



International Labour Organization
Social Finance Programme

https://webapps.ilo.org/public/libdoc/ilo/2002/102B09_470_engl.pdf

SOUTH ASIAN PROGRAMME AGAINST DEBT BONDAGE

RAS/99/MO1/NET: Prevention of Family Indebtedness
through Microfinance Schemes and Related Services

FINDINGS ON DEBT BONDAGE

*Rapid Appraisal into Vulnerability to Debt Bondage
in Kolar, Bidar, Bellary and Channarayana
Districts, Karnataka, India*

Prepared by Ajit Mani
Intervention Pvt. Ltd, Bangalore, India
For ILO Social Finance Programme

102B09/470
engl cp.3

2002



International Labour Organization
Social Finance Programme

SOUTH ASIAN PROGRAMME AGAINST DEBT BONDAGE

RAS/99/M01/NET: Prevention of Family Indebtedness
through Microfinance Schemes and Related Services

FINDINGS ON DEBT BONDAGE

*Rapid Appraisal into Vulnerability to Debt Bondage
in Kolar, Bidar, Belgam and Chamrajnagar
Districts, Karnataka, India*



Prepared by Ajit Mani
Intervention Pvt. Ltd, Bangalore, India
For ILO Social Finance Programme

Copyright © International Labour Organization 2002

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to the Publications Branch (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland. The International Labour Office welcomes such applications. Libraries, institutions and other users registered in the United Kingdom with the Copyright Licensing Agency, 90 Tottenham Court Road, London W1P 9HE (Fax: +44 171 436 3986), in the United States with the Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923 (Fax: +1 508 750 4470), or in other countries with associated Reproduction Rights Organizations, may make photocopies in accordance with the licences issued to them for this purpose.

ISBN 92-2-113500-4

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material there in do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers. The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them. Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO publications, International Labour Office, CH-1211 Geneva 22, Switzerland. A catalogue or list of new publications will be sent free of charge from the above address.

Printed for the International Labour Office, by WordScape, Kathmandu, Nepal.

Foreword

The freedom to choose work is a fundamental pillar of Decent Work. However, this freedom is not always respected. Forced labour is more pervasive than often realized, largely due to the invisibility of forced labour arrangements. There are many different forms of forced labour, but bonded labour is assumed to be the most prevalent one. In South Asia, local market failures play an important role in the incidence of bonded labour. Inter-linkages between the financial market, the land market and the labour market can result in conditions that effectively minimize the bargaining power of workers. Typically, these markets are characterized by monopolies, inequalities in asset ownership and a lack of alternative employment opportunities. In such an environment, there may be little freedom for workers to choose their employment and assert their core labour rights.

If the lack of access to affordable and sustainable financial services contributes to bonded labour, then it is plausible to assume that the provision of specifically tailored financial services could be an effective measure to reduce the incidence of bonded labour. Affordable micro-finance services can be made accessible to persons at risk of bondage, hereby preventing unmanageable indebtedness. Recognizing this potential of micro-finance, the ILO Social Finance Programme initiated in 2000 a scheme to prevent debt bondage in four countries of South Asia, including India.

Bonded labour in India is an age-old phenomenon. Over time, systems of bondage have adapted well to new or changed environments. India has been the first of the South Asian countries to develop comprehensive legislation against bonded labour, through the Bonded Labour System (Abolition) Act, 1976. Since 1976 a substantial number of bonded labourers have been released from bondage through release & rehabilitation Programmes. Though considered successful in many aspects, a number of State Governments, including Karnataka, have in recent times admitted that the release & rehabilitation Programmes have not managed to achieve a sustainable eradication of bonded labour in their respective states.

On invitation by the Central and State Government, the project has developed a project proposal for initiating support activities in 2 districts of Karnataka with families of agricultural labourers who are considered vulnerable to debt bondage. Group formation, social and economic empowerment, savings & credit services, education, health and sanitation are important elements that the project will incorporate. This integrated approach should be reinforced by the convergence of efforts of relevant partners and existing schemes.

This study combines desk studies and field work in four districts to map the situation and needs of highly indebted vulnerable families. It provides base-line information to design the shape of the support Programme in Karnataka. I thank Mr. Ajit Mani from the NGO Intervention for writing the study, Jenny Riley for editing it and Patrick Daru, Erik Beemsterboer and Prem Maini of the Social Finance project for the design and coordination of the research work.

