

State University of New York College at Old Westbury

From the Selected Works of Aubrey W. Bonnett

1981

West Indian Immigrants: An Examination of an Indigenous Banking System in Brooklyn

Aubrey W. Bonnett



Available at: https://works.bepress.com/aubrey_bonnett/15/



Structured Adaptation of Black Migrants from the Caribbean: An Examination of an Indigenous Banking System in Brooklyn

Author(s): Aubrey W. Bonnett

Source: *Phylon* (1960-), Vol. 42, No. 4, (4th Qtr., 1981), pp. 346-355

Published by: Clark Atlanta University

Stable URL: <http://preview.jstor.org/stable/275013>

Accessed: 26/02/2008 22:47

Your use of the JSTOR archive indicates your acceptance of JSTOR's Terms and Conditions of Use, available at <http://preview.jstor.org/page/info/about/policies/terms.jsp>. JSTOR's Terms and Conditions of Use provides, in part, that unless you have obtained prior permission, you may not download an entire issue of a journal or multiple copies of articles, and you may use content in the JSTOR archive only for your personal, non-commercial use.

Please contact the publisher regarding any further use of this work. Publisher contact information may be obtained at <http://preview.jstor.org/action/showPublisher?publisherCode=cau>.

Each copy of any part of a JSTOR transmission must contain the same copyright notice that appears on the screen or printed page of such transmission.

JSTOR is a not-for-profit organization founded in 1995 to build trusted digital archives for scholarship. We enable the scholarly community to preserve their work and the materials they rely upon, and to build a common research platform that promotes the discovery and use of these resources. For more information about JSTOR, please contact support@jstor.org.

By AUBREY W. BONNETT

Structured Adaptation of Black Migrants from the Caribbean: An Examination of an Indigenous Banking System in Brooklyn

THE ISLANDS IN THE WEST INDIES can be considered as migration-oriented societies since migration always has been an important feature of the economic, social and political history of these countries. In the early part of this century, West Indians migrated in large numbers to Panama to help build the Panama Canal as well as to other parts of Latin America, especially Cuba. Then, after the Second World War, another wave of migration began with the migrants going mainly to the United Kingdom. This reached its peak in the 1950s. Most of these migrants, who were mainly Jamaicans, freely migrated to Britain, regardless of their skills, because they were British citizens.

Although in 1962 Britain enacted an immigration law which virtually choked off the flow of West Indians to that country, another escape valve opened for them in 1965 when amendments to the United States Immigration and Nationality Act eliminated the national origins quota system and granted Western Hemisphere countries, including the West Indies, non quota status. Thus, West Indian migration to the United States increased from 4,000 in 1962 to over 20,000 in 1971.¹

Most of these immigrants chose to settle in New York City and it is in the borough of Brooklyn that they established their ethnic villages.² This paper focuses on a specific institution, rotating credit associations, found in the countries of origin and transplanted to Brooklyn. It also attempts to answer the following question: What are the relations of these associations to the larger credit and banking system in Brooklyn? Are they used independently or in conjunction with credit institutions of a similar nature?

Rotating credit associations are here defined as "Associations formed by a core of participants who agree to make regular contributions to a fund which is given in whole, or in part, to each contributor in rotation".³ Rotation and regularity are therefore the two essential criteria used to differentiate these associations from similar ones like lodges, mutual benefit clubs, etc.

¹ Ransford N. Palmer, "A Decade of West Indian Migration to the United States, 1962-1972: An Economic Analysis," *Social and Economic Studies* 23, 4 (1974): 571-587.

² Aubrey W. Bonnett, "An Examination of Rotating Credit Associations Among Black West Indian Immigrants in Brooklyn" in *Source Book on the New Migration: Implications for the United States and the International Community* (New Brunswick, New Jersey, 1979).

³ S. Ardener, "The Comparative Study of Rotating Credit Associations," *Journal of the Royal Anthropological Institute* 82 (1952): 63-69.

The study is based on in-depth interviews with ten organizers of these associations and numerous informants who volunteered information on the condition of anonymity. In addition, mailed questionnaires were sent to one hundred immigrants reported to have been users and ninety persons reported to be non-users. Fifty-five users and forty-eight non-users responded.

