occupancy, tenancy, and usufruct right of land or livestock (Caplan, 2014). Servicing the debt was thus almost impossible and debts were passed on for generations with knowledge of their exact origins becoming increasingly scarce (Rankin, 2004). In the cases of debtors who were absolutely incapable of servicing the debt, their livestock and mortgaged land were appropriated through foreclosures (Regmi, 2011), further consolidating wealth among rural elites (Sagant, 1996). For many, labour was the only way to service the debt, with many indebted subjects living in virtual serfdom (Regmi, 2011).

In conclusion, caste relations were integral to the Nepali state’s mobilisation of debt to exploit, impoverish and enslave indebted subjects, thus (re)producing social and financial hierarchies in rural areas. More specifically, debt as a technology of power created networks of indebted peoples while also governing: (1) the reproduction of credit through usufruct right, interest, and tributes; (2) the transfer of wealth through foreclosures; and (3) labour through labour obligations and bondages. As a consequence, debt reinforced and reproduced the domination of upper caste rural elites which in turn consolidated state formation. Akin to the haunting debts\textsuperscript{6} of contemporary financialisation, this vicious cycle was the spectre of the debt-reign that haunted rural populations, pushing generations to emigrate despite the hardships typically entailed. Yet the debt-reign was not stable and by the late 19th century dissenting voices were growing louder. Feminist Yogmaya, for example, called for debt cancellation, while spontaneous anti-debt demonstrations were organised in villages (Interview, anthropologist, January 2019, Kathmandu) and peasant movements against debt were organised (Interviews, anti-debt resistant leaders, January 2019, Kathmandu).

**Remittances and the reconfiguration of the debt-reign**

In this section, I discuss the arrival of remittances in Nepal, the links to British colonialism and the ways in which this reconfigured the debt-reign. Amid increasing geopolitical tensions, Gurkha recruitment increased in the last decade of the 19th century. These recruitments peaked during the two World Wars and included more than one-third of the youth population in the country (Pande, 1987). This exodus transformed the ‘martial caste’ into a sort of mercenary who was ‘dependent on the army pay and pensions for what little economic viability they enjoyed’ (Caplan, 2009: 49). By the 1920s, labour migration to British India for various kinds of employment other than military recruitment had increased (Subedi, 2012). Officially, these low paid jobs were open to all castes, yet members of the ‘martial caste’ were seldom present and the resulting division of labour separated migrants in terms of income and shaped remittances accordingly. Following India’s independence, the end of the Second World War and the end of the British colonial wars in Southeast Asia, Gurkha forces and the flow of remittances were drastically reduced (Caplan, 2009).

The remittances sent to Nepal from the military services were colossal (Sagant, 1996). They ‘roughly equalled the total income from all other sources put together’, and were also the major
source of capital to rural areas (Caplan, 2009: 49). To put this in perspective, Pande (1987) estimates that at the end of the First World War:

Those 200,000 Gurkha sepoys in their six to seven years of service ... might have saved at least in an average 500 IRS each. In sum, this could have been 130 million ... This amount was enormous in a country which had annual revenue of few millions [around ten millions]. This was the biggest sum of money entered into Nepal, hitherto. (Pande, 1987: 116)

At the time, remittances were carried in person, as one retired Gurkha veteran recruited in 1955 recounts:

When I went back to Nepal in the first leave, after three years of posting from the forests of Malaya, I had saved some money which I exchanged in a border town for 1900 company rupees (term used for the IRS, British Colonial Currency in India), I had to hire a potter to carry this amount of coins in a metal suitcase. (FGD, retired Gurkha veteran, Reading, UK, June 2019)