I sincerely hope that this work and planned project activities in Karnataka will yield insights that will contribute to making bonded labour a phenomenon of the past.

Bernd Balkenhol
Manager Social Finance Programme,
ILO-Geneva

South Asian Project Against Debt Bondage – An introduction

This study was undertaken in 2001 under the South Asian Project Against Debt Bondage (RAS/99/M01/NET), implemented by the ILO's Social Finance Programme¹. This project is financially supported by the Netherlands Government and has since June 2000 been operational in Bangladesh, India, Nepal and Pakistan.

The project has been initiated as a response to ILO Convention 182 on the Worst Forms of Child Labour (1999), and to the ILO Declaration on Fundamental Principles and Rights at Work (1998). The latter explicitly recognizes the obligation of the Organization to provide support to its members, Governments, Employers and Workers organizations, with technical assistance in their efforts to eradicate forced labour.

The project objective is to contribute to reducing the vulnerability of very poor families to debt traps by providing microfinance and complementary services to households that are most at risk to become bonded or to give away their children into bondage.

Direct support activities will be reinforced with institutional development initiatives that contribute to making local labour and financial markets and the overall policy environment less conducive to bonded labour.

Debt bondage is the most common form of forced labour and results from an unequal access to resources and unequal balance of power within the communities. By providing financial services to the targeted population through existing microfinance institutions, the project aims at increasing their access to alternative sources of credit, savings and insurance, and at reducing the comparative importance of the employer as a moneylender on the local market.

Bonded labour is made of a complex web of relations that are not exclusively financial. In addition to the core microfinance function of the project, support is provided in the areas of public sensitization, education, primary health care, income generating activities, group organization and empowerment in general.

ILO's Social Finance Programme

The Social Finance Programme (SFP) is a Target Programme in the Employment Sector of the ILO, with a mandate to promote the integration of a financial dimension into ILO's work and simultaneously help move the Decent Work-agenda to the centre of the financial arena. Social finance, including micro-finance, is a cross-sectoral programme with three major objectives:

- 1) Integrating financial and social policies
- 2) Creating employment
- 3) Reducing vulnerability

The debt bondage project is part of SFP's Bondage Eradication Standards and Tools Programme (BEST) under the third objective, which promotes social finance as a tool to reduce the vulnerability of families.

In Bangladesh, the project focuses on situations where indebtedness may lead to exploitation. Families of 375 agricultural labourers in Serajganj are supported through the NGO *Thengamara Mohila Sabuj Sangha* (TMSS), while families of 250 handloom weavers and 125 sex workers in Tangail receive support through the NGO *Society for Social Services* (SSS).

In India, the project works, among others, with the NGO *Ankuram-Sangamam-Poram* (ASP) for the prevention of debt bondage with 750 vulnerable families of agricultural labourers in the Telangana region around Hyderabad, Andhra Pradesh. With additional financial support from the Netherlands, and in collaboration with ILO-IFP Declaration, the project expanded to the Trivallure district in the state of Tamil Nadu in 2002, where families of rice mills and stone quarry workers are targeted.

In Pakistan, families of 750 released agricultural bonded labourers (*Haris*) of the Sindh region are receiving support through the NGO *National Rural Support Programme* (NRSP) for economic and social rehabilitation. Research is also under way in the brick kiln sector of Punjab.

In Nepal, the project works with the NGOs *Mahila Upakar Munch* (MUM) and *Rural Reconstruction Nepal* (RRN) for the social and economic rehabilitation of 750 families of former bonded labourers (*Kamaiyas*) and for 250 vulnerable families in Banke district. Research on other forms of bonded labour (e.g. *Haliya*) was carried in two districts in East and Central Nepal, which for the first time confirmed that debt bondage is not restricted to five districts in the Far and Mid-West. Research on discrimination and forced labour under Dalits is currently under way in ten districts of Nepal.

At the sub-regional level, an index that estimates relative vulnerability of families to debt bondage was developed from the data of the base-line studies in India and Nepal. It will be field-tested in the second part of 2002 in Tamil Nadu.

