

## God cults and their credit associations in Taiwan

### Abstract

'Rotating credit associations' have played a important role in Taiwan's past during the Qing dynasty and the Japanese colonial era, as well as more recently during the process of modernization over the past four decades. They remain very popular even today. This essay traces some of the outstanding features and changes in these 'rotating credit associations', and by using two cases describes their ability to be integrated into god cults.

### Introduction

The rotating credit association (*xinyuan hehui*), also called a savings oriented folk mutual aid organization, was common throughout traditional Chinese, Japanese and Indian agricultural societies and is still quite popular today. Rotating credit associations are also quite common in many developing and underdeveloped nations, such as the Philippines, Latin America, and Asia, as well as in poor communities in developed countries (Ardener, 1964). Thus the rotating credit association is a form of mutual assistance that exists on a wide scale all over the world.

The term 'rotating credit association' represents only one popular usage, and the name varies by area. In Taiwan, such organizations are commonly called *huizai*, *biaohui* or *xiehui*. They are also termed *yaoganhui* or *yaohui* (Dai, 1963: 228). In different locations on the mainland China they are called by

different names, for example *zuohui* (East Guangdong), *qinghui* (Shandong), *dahui* (Anhui), *jiuhui* (East Zhejiang), *yehui* (Hubei) and *shehui* (Yunnan) (Wang, 1931: 1). In addition, the name varies all over the world, for example, *arison* (Indonesia), *ko* (Japan), *chit funds* (India), *esusu* (Nigeria), partner (Jamaica), *cundina* (California Mexican-Americans) (Ardener, 1964). Clifford Geertz (1962) adopted the term 'rotating credit association' on the basis of fundamental characteristics by considering that it best represented the meaning of this system. Anthropologists continue to use it.

Rotating credit associations are usually initiated by individuals who, pressed for cash, invite certain relatives and friends to join. The initiator is called the head of the association (*huitou* or *huishou*); those invited to join are called association members (*huijiao* or *huiyuan*). After the association has been formed, there is an initial meeting, where each *huiyuan* hands over a set amount of money (*huiqian*). This money is then taken by the *huitou*. At each succeeding meeting, each member will pay a fixed amount of *huiqian*. This sum is handed over to a *huiyuan* who has not yet 'acquired the association money' (*dehui*). When all of the *huiyuan* have received the association money, the association is said to be ended (Yang, 1935: 1). The fundamental principles of the rotating credit association are that its funds come from contributions made by *huiyuan*, and that the association money is obtained by each *huiyuan* in turn.

### Rotating credit associations in Chinese society

Scholars generally believe that rotating credit associations were quite popular in China by the end of the 19th century (Smith, 1970: 152-57; Ardener, 1946: 202). However, there is evidence that such associations have existed in China for more than a thousand years (Wang, 1931: 6). The occurrence and popularity of rotating credit associations stems from the inadequacy of lending institutions among the common people. China's financial

institutions have always been undeveloped; *yinliju* offices, a type of government-supported banking, and pawn shops are the only institutions that provide financial assistance to the common people. Although the method of using *yinliju* offices was beneficent, it pertained only to charitable institutions; capital was limited and the amount of money lent was small. Thus, this method was not very useful to the majority of people. Although pawn shops were quite extensive, their main purpose was to make a profit. In order to safeguard the security of the business, interest was calculated at extremely high rates. Thus, although pawn shops facilitated money lending, borrowers who lacked the appropriate collateral were still left out in the cold (Wang, 1931: 7). Hence, one of the main reasons for the popularity of rotating credit associations.

The various types of rotating credit associations found on mainland China, as well as the methods for calculating association funds have been discussed elsewhere (Wang, 1931; Yang, 1953). The functions, characteristics and development of cooperative savings undertakings on Taiwan after retrocession have also been presented in detail in Chen (1953). This essay will focus on selected records from anthropological fieldwork in order to investigate the operation of rotating credit associations in Taiwan.