Rotating Credit Associations in Brooklyn

Rotating credit associations among black immigrants in New York City have existed for at least fifty years. Among West Indian blacks their use is surrounded with a certain ambivalence. Some have commented on the manner in which they have been used to help some West Indian immigrants validate their middle-class aspirations through initial down payments on homes, purchase of businesses, etc.⁴ However, others have seen them as a relic of the past, an anachronistic institution that would surely disappear with the passage of time, especially in a highly urbanized, impersonal environment.⁵

The author's position is that these associations are used by immigrants as a generational adaptive mechanism to cope with the urban complexities of New York. Consequently, he believes their use is important among first-generation immigrants but less so among the second generation.

Practice in Brooklyn

There are no specific criteria for membership except that the members be "working people." In most instances an organizer decides that he or she has some specific goal to accomplish and that an association is the best way of reaching it. The individual then chooses among various friends — those considered to be reliable, trustworthy, and have regular, steady incomes. Membership is not limited to black immigrants, either first generation or their second-generation offspring, among whom there has been some degree of cultural assimilation. Native black and white Americans also have participated in these associations. In some instances primary relationships on the job, the "informal aspects of bureaucracy," were the compelling factor in an outsider such as a white American or native black American seeking membership. The author even found some instances where Southern black Americans are not only participating but have begun to organize similar associations.⁶ A process of indirect membership is also noticeable when, for instance, "a hand is thrown" by a working adult for a younger member. In the East Indies,

⁴ Ivan Light, *Ethnic Enterprise in America* (Berkeley, 1972); and Albert Hyndman, "The West Indian in London," in S. K. Ruck, ed., *The West Indian Comes to England* (Leiden, 1960).

⁵ R. B. Davison, *West Indian Migrants* (London, 1962); and S. Patterson, *Dark Strangers: A Study of West Indians in London* (London, 1965).

⁶ Bonnett, *op. cit.*

government workers tended to predominate because government service was seen as very secure employment. In Brooklyn members' occupations vary, although in a number of associations nurses seem to predominate.⁷

The number of members may vary from approximately ten to fifty in the larger associations. The number is contingent, however, on the size of the "hand." For example, if an organizer decides that a person needs \$500 and that such a sum should be spread over twenty weeks, then he or she would need twenty members contributing \$25 a week. One organizer stated that she tried to get enough members so that the amount would not prove too difficult for anyone, hence lessening the possibility of default. Friends of the organizer can also recommend persons for membership, hence using their friendship as collateral for others.

Organization and Practices

No elaborate lists of rules and regulations and no written constitution, contract or other paraphernalia characterize the associations in other countries. There is no advertisement in newspapers, on television or on radio. The only advertisement is by word of mouth and emanates from the informal social relationships that ensue from the social network the immigrants form. This factor limited the researcher's ability to discover how many of these associations operate in any one block or area of Brooklyn where the fieldwork was done.

The organizers normally stipulate when payment of the "throw" or "hand" is to be made and pass on this information to the participants. The "throw" or "hand" is normally paid weekly on Sunday, although in some instances allowances are made for monthly employees to pay at the end of the month. No receipts are given when payments are made as there is much trust among the participants. However, records are kept indicating when money is received and who the recipient is.

The associations have no branches; however, in one instance an informant stated an interesting case of members organized into subgroups. This particular "box" (synonym for rotating credit association) had a total of twenty members at \$40 a week. One member, however, was unable to meet the \$40 "throw" and subdivided it with three other persons, each contributing \$10 to him and thus sharing in the final "hand" that he received.

Contributions

All contributions are made in cash, and in most instances this requirement is the same for all members. In a few instances informants reported that some organizers did not contribute any cash but rather were merely responsible for seeing that the associations were properly administered. In these instances the organizers were noncontributing members. The

⁷Palmer, op. cit.

amount of money a member contributes remains constant, and members pay the same contribution after, as well as before, receiving their share.

The organizer normally determines the amount of the contribution but may take into account the ability of the members to make large or small contributions. Some form of consensus, however, is necessary, for if the amount were excessive, then it would be difficult to attract members and to meet deadlines for payments. Doubling (where one member "throws" two "hands") and tripling (where one member "throws" three "hands") occur. In case of doubling or tripling, the member does not get the total amount at one time, or even consecutively. Rather, an attempt is made to space the receipt of the funds. In the case of doubling, a member may receive an early "hand" and a late "hand".