Acronyms

| | |
|--------|--|
| ADATS | Agriculture Development And Training Society |
| BIRDS | Bank Institute of Rural Development |
| CGAP | Consultative Group to Assist the Poorest |
| DANIDA | Danish International Development Agency |
| ILO | International Labour Organization |
| IRDP | Integrated Rural Development Programme |
| PMSR | People's Movement for Self Reliance |
| RBI | Reserve Bank of India |
| RDS | Rural Development Society |
| SFP | Social Finance Programme |
| SMES | Siemens Memorial Education Society |

Table of Contents

| | |
|--|------------|
| <i>Foreword</i> | <i>iii</i> |
| <i>South Asian Project Against Debt Bondage - An Introduction</i> | <i>iv</i> |
| <i>Acronyms</i> | <i>vi</i> |
| Chapter 1: Introduction | 1 |
| 1.1 Objective | 1 |
| Chapter 2: Methodology | 2 |
| 2.1 Selection of Sample Households | 2 |
| 2.2 Qualitative Research | 3 |
| 2.3 Scope and Limitations of the Study | 4 |
| Chapter 3: Background | 5 |
| 3.1 Caste | 5 |
| 3.2 Rural credit | 5 |
| Chapter 4: Survey | 8 |
| 4.1 Demographic data | 8 |
| 4.2 Poverty Analysis | 8 |
| 4.3 Indebtedness | 13 |
| Chapter 5: Vulnerability to Forced Labour | 16 |
| 5.1 District-wise Characteristics | 16 |
| 5.2 Categories of Debt Bondage | 16 |
| 5.3 Relationships and Dependence on Employers and Moneylenders | 16 |
| Chapter 6: Social Mapping | 18 |
| Chapter 7: Gender: Balance of Workload and Responsibilities | 19 |
| 7.1 Workload in the Family | 19 |
| 7.2 Decision-making in the Family | 19 |
| Chapter 8: Potential Partners and Linkages | 20 |
| 8.1 Microfinance Institutions | 20 |
| Chapter 9: Conclusion | 21 |

Chapter 1 : Introduction

1.1 Objective

The ILO is committed to the eradication of forced labour, particularly one of its most common manifestations-debt bondage. This study is part of a project of the Social Finance Programme (SFP) that aims at providing microfinance services to a targeted population, at increasing access to alternative sources of credit, savings and insurance, and at reducing the comparative importance of the employer as a moneylender in the local market. However, bonded labour is a complex web of relationships that are not exclusively financial. Complementary to the core microfinance function of the project, accompanying support is organised in the areas of public sensitisation, education, primary healthcare, income-generating activities, and group organisation and empowerment. This study aims to provide an insight to the social and economical mechanisms that sustain bonded labour in Karnataka for future expansion of the SFP project.