In his study of the Taiwan fishing village Guishandao (turtle mountain island), Wang (1967) noted that the *qianhui* was a popular and pervasive financial mutual aid organization. It is possible to follow the formation process of Guishandao *qianhui* by following Wang's narrative:

'When an individual needs an amount of money, for example to buy or build a new boat or for marriage, that amount of money will become the amount of the association fund. He will assemble association members (*huijiao*) to organize a *qianhui*. First, the amount of *yuan* in one 'share' (*hui*) is decided and then the amount of the association fund is discussed. In the actual case of one *huitou*, besides the *huitou* there were 14 *huijiao* and

one share was worth 500 *yuan*. The amount of association money to 'follow the *hui*' (*suihui*) was 660 *yuan* and bids were made every four months. At the first meeting, of course, there was no bidding; the *huitou* alone took 7,500 *yuan* (including his own 500 *yuan* within), and he had to throw a feast to entertain the *huijiao*. Every four months thereafter, the *huitou* held a feast and opened bidding for the association fund. Each person secretly wrote down the amount of money he was willing to give to the others. Whoever wrote down the highest amount got the bid. (For example, if there was a bid of 130 *yuan* at the second meeting, then it signified that each person could get ten *yuan* and that, for a share worth 500 *yuan*, it would only be necessary to hand over 490 *yuan*.) People who had cast successful bids thereafter 'followed the *hui*' (*suihui*) and had to give 660 *yuan* every four months. The extra 160 *yuan* was equal to four months of interest on 7,500 *yuan*. Further, the *huitou* only needed to give 500 *yuan* every four months from the beginning to the end. But had to hold a feast to entertain the others; the 160 *yuan* in interest was used to defray the expense of the feast. In this fashion, a *qianhui* becomes a social occasion for the residents. Bids are, for the most part, cast on the first or the fifteenth of the lunar month; the *huitou* can use the occasion to sacrifice to the gods' (Wang, 1967: 94).

Thus the rotating credit associations of Guishandao are not only a form of mutual financial aid but also play various other roles. Association meetings have become gatherings for religious ceremonies and social events.

During research in the southern Taiwan Hakka village of Dongpian, Xu (1970: 148-9) determined that rotating credit associations are divided into two types: *qianhui* and *guhui*. The basic principles of organization are the same; both are called together by a person who needs money. When the *hui* is formed, that person becomes the *huitou*. The money from the first *hui* meeting goes to the *huitou*. Afterwards members make bids, so that whoever is willing to pay the highest interest

receives priority. In comparison to a *guhui*, the amount of money in a *qianhui* is small and the *hui* is of relatively short duration.

Originally, rotating credit associations in Dongpian village were based on very dense social interaction and were not part of the public economy. However, in recent years they have gradually become commercialized affairs. According to Xu's analysis, certain aspects of the meetings have taken on commercial characteristics. First, in the past, the *huitou* always prepared refreshments at monthly meetings of the *hui* and the *huiyuan* gathered after dinner at the house of the *huitou* to drink tea and chat. When a meeting is held nowadays, only those who want to bid on the association funds attend. The *huitou* also treats the meeting as a business meeting and does not serve refreshments. Second, while some people treat the *biaohui* as a form of savings, others use them as their sole means of support. 'Using *hui* to foster *hui*' (*yi hui yang hui*) means using money obtained from one *biaohui* to repay money in another *hui*. Third, in the past, *biaohui* were founded upon mutual trust. Social sanctions ensured that *hui* participants did not repudiate debts. Therefore, once a participant defaulted, it was unlikely that he would be given another chance to take on the responsibility of a debt. In order to avoid suffering a loss now, *huitou* and *huiyuan* sign a contract so that the affair is handled in a straightforward manner, strictly according to the rules (Xu, 1970: 149)

### God cults and credit associations in Taiwan

God cults and credit associations have long been subjects of separate scholarly study in Chinese society. The fact is, however, that god cults have long served as credit associations. This section describes two contemporary god cults and their credit associations in rural Taiwan. The implications of this mutual constitution of religion and economic culture are explored both for contemporary Taiwan and for local society in late imperial China.