Payment is normally made at the organizer's home or place of work, but it may be collected at a member's place of work or home. The norm, however, is for the member to take the money to the organizer. Only after some delay in receiving the money does the organizer initiate attempts to collect it.

Size of the Fund

The average amount of a fund ranges between \$500-\$600. However, funds approximating as much as \$2,000 to \$4,000 have been reported. Depending upon the size of membership, this could necessitate a weekly contribution of \$60 and the association would run for the whole year. In those with \$500, the time to complete the fund is approximately twenty weeks. There are no restrictions on the use of the money by a member. Some individuals use it for an initial down payment on a home, while others may apply it to the purchase of clothing for their children, or to meet other basic necessities. There are also other interesting uses of the fund. One member reported that some persons use the money to open fixed deposit accounts in savings banks, where they accumulate interest. Another informant, referring to the practice, described it in this way: "My son, when you're really hard up and you need money, it is best to be able to say: Here it is than where it is, you know."

In another instance it was reported that some participants deposited their funds in their checking accounts at the commercial banks. This would reflect large balances on their bank statements, of course, which could then be used as an indication of their financial status for immigration purposes. The whole process ultimately leads to immigration to the United States of immediate family and other relatives. It should be noted that the amount of the fund is predetermined and the money is not transferable.

Order of Rotation

Ideally, the order of rotation is determined by general agreement among the members. What happens in fact is that the members make their requests known to the organizer, who ultimately makes the determination as to the order of rotation. If, for instance, an organizer is dubious about the reliability of a new member (even though he or she may have been vouched for), then invariably that member gets a "hand" very near the end of the association.

Furthermore, some organizers have devised an equitable way of ordering the rotation so that over a period of time each member would have an equal chance of drawing an early "hand" in the rotation schedule. This is here called the "normalizing process."

Interest

In most instances no interest is paid. One informant responded to the question of interest payments in this way:

"My son, I think it is mean to take out interest. God! it's poor people using this 'box,' you know. I have seen members take that money — all of it — and go right to purchase something they really need."

"Look, as far as I'm concerned, I'm doing this to help these people and I'm not looking out for nothing."

The organizer in this case saw herself as performing a needed altruistic service for members of her ethnic community. However, in several instances the organizer, despite not charging interest, expected small tokens from the members, most of whom complied. The responses of an organizer and a member are illustrative. The organizer:

"Well, you know it is up to them and their conscience. They know you keep their money safe and that you are helping them save money they would otherwise throw away on cigarettes or women. It's up to their conscience to give you a small piece."

The member:

"Well, I usually give the organizer \$10-\$15, depending on the 'hand.' After all, she is performing a service."

Thus, in effect although no interest is paid, most members do give a small portion of their fund to their organizer as a form of appreciation for their altruistic service. It should be stated that, among some native black Americans who now organize these associations, members are required to give the organizer a part of their "hand." This is stipulated at the beginning of the association.

Sanctions

Organizers reported no instances of default by members. So rare was default that when queried most organizers did not know how they would

have dealt with such a situation. Most organizers, nevertheless, tend to safeguard themselves by taking precautions.

First, if a member is suspect, the organizer makes certain that that person gets his or her money very near the end of the association. In this manner the possibility of that member getting the money early and then failing to continue contributing is minimized. Also, some organizers try to limit membership to people whom they know very well, mainly those who are members of their social network. The strong sense of cohesiveness and group solidarity that results tends to militate against default. Finally, some organizers keep a "hand" as security in the event of lateness of payment.

Very great importance is placed upon meeting one's payment. In some associations based on kin, default may be prevented by the acknowledged social obligations among relatives. In other associations recruitment is on the basis of home ties back in the island of origin. Thus members who fail to keep up payments are traceable unless they have left the city. Furthermore, a major implicit sanction lies in the fact that the news of such a misdemeanor would be quickly communicated among black immigrants in New York, London or the home island. This would undoubtedly give the offenders a bad name and possibly adversely affect their future relations in the community. Reputation and respectability are important elements in the black community, and at times a defaulting member can find both severely damaged. In one instance, it was reported that a defaulting member was employed as a nurse at a local hospital in Brooklyn. After several unsuccessful attempts to get her to pay, the organizers passed the word around that she was financially irresponsible. It is felt that this caused her to be passed over for promotion to the post of a nursing supervisor.⁸

Finally, in some instances the organizer visits the home of the defaulting member. Once there he or she announces to everyone in the vicinity that the member is in default. This "cussing out," as it is colloquially called, can keep a member in check, for no one likes a public intrusion into one's privacy.