Chapter 2: Methodology

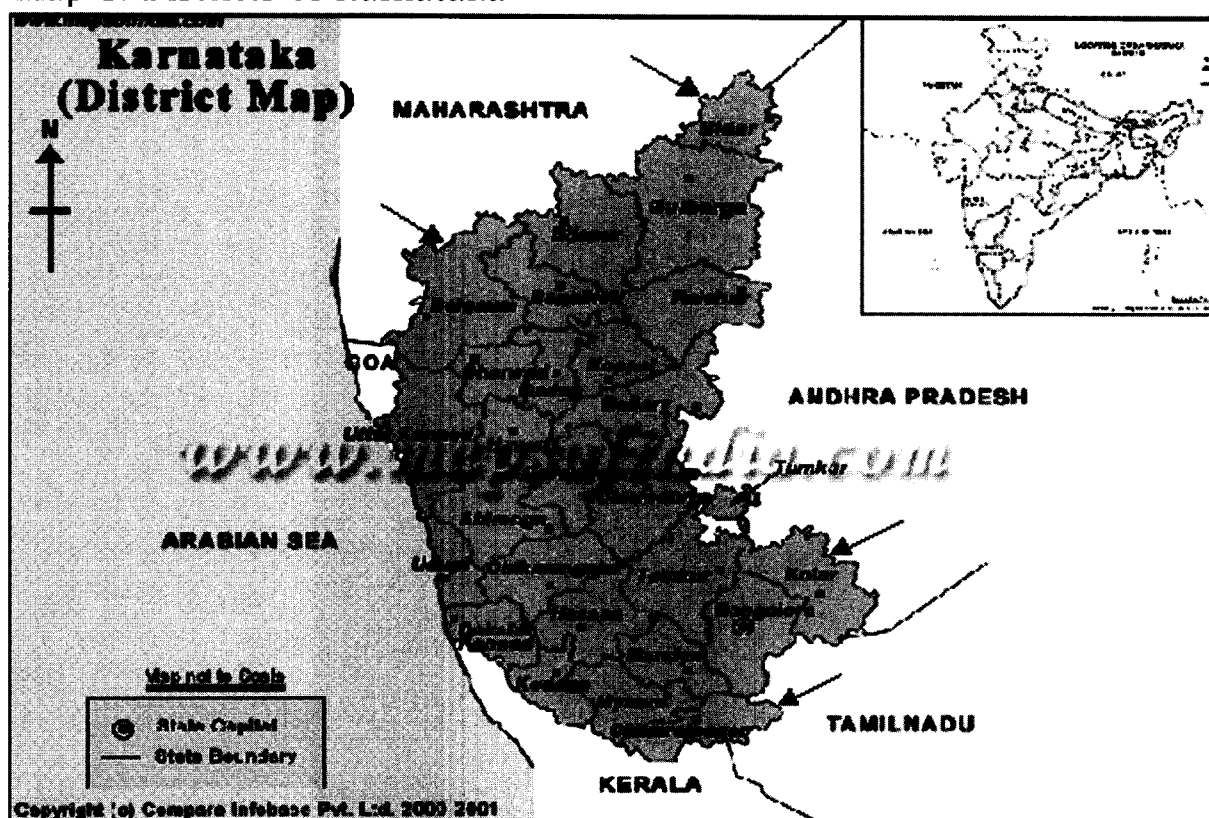
2.1 Selection of Sample Households

Households

After discussion with the Department of Rural Development and the Panchayati Raj, four of the most backward districts of Karnataka were selected for rapid appraisal (Map 1). These districts are as follows.

- Bidar in the north
- Kolar on the southeastern border
- Chamrajnagar in the south
- Belgaum on the northwestern border

Map 1: Districts of Karnataka



It can be seen that Bidar, Kolar, Chamrajnagar and Belgaum are all border districts. With the exception of Belgaum, all districts share borders with two states. Relationships between employers and employees have evolved differently in each district as a result of location and socio-economic history.

As bonded labourers are concentrated in certain locations, it was decided to select two *talukas* (subdistricts) per district for the study. The following *talukas* were selected (Table 2.1).

These *talukas* are considered to have a strong presence of people who are working

Table 2.1: Districts and talukas selected for the study

| District | Taluka |
|--------------|----------------|
| Bidar | Bidar |
| | Basava Kalyana |
| Kolar | Bagepalli |
| | Bangarapet |
| Chamrajnagar | Kollegal |
| | Gundlupet |
| Belgaum | Bailhongal |
| | Raibagh |

in conditions of debt bondage and extreme poverty, are dependent on landlords, and follow feudal traditions and systems. In these *talukas*, non-governmental organisations are already working among these labourers.

Village lists were collected from Taluka Offices, and a random approach was used to select villages. Central, northern, southern, eastern and western zones were determined in each *taluka*. From the village list that was available at the *taluka* headquarters, six villages were selected in each *taluka* (Table 2.2).

A quota sampling approach was used to select 11 households per village using the figures in Table 2.3. Although released bonded labour lists are available at the Deputy Commissioner's Office, the names of released bonded labourers are known in each village and respondents were selected after verification with village leaders or *panchayat* members. Therefore, data were collected from 11 respondents in six villages of two *talukas* in four districts, giving a total sample size of 528. Finally, 529 questionnaires were administered in the eight selected *talukas* (Table 2.4). The final tally of available respondents within the pre-determined quotas is shown in Table 2.5.