*Sheliao, an agricultural village located in Zhushan township, Nantou county in central Taiwan*

Sheliao is composed of the two main hamlets of Dagong and Beizhong. The villagers are descendants of immigrants from the Zhangzhou region of Fujian province, China. During the era of the Ming loyalist Zheng-led clique, its military forces pushed the Austro-nesian-speaking native peoples of Taiwan out of the area and set the stage for subsequent Han Chinese pioneering (Liu, 1954: 28).

Sheliao village is located on the south bank of the Zuoshui river. During the Qianlong reign period (1736-1795) the village was known as Linyipu (today's Zhushan township) and was an important transshipping point on the Zuoshui river on the way to and from the Nantou area. In 1745 (the tenth year of the Qianlong reign period) the state's sub-administrative superintendent (*zhongli*) for that locality directed the collection of contributions for building a temple for the earth god in the Dagong hamlet called the Zinan temple. A Kai Zhang Sheng Wang<sup>1</sup> temple was also already built in the Beizhong hamlet at the end of the Qianlong reign period. On the fifteenth day of the first lunar month at the Lantern Festival (*Yuan Xiao*) these two hamlets annually sponsor separate religious festivals and on the following day also separately sponsor a 'Feast for the Wine for Male Offspring' (*Chi Ding Jiu*), where each household sends a representative to the feast (Zhuang, 1972: 86).

The Yongji public ferry was established in the Guangxu reign period of the Qing dynasty and the Zinan temple increased in importance. In 1888 (the fourteenth year of the Guangxu reign period) approximately 70 shop households of Sheliao's Dagong market street contributed a total of 60 *yuan* to buy four *fen*<sup>2</sup> of paddy land which were then donated to the Zinan temple to serve as incense and worship paddy (*xiang ji tian*)

<sup>1</sup> Literally: 'The Holy King Who Opened Up (the) Zhang(zhou Area)'; i.e. the general who, in historical times, established Zhangzhou.

<sup>2</sup> 1 *fen* = 1/10 *jia*, 1 *jia* = 2.39680 acre.

(Zhuang, 1977: 143). After the return of Taiwan to China in 1946, and as a consequence of the nationalist government implemented land reform program, the paddy owned by the Zinan temple was redistributed and this meant that the flow of incense and lamp oil funds ceased. In response an incense plaque (*xiang pai*) was created and it rotated from household to household among the residents of the Dagong hamlet. Every morning and evening the household whose turn it was sent a representative to worship at the Zinan temple (Zhuang, 1977: 43).

The practices of 'Begging for Turtles' (*Qi Gu*) and 'Begging for Money' (*Qi Qian*) carried out on the Lantern Festival at the Zinan temple and the Kai Zhang Sheng Wang temple have been passed down for generations. Also, local inhabitants who had married in a daughter-in-law over the previous year at one time had to prepare a pig's head and offer it in worship at these two temples on the Lantern Festival, though nowadays the pig's heads have been replaced by pig's feet. Finally, households that have had a male born over the past year must offer one cock and one bottle of rice wine. After having been used as offerings the above food is then served at the 'Feast for the Wine for Male Offspring'. Between 1971 and 1974 the savings account for the Zinan temple was approximately New Taiwan \$ 200,000 and approximately 100 persons attended 'Begging for Money' borrowing approximately between New Taiwan \$ 2-3,000 dollars from the earth god. When the money was repaid the next year about 10 per cent interest was added to the principle. Originally most participants in 'Begging for Turtles' and 'Begging for Money' at the Zinan temple were local residents; since the 1980s, residents from elsewhere, such as Xinzhu municipality and county, Taoyuan county, and even people from the Penghu Islands began to participate. At 'Begging for Money' outsider participation began because of the involvement of neighbors and friends of She-liao natives who were living outside of the village. Subsequently, because the earth god was especially efficacious, more and more outside faithful came to participate. Since