Remittances widely circulated the colonial currency to a large section of the population (Pande, 1987). This inflow of colonial currency had three major effects. First, it increased access to currency, particularly for the transnational families of the ‘martial caste’. This weakened the monopoly of rural elites over currency and, by extension, credit. Second, it devalued the already limited money supply in rural societies, stashed as this was by rural elites and to a much smaller extent by non-migrant families (Interview, anthropologist, January 2019, Kathmandu). This caused a weakening in the position of rural elites vis-à-vis the transnational families of the ‘martial caste’ in terms of credit holding. Third, the flow of colonial currency further monetised transactions in rural villages families (Interview, journalist, January 2019, Kathmandu). This accelerated the transformation of in-kind transactions to cash. For example, as wages were increasingly paid in cash, sales and purchases in local villages were increasingly monetised (Pande, 1987). Colonial currencies evaded local currencies and other forms of exchanges and this led to the emergence of a dual currency regime (Gaudel, 2003). Thus, unlike in colonies where colonial monetisation was violently enforced, it was remittances that served as a vehicle for ‘colonial monetisation’ in the case of Nepal. This indirect colonial monetisation served to subordinate the monetary system of uncolonised nations to the British colonial monetary system. This, in turn, paved the way for the emergence of global currencies that facilitated the dominance of finance based on the financial centres of the Global North (Di Muzio and Robbins, 2016). It is thus clear that this form of colonial monetisation enacted through remittances equally constitutes an antecedent to contemporary financialisation. In addition, colonial monetisation enabled transnational families to provide credit, challenging the domination of the upper caste rural elites over credit lending. This reconfigured caste-based financial hierarchies in rural Nepal.

Another major development linked to the arrival of remittances was the emergence of a number of remittances-based small-scale enterprises. Over time, this led to the emergence of townships such as Bhairahawa and Dharan which, as transit points to India, began developing small lodgings and dining facilities along the migrant trails (Subedi, 2012). Returning migrants brought not only in-kind remittances such as gold, electronic items and clothes manufactured in the British colonies, they also spent remittances on items such as jewellery (FGD with retired Gurkha veterans, June 2019, Reading, UK). This contributed to expanded market for foreign goods into rural area, that in turn, contributed to decline of local industries (Subedi, 2012). In addition, remittances increased the purchasing capacity of transnational families, which in turn encouraged ‘consumerism’ in villages (Pande, 1987). This was linked to the proliferation of grocery shops in villages, which also functioned as a source of credit in terms of supplying everyday goods as credit without interest.
In sum, remittances were linked to the growth of enterprises resulting in an economic stratum that could operate as creditors in villages. For example, the increased influx of gold and the recourse of transnational families to gold jewellers allowed a section of Sunar (goldsmiths) from the Dalit caste to earn enough to lend money to operate as pawnshops in villages (Interview, journalist, January 2019, Kathmandu). Another such example was the Thakali caste, which operated lodging and dining facilities on migrant trails (Pande, 1987) that operated as alternative circuits for credit. This development enabled a segment of the ‘lower caste’ to emerge as entrepreneurs and creditors in rural villages, thus undermining the monopoly of rural elites over credit lending, which had been instrumental in sustaining the debt-reign in rural societies.

Overall, transnational families experienced the interruptions and transformations caused by remittances in three main ways: (1) remittances allowed certain transnational families to pay the taxes and interests on their debt, thus allowing them to (re)negotiate debt relations; (2) other transnational families managed to escape the debt relations limiting governance through debt; and (3) through colonial monetisation and the growth of entrepreneurship, remittances allowed transnational families of the ‘martial caste’ – as well as a segment of Sunuwar and Thakali caste families – to emerge as creditors. This partially transformed the nature of debt from a tool for governance to a form of social solidarity.