Rotating Credit Associations as Compared with the Credit and Banking System of the Host Society

This study proposed also to determine what, if any, relationship exists between the rotating credit association and the credit and banking systems. To what extent is there overlap between participating in rotating credit associations and having savings accounts? Are there organizations within the financial institutions of the larger society similar to those associations and how do the two compare?

By their title, rotating credit associations are known as credit associa-

⁸ Bonnett, *op. cit.*

tions, i.e., a group consisting of borrowers and lenders. The borrowers receive their money (fund) in the first half of the round and the lenders receive theirs in the second. In effect, the lenders do not charge interest and in effect transfer their potential interest earnings to other members. If the "lenders" had drawn their fund early in the round, it would have been worth more. In a sense, they have foregone the opportunity costs of using their money in alternative ways. As one economist states:

Alternative or opportunity costs represent the cost of an opportunity which is foregone because limited resources are used in the chosen alternative and, therefore, cannot be disposed of or used for other possible income-producing or expense-reducing alternatives. Opportunity costs are not recorded in the books of accounts.⁹

More important, however, is the foregoing of interest to which the lenders (creditors) subject themselves. Members are aware of the concept of interest, but their "definition of the situation" with regard to rotating credit associations is that they are mainly savings associations.¹⁰ Rotating credit associations are regarded as the poor people's banks. They act as a form of compulsory savings by providing a repository for small amounts of money that would otherwise be spent.¹¹ Illustrative of this are the statements of two respondents:

The first said:

"Look at it this way, every week you throw away \$15-\$20 or more on rum and such stuff and it gets you nowhere. You are always promising to go to the bank but never seem to get there. If you decide to join the *susu*, the social pressures to pay are great and you know the money is there for you to use at hard times."

The other informant stated:

"Well, I was tired of the neighborhood and decided to purchase a house in Laurelton, Queens. I needed \$8,000 for the down payment. I had \$7,000 drawn from my own sources and loans from commercial banks, but I just couldn't seem to get the other \$1,000 together. Man, the only way I could have topped off the down payment was with a *box hand*."

In effect, some black immigrants do not have the initiative to systematically deposit money and leave it untouched until a goal has been reached. The rotating credit associations help to overcome this impediment. For their use, there are no forms to fill out, no lines in which to wait, and because the organizer is in close proximity to the members, there are no long distances to go to deposit money. On the other hand, the important feature of rotating credit associations is their ability to exert pressure and to release reservoirs of potential savings: As Levin states:

⁹ N. Barish, *Economic Analysis for Engineering and Managerial Decision Making* (New York, 1962).

¹⁰ D. Levin, "SuSu," *Caribbean Review* 7, 1 (January 1975): 20.

¹¹ *Ibid.*

Susu exerts influence through social pressure. If one quits before receiving the fund, he will inconvenience his fellow members and will gain a reputation of being unable to live up to his financial obligations. If a member quits after he received the fund, it would be the same as defaulting on a loan.¹²

Despite the strong feeling that these associations are more savings associations than credit, there were a few instances in which some members regarded them as credit institutions. One person summed up the sentiment of the latter group when she stated:

"Look, box is like a loan, interest free to meet short-term commitments. Getting small sums from a bank is a hassle. All 'dem damn questions they ask you.'"

Thus, the rotating credit associations are an uncomplicated way to obtain credit for some immigrants, especially recently arrived first generation immigrants whose credit references in the United States are not extensive.

Rotating Credit Associations as Compared with Banks and Similar Instruments

Rotating credit associations are similar in some regard to Christmas Club savings plans of various banks. For example, in both the Association and the Christmas Club a predetermined amount of money is set as a goal, a specific amount is deposited at regular intervals, the propensity for savings is encouraged, and there is ultimately the assurance of receiving back all that one has contributed. However, there are some differences. The associations, unlike the clubs, are informal structures with no interest payments or officially binding fixed rules, only those decided upon by members who are normally friends, relatives or fellow workers. Furthermore, in a Christmas Club which pays interest, one must wait until just before Christmas to receive the money which has accumulated, while in rotating credit associations the money can be received at any time between the beginning and the end of the association. Finally, although in both contributions are voluntary, the Christmas Club provides no strong compulsion to save while the associations exert strong group pressure to save regularly.