1991, ethnic Chinese from Brunei, Thailand, Malaysia, Singapore, Japan and other places have come to participate. And since more and more of those who come for 'Begging for Money' and the 'Feast for the Wine for Male Offspring' come from outside of the village, local residents have changed the date of their own 'Feast for the Wine for Male Offspring' to the evening of the sixteenth of the first lunar month, leaving the noontime free for exclusive care of the visiting devotees (*xiang ke*) arriving from the outside. The scale of that banquet has continued to expand. In 1993, for instance, the Zinan temple had a banquet with 200 round tables (each table seats eight). There were approximately 50 tour buses arriving from outside of the village. The 'Begging for Turtles' has already been discontinued at the Zinan temple and has been replaced with the exclusive performance of 'Begging for Money.' Each year several thousands of adherents attend. The bank account savings for the Zinan temple have reached 10 million New Taiwan dollars. In order to meet the demands of the temple affairs of the Zinan temple, a full-time manager and accountant have been hired.

*Nancun, a fishing village on the southwest coast of Taiwan in Xingda township, Gaoxiang county*

The shore next to Nancun village has a long flat beach and south of the village there is a 500 hectare tidal basin at Xindagang harbor. In the 1970s the government began building a fishing harbor at Xindagang harbor to solve a problem with anchorage for coastal fishing boats in Xingda township. Since its completion in 1977, this fishing harbor has made a substantial contribution to the local fishing industry (Zhuang, 1982: 3).

The predominant surname in Nancun village is Qiu. As of 1979 there were 482 households in that village, 70 per cent of which were surnamed Qiu. The ancestors of the Qiu households are from Zhangzhou in Fujian province, China, where lineages flourished. However, the Qiu's in Nancun village do not have nor have ever had either lineage halls or



lineage lands. This, however, does not mean that lineage relations are not emphasized. In fact, lineage sentiment is still quite strong. Members of the Qiu surname's 'Five Segments' (*Wu Fang*) and 'Nine Segments' (*Jiu Fang*) have organized themselves into a god cult and strengthen lineage solidarity through god cult religious ritual (Zhuang, 1970: 133). Aside from this, Nancun village has its own religious center in the Zhengxun temple. The host god is Dashihye, who is the guardian god for the whole village. Annually, on the second day of the fifth lunar month, there is a major festival held for the god's birthday.

The Zhengxun temple annually receives income for fishing rights. This is for the stretch of ocean at the entrance to the Xindagang harbor and the shoreline of Nancun village. The annual right to capture is secured by public bidding by villagers for the season for eel and forskal. The funds from the bidding are the property of the Zhengxun temple. The funds are used for worship expenses at the Zhengxun temple and for the public building expenses of that village. Also, the Zhengxun temple held 'Begging for Money' for the god's birthday on the second day of the fifth lunar month.

In addition, Han society on Taiwan has always had god cults where the god was the organizational prop for loan associations; that is, the loan association's 'loan association head' (*huitou*). A god cult's adherents resemble a loan association's 'ordinary members' (*huijiao*). Divination blocks are used to 'beg money' from the gods. A fixed figure is borrowed annually. The next year, in addition to returning the principle, interest is returned as decided by the borrower. This function of financial mutual help of the god cult loan association is perhaps not the most important goal of the faithful. Their most important concern is that the god protect them and make them prosperous. By 'Begging for Money' from the god the faithful achieve peace of mind. This sort of organization of interaction of gods with adherents is still common today.

### The socio-economic significance of rotating credit associations

The above descriptive analysis reveals that rotating credit associations may be found in areas where financial institutions have never been widespread and procedures for borrowing money are very complex. This setting deters people from participation in and utilization of existing financial aid institutions, and compels them to seek outside alternatives. In the case of Chinese society, rotating credit associations have been widespread for over a thousand years; the principal reason lies in the inadequacy of lending institutions for the common people. This situation is seen not only in the distant past but also in the more recent situation on Taiwan. Although financial institutions in Taiwan are quite widespread, people still have trouble obtaining capital for which there is no pressing need. Particularly in the farming villages on Taiwan, farmers have great difficulty securing the capital needed for agricultural production. Generally speaking, the position of agricultural producers in the economy is weak and they are often relatively short of capital.