Renegotiation of debt relations

In certain contexts, remittances barely sufficed to pay taxes or service debt, or cover basic everyday expenses. One anti-debt resistance leader stated:

Those migrants who worked as menial labourers in the British colonies and later in India were not able to earn much, eventually failing to pay back the debt, they had to settle only the interests, tributes and finance the next round of migration. (Interview, anti-debt resistant leader-1, January 2019, Kathmandu)

This was also the case for Gurkha recruits who had incurred large debts (Interview, journalist, January 2019, Kathmandu). For transnational families, remittances operated as an alternative circuit of credit, affecting them in two ways: First, remittances offered an alternative to borrowing to pay taxes, interests, and tributes, even though they did not fully eliminate debt. This offered some alleviation from the threat of foreclosures and labour bondage (Interview, journalist 2019 January, Kathmandu). Second, remittances allowed transnational families to pay interest in a timely fashion, which increased their credit ratings (Interviews, anthropologist and journalist, 2019 January, Kathmandu). This, in turn, gave increased power to families of the ‘martial caste’ vis-à-vis creditors and other competing families. However, for creditors, remittances served as a sustained source of appropriation through debt that reinforced the social power in favour of rural elites. Hence, despite the (re)negotiations and mitigations of existing debt relations outlined above, governance through debt continued.

Emancipation from debt relations

The second pattern refers to contexts in which remittances served ‘to repay debts and retrieve long-mortgaged lands … most of these lands had previously been pledged to members of high castes, who had enjoyed their usufruct for generations’ (Caplan, 2009: 55). For example, a retired British Gurkha honorary general from Gulmi district paid interest and tributes for years and at the conclusion of the debt relationship, he had paid 300 times what had originally been borrowed from the ‘upper caste’ creditor (Kansakar, 1982: 103). Significant as the debt was, the conclusion of a cycle of debt in such cases was more significant still. In this case, remittances freed transnational
families of the ‘martial caste’ from economic and political dependency on rural elites (Interview, anthropologist, January 2019, Kathmandu). Escaping from debt, the labour force was emancipated to work on the land that had been retrieved. In so doing, remittances restrained the debt-reign. They elevated transnational families of the ‘martial caste’ to a new place in the financial hierarchy, but were not substantial enough to allow such families to become creditors. This pattern demonstrates the potential of remittances as both a disruptive and an emancipatory power.

**Reconfiguration of social hierarchies**

Soldiers, of course, could and did use their income for purposes other than repaying loans, and purchase land, although for the most part there were few alternative opportunities for investment. Some became money-lenders themselves, invested in cattle, financed younger brother’s marriage, spent on rituals which the household had long neglected, or built a large house. (Caplan, 2009: 55)

In the third pattern, either directly or through ‘colonial monetisation’, remittances enabled transnational families of the ‘martial caste’ to invest remittances as alternative sources of credit for their families, friends, and neighbours (Interviews, journalist, anthropologist, and anti-debt resistant leader-1, January 2019, Kathmandu). Consequently, remittances were invested to cultivate new debt relations that elevated transnational families of the ‘martial caste’ to creditors. This reconfigured financial hierarchies and created new inequalities between transnational families of the ‘martial caste’ and others. As such, remittances became an instrument for creating debt. In addition, remittances also played a role to strengthen emotional ties between the members of transnational families (usually joint families where three generation lived together in a household unit) through funding of rituals, weddings and gifts.

Remittances were also invested in purchasing productive rice farmland, most of which had previously been owned by rural elites (Subedi, 2012). Gyanraj Rai, a retired Gurkha veteran, recounts:

my uncles who served during the second world war at the end of their 15 years of service they were able to buy about 15 muri-khet with their retirement benefits. I joined the army after the second world war, … I was able to buy 40 muri-khet and a plot of land in Dharan. (Interview, retired veteran, June 2019, Reading, UK)