2.2 Qualitative Research

The qualitative research team used the same *talukas* as selected for the questionnaire research. They visited each village after discussion with leaders of local non-governmental organisations. Advice and help on village

Table 2.2: Selected villages

| Bidar | | Kolar | |
|--------------|----------------|----------------|-----------------|
| Bidar | Basava Kalyana | Bagepalli | Bangarapet |
| Murikal | Manakundi | Somanathapura | Tikal |
| Janawada | Madabi | Cheluru | Neralathe |
| Nagora | Halli | Pathapalya | Arlukunte |
| Malagara | Rajeswar | Mittermari | Bettahalli |
| Kolara | Murakal | Lagumadyapalli | Ukunda |
| Manihalli | Gowala | Pottpalli | Dasarhassahalli |
| Chamrajnagar | | Belgaum | |
| Kollegal | Gundlupet | Bailhongal | Raibagh |
| Hosamalangi | Chikkoti | Nesargi | Chinahalli |
| Gundegala | Hurapura | Margoda | Makali |
| Chikka Allur | Manjahalli | Sanigoppa | Nasala Pura |
| Mangala | Kelasura | Matavalli | Needgundi |
| Ajipura | Bomalapura | Nayan Nagar | Bykundi |
| Kannara | Samahalli | Kori Goppa | Jalapura |

Table 2.3: Section of household categories

| Category | Number |
|---------------------------------------|--------|
| Dalit/tribal (released bonded labour) | 3 |
| Dalit/tribal (others) | 3 |
| Backward | 3 |
| Dominant | 2 |
| Total | 11 |

Table 2.4: Number of questionnaires sent to each taluka

| District | Taluka | Number of respondents |
|--------------|----------------|-----------------------|
| Bidar | Bidar | 66 |
| | Basava Kalyana | 66 |
| Kolar | Bagepalli | 66 |
| | Bangarapet | 66 |
| Chamrajnagar | Kollegal | 67 |
| | Gundlupet | 67 |
| Belgaum | Bailhongal | 65 |
| | Raigarh | 66 |
| Total | All talukas | 529 |

Table 2.5: Number of respondents in each categories in each taluka

| | Bidar | Basava Kalyana | Bagepalli | Bangarapet | Kollegal | Gundlupet | Bailhongal | Raigarh | All talukas |
|----------------|-------|----------------|-----------|------------|----------|-----------|------------|---------|-------------|
| Backward | 15 | 15 | 18 | 15 | 16 | 18 | 17 | 18 | 132 |
| Dominant | 9 | 12 | 12 | 12 | 11 | 11 | 11 | 11 | 89 |
| Dalit (rbl) | 0 | 0 | 14 | 6 | 12 | 5 | 0 | 0 | 37 |
| Dalit (other) | 30 | 31 | 12 | 18 | 26 | 26 | 33 | 33 | 209 |
| Tribal (rbl) | 0 | 0 | 0 | 4 | 1 | 0 | 0 | 0 | 5 |
| Tribal (other) | 12 | 8 | 10 | 11 | 1 | 7 | 4 | 4 | 57 |
| All groups | 66 | 66 | 66 | 66 | 67 | 67 | 65 | 66 | 529 |

Note: rbl = released bonded labourer.

visits was received from the various non-governmental organisations (Table 2.6). Without the support of these non-governmental organisations working in the districts, it would not have been possible to gain access to the selected communities at such short notice. Twenty group interviews were conducted involving five categories of participants: elderly men, elderly women, *panchayat* members, children and mixed groups.

Table 2.6: Non-governmental organisations that assisted with the study

| <i>Taluka</i> | Non-governmental organisation |
|---------------|-------------------------------|
| Bidar | Pravarda, SMES |
| Kolar | ADATS, Jeevika |
| Chamrajnagar | PMSR, Dudee |
| Belgaum | RDS, BIRDS |

2.3 Scope and Limitations of the Study

The districts selected for this study lie in four corners of Karnataka, adjacent to the neighbouring states of Maharashtra, Andhra Pradesh, Tamil Nadu and Kerala. Although they display wide disparity in agriculture, local customs and employment systems, they are reasonably representative of the nature and practice of bonded labour in the state. However, even within districts, there are wide disparities; for example, within Chamrajnagar, Gundlupet *taluka* has a large tribal population, which is not the case for Kollegal *taluka*.