Therefore, their demands for capital are greater is the case with other occupations. The government studied this dilemma and, in 1961, began to implement 'Unified Farm Loans' (*Tongyi Nongdai*) to help farmers obtain agricultural production capital. However, although they have been in effect for quite a few years, the Unified Farm Loans have not yet reached the estimated goal. In other words, the Unified Farm Loans cannot completely fulfill the needs of the farmers.

There are several reasons for this; the restrictions on institution loans are great, owners of many small and middle-size farms have no means to obtain finance capital because they lack adequate collateral or guarantors. Complex procedures are also a deterrent to farmers thinking of applying for a loan (Su, 1961: 69). In fact, most financial institutions are disinclined to grant loans in the agricultural sector. The restrictions outlined above compel the farmers to seek help

outside the formal financial institutions in the hope of obtaining needed capital. In addition, participation in and the operation processes of rotating credit associations are exceedingly simple and convenient. They are not as restrictive as most financial institutions and can satisfy the expectations of the farmers. This is an important reason for the current popularity and spread of rotating credit associations in Taiwan farm villages.

The fact that financial institutions are not widespread and that existing institutions impose severe restrictions on borrowers are important reasons for the formation of rotating credit associations; however, the formation of credit associations is not only due to negative factors. Rotating credit associations also flourish because of their own positive functions. These functions may not be identical in every society, but all are capable of satisfying social necessities; otherwise, rotating credit associations would not be as popular or as widespread.

The clearest (or most obvious) function of rotating credit associations is that of mutual aid. The relationship between lenders and borrowers is not purely credit/debit. By including a social meaning, lending is essentially distinguished from pawning as one of the financial organizations of the common people. This point can be clearly established in almost all the cases described so far; the rotating credit associations mentioned above were almost always created to help the *huitou* or *huiyuan* cope with some pressing financial need. Of course, the significance of this mutual aid is differentiated by degrees. The *yaoganhui* formerly found on Taiwan were rotating credit associations which had quite a high degree of mutual assistance and were very clearly organized to help the *huitou* (Dai, 1963: 228; Chen, 1953: 122).

Another important function of rotating credit associations is to assist in the accumulation of small amounts of capital; rotating credit associations create savings (Ardener, 1964: 27). Of course, the *huiyuan* in a rotating credit association can also save privately and may accumulate his own capital. However, this hinders the circulation of money in

society. If one participates in a rotating credit association, capital is not set aside without being used. If money is saved in a private banking house, while it continues to circulate in society, there is a greater possibility of savings being stolen or illegally taken over. In a rotating credit association, the association fund is obtained in rotation by the *huiyuan*, with less possibility of being stolen or illegally used. Of course, such associations are not completely free of danger. There are always cases in which *huiyuan* do not carry out the terms of the contract. However, from the examples described above, it seems that the rotating credit associations maintain strong powers of sanction, which are used to reduce the dangers of participation.

A third function of rotating credit associations is to enforce savings. If an individual has a small amount of money, it may be spent very easily. If one joins a rotating credit association it will be possible to save the money. Furthermore, one is compelled to continue saving until the end of the term of the *hui*. Most financial institutions do not have this sort of pressure. Thus, the notion that participation in a rotating credit association will cultivate the good habit of saving is in accord with the general moral standards in society.

Finally, interest rates in rotating credit associations are generally low. Interest rates on private loans are very high. This is perhaps why social sanctions carry such force in rotating credit associations. If an individual will destroy the trust of a whole group of people, he may be more cautious than in relation to a single person. The difference in risk level leads to a difference in interest rates.