In a focus group discussion, another retired veteran stated, ‘land was an essential means for livelihood of our families, therefore whatever was left from everyday expenses was used to buy land’ (FGD, retired Gurkha soldiers, June 2019, Reading, UK). All participants in FGD and interviews confirm that most of the remittances were invested on land that contributed to radically altering landholding patterns in the areas where inflows were concentrated (FGD, retired Gurkha soldiers, June 2019, Reading, UK). Therefore, remittances ‘contributed to a partial realignment of the economic hierarchy, based on land’ (Caplan, 2009: 55) that was configured during the emergence of the state. This had two major effects: first, as mentioned above, it unfettered the labour force which was necessary to work on retrieved and newly acquired lands. Second, the huge outflow of a young working population led to labour shortages in the rural villages that made the available labour force more precious (Pande, 1987). Meanwhile, ‘colonial monetisation’ through remittances increased the appetite for wages paid in cash (FGD, retired Gurkha soldiers, June 2019, Reading, UK). As compared with other employers, transnational families paid attractive daily wages in cash to seasonal agricultural labourers. As a result, the scarce labour force in rural villages either emigrated or opted for wage labour with transnational families (Interview, journalist, January 2019, Kathmandu). This led to two different outcomes: first, they contributed to monetising wage labour relations that helped extend the wage labour market in rural areas; and second, they
facilitated the weakening of corvée labour institutions. In sum, remittances (re)configured social inequalities in terms of credit, land ownership, and labour relations, which disrupted the domination of rural elites in financial terms. As such, remittances elevated transnational families of the martial caste as creditors, thus reconfiguring financial hierarchies and (re)stratifying rural societies.

The involvement of ‘lower’ castes (*Matawali* and *Sunar*) in alternative circuits of credit disrupted the domination of ‘upper’ caste rural elites in credit lending. Despite this reconfiguration of social hierarchies pertaining to finance, other dimensions of caste hierarchies remained intact in debt transactions among ‘upper’ and other ‘lower’ castes (Interview, journalist, January 2019, Kathmandu). For example, as a creditor, a *Sunar* owner of a pawnshop could determine the terms and conditions of debt, yet an upper caste debtor would not even drink water touched by such a creditor (Interview, anti-debt resistance leader-1, January 2019). Credit from ‘impure’ castes, as such, became ‘pure’ and acceptable while the person in question remained impure. Such a situation transgressed the ritual logics of ‘purity’ and ‘impurity’ and also defied the argument that economic equality would necessarily dismantle the caste system. Similarly, remittance-receiving ‘martial’ caste families had become creditors who were able to shape debt conditionalities but who continued to be denied any formal role in politics (Interview, anthropologist, January 2019, Kathmandu). However, the rise of new creditors in villages shaped political struggles against the rural elites that emboldened anti-debt resistance and contributed to renewed struggles for realignments in the state complex (Interview, anti-debt resistance leader-2, January 2019, Kathmandu). This laid the conditions for a state declaration of debt cancellation in 1963 through land legislation (Interview, anti-debt resistance leader-1, January 2019, Kathmandu). This illustrates the indirect power of remittances to shape social and political processes and facilitate (re)configurations in the state complex. In long run, this created the conditions for weakening caste institutions, caste-based division of labour and investments.

In sum, remittances operated as a force for ‘colonial monetisation’ and alternative circuits of credit that contributed to interrupting debt relations, severing channels of wealth transfer to rural elites, and emancipating certain people from labour bondage. In turn, this (re)configured social relations and (re)stratified the social hierarchies of rural finance, undermining the domination of rural elites, and thus the state complex. By so doing, remittances created cracks in the political formation of the debt-reign. This shaped two outcomes: the introduction of formal financial institutions and the transformation of debt relations. In the context of the weakening debt-reign, the extractive nature of debt relations became the basis for introducing a cooperative bank and credit cooperatives in rural areas (Interview, retired government official, January 2019, Kathmandu). That created the condition of possibility for the introduction of a contemporary financial institution including the national bank itself (Pande, 1987). Thus, preparing the ground for broadening and deepening the financial infrastructure across the country in the name of ‘modernisation’ and development. In addition, remittances provided a steady supply of savings to financial institutions and thereby sustained this expansion of financial infrastructure into rural areas (Interview, retired official, January 2019, Kathmandu). To some extent, remittances also contributed to transforming the nature of debt relations. Retired Gurkha migrants and their spouses who participated in focus group discussion, claim:

The money that was left from our essential needs was spent to help our relatives and neighbors who were in need, many times it was a gift and other times as interest free loans which they used to pay when they could after years or many times they couldn’t afford to pay. (FGD, retired Gurkha soldiers, 2019 June, Reading)

These debts were generally without mortgage, interest, and labour obligations. Hence, in addition to becoming a reconfigured social power, debt also increasingly became a means of support for family members, relatives, and villagers. The debts were not defined by the logics of
governance but were shaped by solidarity and social ties. Debt, as such, went from being a social technology of power and means of exploitation to becoming a form of emotional and social solidarity. Of course, this did not lead to the disappearance of power asymmetries and the extractive tendencies of debt relations. Such relations did, however, take on more complex forms, with a greater contingency on relations between creditors and debtors.

Conclusion

This article has sought to reveal the co-constitutive nature of debt, social relations of caste, remittances, and state formation processes. It also illustrates the complex political role remittances play in reproducing and reinforcing asymmetrical power relations in certain contexts, while serving as a means of emancipation in others. Overall, remittances have transformed financial and social hierarchies and created new power inequalities in terms of rural finance. My analysis shows the simultaneous articulations of the disruptive, emancipatory and indebting power of remittances.

Diving deeper into the ecology of debt relationships allows us to rethink how remittances interact with the social power of debt and caste dynamics. This article illustrates that although remittances fomented a mutation in caste relations, the logics of purity and impurity are constantly (re)negotiated. Furthermore, upward mobility in a financial hierarchy does not automatically translate to mobility in political or cultural milieus. Thus, caste systems are neither limited to ritual logics nor limited to class reductionism. Class and caste bifurcations do not neatly map onto Nepali society, overlapping instead in complex ways. This finding enables us to (re)conceptualise the context-specific social power of debt at the intersections of dynamics such as class, race, caste, and gender.

As shown, remittances reinforced monetary colonialism in Nepal through colonial monetisation while helping to end the monopoly of rural elites over credit. This weakened the state complex and thus the debt-reign that had served colonialism to obtain recruits for the BCA. That both the debt-reign and colonial interaction were weakened thereby, precipitated the establishment of formal financial institutions that are fundamental to the FOR today. This article has also shown that ‘colonial monetization’ is not solely attributable to the imposition of a monetary system by a coercive colonial state. It may result from a (re)configuration of existing monetary systems and financial hierarchies brought on by the use of remittances. By taking a step back and exploring the colonial legacies in formally uncolonised spaces, this paper (re)conceptualises ‘colonial monetisation’ in greater analytical detail, thus revealing the colonial legacies of contemporary FOR.

Remittances played an important role in the reconfiguration of finance in rural areas of Nepal which constituted the foundation for building contemporary financial infrastructure. This reconfiguration created the conditions of possibility for the emergence of the FOR. It is thus crucial to look into historical and social processes to better understand the FOR. This also encourages us to rethink broader financialisation debates moving beyond the global North and giving greater attention to longer histories. In some way, this attempt resonates with a call to overcome restrictive readings of financialisation resulting from the ‘optic’ and ‘empiric’ limits that contribute to a geopolitically biased ‘analytical’ and ‘theoretical’ construction (Christophers, 2015). Future research could take inspiration from the spatial and temporal move proposed in this article to diversify and enrich scholarship on financialisation.

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ORCID iD
Lekh Nath Paudel https://orcid.org/0000-0002-3610-0850

Notes
1. All the text and interviews in Nepali were translated into English by the author
2. https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=NP
3. I am aware of long-standing critical debates (Marx, Simmel, etc.) on credit and debt relations and many other approaches (anthropological, post-Keynesian, etc.), but a theoretical engagement with these debates goes beyond the scope of this article.
4. A comprehensive legal code decreed in 1854 by the state.
5. An alcohol drinking caste that is placed lower than ‘upper caste’ and higher than the ‘Dalits’.
6. https://www.thedrum.com/creative-works/project/arnold-santander-haunting-debt
7. Land that can yield a Muri (around 50 kg) of paddy is muri-khet.

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