Also, in some banks compulsory deductions (savings) can be made at specified times from a member's checking account and applied to his or her savings. However, this form of compulsory savings works for only those immigrants who have checking accounts and who can afford to maintain balances to accommodate such an arrangement.

¹² Ibid.

Conclusion

A viable transplanted ethnic association exists in Brooklyn among black West Indian immigrants. Its uses seem to be related less to its being a symbol of ethnic pride than to its functions as a "structural shield" for immigrants located in a metropolitan milieu.¹³ This shield manifests various adaptive and facilitative functions.

One adaptive function is that these associations encourage savings or small capital formation. Many first-generation members had accounts at local savings institutions but continued to be involved in the associations each year. They reportedly saw them as providing short-term savings to help purchase clothing or to meet other basic necessities of urban life in New York. In a sense this is almost a compulsory form of savings, for unlike the voluntary contribution in savings and loan institutions, the contribution to the rotating credit association has to be met. As was mentioned earlier, some organizers felt that by socializing members in the process of compulsory savings they were helping them avoid spending on non-necessities.

Furthermore, these associations provide credit for small sums of money (as low as \$100) in which banks normally are not interested. Moreover, the rates of interest are extremely high at banks and finance companies whereas in the associations no interest is charged. This easy availability of credit goes a long way toward helping immigrants cope.

Another adaptive function of these agencies is the service they provide for the newly arrived first-generation black immigrant, especially the illegal alien. These people may not legally work in the United States, yet most of them do, thereby incurring the displeasure of citizens in Brooklyn and elsewhere. These aliens are often afraid to open savings accounts at banks where in many instances they have to provide social security numbers, which are becoming increasingly difficult for them to obtain.¹⁴ Moreover, some illegal aliens need large, ready sums of money to pay their attorneys and for American brides to help them "get straight." Through the rotating credit associations they can both save their money and receive credit without fear of their illegality being discovered. One association organizer even reported that on occasion she had helped arrange marriages between a few of her members and Southern black Americans whom she knew as friends.

There is also a different use of these associations among generations. First-generation immigrants use the funds to cope with the basic necessities of urban life—the purchase of furniture and other consumer goods or to pay for a vacation. Second-generation users tend to use the funds for investment purposes, to "top off" payment on a home or to assist in setting up a small business.

¹³ Frank F. Lee, "British West Indian Race Relations in Bristol, England: A Study of the Changing Racial Picture in Britain." 1974 unpublished paper.

¹⁴ Bonnett, *op cit*.

There is also an overlap in use between rotating credit associations and the larger banking and credit systems. This pattern is clearly more pronounced among first generation immigrants who, despite their proclivity for these associations, also use savings and loan associations to the extent they are able. By the second generation, however, the overlap disappears as they tend to increasingly use the credit institutions of the larger society rather than the associations.

Another major adaptive function of these associations is their provision of varied services for first-generation immigrants, illegal aliens and permanent residents alike. Some illegal aliens use the fund to pay their attorney's fees in their endeavor to become permanent residents. Others use the money to gradually accumulate sufficient funds to eventually initiate a business partnership with an entrepreneur in New York. This is another way an illegal alien may be allowed to remain in the country, for if one can prove a substantial investment in a commercial concern, then one's chance of becoming a permanent resident is considerably stronger.

Furthermore, illegal aliens cannot obtain social security payments and in most instances are afraid to apply for unemployment insurance. Money from these associations can be used as insurance against unanticipated disaster. Still others use the money to assist relatives to migrate — at times illegally — to the United States. This, it is felt, helps them adjust to the intense nostalgia which they may experience on coming to New York.

So far rotating credit associations have little, if any, effect on the overall United States economic system. It is heartening to note however that Jamaica, Trinidad and Guyana have integrated these systems into their commercial banking organizations.¹⁵

¹⁵ Merle A. Johnson, *A Study of the Partner System of Saving in Jamaica*, Working Paper No. 15, Prepared in September 1975 for the Jamaican National Savings Committee; L. Best, "Sou-Sou Banking," *TAPIA* 20 (August 29, 1971): 11; L. Clark, "Socialism and Indigenous Banking in Guyana," *Sunday Chronicle*, August 21, 1977, p. 13; August 28, 1977, p. 8.