### **Rotating credit associations and economic development**

In the discussion of the relationship between rotating credit associations and economic development, quite a few scholars believe that rotating credit associations make a positive contribution to economic development,

especially in the accumulation of capital (Geertz, 1962: 245; Ardener, 1964: 217; Wu, 1974: 582; Wu, 1980: 61). Although Raymond Firth also admits that rotating credit associations play an important role in peasant economics, he doubts that rotating credit associations can positively supply capital accumulation to advance the economic development of an area (Firth and Yamey, 1964: 32). Kurtz (1973: 57) goes so far as to say that rotating credit associations are nothing more than a response to an environment of poverty and that most poor people make an adaptive choice outside the formal system of financial institutions in order to survive. In other words, rotating credit associations do nothing more than supply fundamental needs and do not contribute to the accumulation of capital.

We noted earlier that traditional rotating credit associations are concerned with saving small amounts of money on the basis of mutual aid in order to meet the pressing needs of daily life. This situation is exactly as Firth described under these circumstances: it is impossible to talk about positive contributions to the economic development of a particular location. However, due to recent evolution in social circumstances, in many locations rotating credit associations have increasingly become oriented towards specialized, purely economic functions. The role these organizations play in the economic development process of a particular location has become increasingly important. This tendency is evident from the examples given below.

In Xingda township in southern Taiwan, rotating credit associations play an exceedingly important role, especially in the development of the fishing industry. Xingda township is a fishing township on the coast of Gaoxiang county. Some 70 per cent of the households are fishing households, concentrating mainly on offshore fishing. In 1976, after the opening of a new harbor, development of the fishing industry was very rapid. At present there are approximately 300 power-fishing boats. One of the traits of the fishing industry development in Xingda

township in recent years has been the active financial investment by fishermen in the fishing industry. In other words, boat crew (*chuan yuan*) are, at the same time, boat owners (*chuan dong*). In the past most boat crew held the status of employees; they were wage earners only. After late 1970, because of the rapid rise in the number of fishing boats in Xingda township and the general economic growth and development throughout Taiwan, the number of boat crew has been insufficient and the average age of those working has tended to be higher. In order to raise the rate of return on their boats, most boat masters have encouraged boat crew to invest in fishing boats. For this reason, the phenomenon of boat crew concurrently being boat owners has become very widespread. It currently takes about two million *yuan* to build a 25 ton power fishing vessel; the cost of a 50 ton class fishing vessel may reach the enormous sum of four million *yuan*. Most of this money comes from the rotating credit association. Although the government has various types of loans for fishing, they are not adequate to meet the needs of the fishermen because of the limited number of loans. The capital which the local Farmer's Association (*Nong Hui*) is able to supply is exceedingly limited, so that fishermen can only rely on rotating credit associations to obtain the necessary capital. Although at present precise data are unavailable, according to an interview granted to the author, almost all the fishermen participate in several *hui* at the same time. The amount of money varies from 1,000 to 5,000 *yuan* and there are from 30 to 40 *huiyuan* in each *hui*. The contribution of rotating credit associations in helping fishermen accumulate production capital is substantial. Thus the role played by rotating credit associations in promoting the development of the fishing industry in this township is quite important.

## Conclusion

According to the above, the operation and development of rotating credit associations

in various locations can be classified according to the following four points. First, although three different styles of organization and sets of operating principles of rotating credit associations can be found in different parts of Chinese society, their basic principles are the same. That is, the money in the rotating credit association comes from the contributions of the *huiyuan*, and each *huiyuan* obtains the money according to a rotating schedule.

Second, the principal reason for the development of a rotating credit association lies in the inadequacy of local financial institutions. In addition, loan procedures are very complex and deter people from utilization of existing loans. This situation forces people make an adaptive choice outside of the existing financial institutions.

Third, rotating credit associations are organized on the foundation of mutual aid, and in order to safeguard the equitable operation are replete with the force of social or moral sanction. Because of the recent evolution in social circumstances, interpersonal relations have become increasingly complex and the force of social and moral sanctions have gradually weakened. Thus, breakdown of *hui* is a frequent occurrence.

Fourth, generally speaking the symbolic significance of the 'Begging for Money' style credit cooperatives as organized by temples is greater than the actual economic assistance that its members provide one another. In other words, the faithful 'beg money' from gods both in order to receive their protection and for their help in accumulating wealth.

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