2.3.1 Questionnaire Survey

Selection of districts and *talukas* was subjective. Although randomisation was introduced in the selection of villages and households, the samples were small. The questionnaire used for this survey was adapted from the recommended questionnaire for assessing the poverty of households by the International Food Policy Research Institute and the Consultative Group to Assist the Poorest (CGAP).

Analysis of the questionnaire survey will mainly provide poverty indicators for poverty levels of the poorest agricultural labourers. The hypothesis is that these agricultural labourers are most vulnerable to debt bondage. The findings of the questionnaire survey will have limited validity outside the Karnataka districts surveyed and should be used with caution.

2.3.2 Qualitative Research

For rapid appraisal, the tools were village discussions, in-depth interviews and participatory rural appraisal; they were used to provide an understanding of the environment within which debt bondage occurs in Karnataka. Practices and details of employment and debt contracts vary widely across districts.

2.3.3 Bias

The motivating force behind this study is the ILO Social Finance Unit's commitment to combat forced labour. Consequently, although landlords and members of the establishment who do not share the same views as their labourers were interviewed, it is acknowledged that the main focus of the study was on collecting data from poor agricultural labourers. The questionnaire survey covers mostly target group respondents, and some poor, dominant-caste respondents.

Chapter 3: Background

3.1 Caste

Despite 54 years of independence, the caste system, which is a system of social stratification, has survived, institutionalising inequality in a modern democracy such as India. Caste-based servitude has been part of Indian social structure and organisation for centuries, and is one of the most important factors explaining the impotence of legislation banning various forms of forced labour and debt bondage. It can be observed that there is a strong correlation between ritual rank in the caste hierarchy and economic prosperity. In general, members of high-ranking castes tend to be more prosperous than members of low-ranking castes. Many low-caste people live in conditions of great poverty and social exclusion.

In the 1990s, politically conscious members of the scheduled castes began using the term *dalit*, a Hindi word meaning oppressed or downtrodden, to describe themselves. According to the 1991 census, there were 138 million scheduled caste members, approximately 16 per cent of the population.

Numerous groups, usually called tribes (often referred to as scheduled tribes), are also integrated into the caste system to varying degrees. Some tribes live separately from others, particularly in the northeast and central districts of the state, where tribes are more like ethnic groups than castes. Some tribes are divided into groups similar to sub-castes. In regions where members of tribes live in peasant villages with non-tribal peoples, they are usually considered members of separate castes ranking low on the hierarchical scale.

3.2 Rural Credit

Agriculture in Karnataka, as elsewhere in India, depends on the annual monsoon in terms of timing and adequate precipitation. Some regions are chronically drought-prone, and failure of the monsoon can be disastrous for the local economy, particularly where poor people are concerned. If the monsoon fails, farmers are forced to delay their agricultural operations meaning those who work for wages are directly affected. This uncertainty, which leads to irregular expenditure and income flows, creates a large demand for credit in rural areas.

A number of credit systems that are closely linked with social relations have evolved in rural areas over a long period. Although these systems may be known by different names in different regions, structurally they are all similar in Karnataka's rural sector. They are as follows.

- Banking systems in the organised sector
- Informal community credit systems—chit funds
- Moneylenders in market towns and urban centres
- Farm management and labour employment systems

3.2.1 Organised Sector Banking Systems

In the selected districts, there are typically the following types of banks.

- Commercial banks
- Co-operative banks
- Primary agricultural co-operative societies (Vyasaya Sahakara Sangha Niyamite (VSSN))
- Primary land development (PLD) banks

These banks offer short-term, medium-term and long-term loans. Except for short-term loans enforced by government schemes and Reserve Bank of India (RBI) directives, the other types are normally not available to labouring families. The reason for this is that labourers do not have

collateral to pledge against loans, and they are unfamiliar with the paperwork and general transaction costs. Table 3.1 gives details of the types of loans available within the formal banking system.

Table 3.1: Types of loans available from the formal banking sector

| | Short-term loans | Medium-term loans | Long-term loans |
|--------------------------|--|--|--|
| Minimum | Rs 1000 | Rs 10,000 | Rs 100,000 |
| Maximum | Rs 50,000 | Rs 100,000 | Rs 1,500,000 |
| Interest Rate | 12 per cent to 16 per cent per annum. (The Differential Rate of Interest (DRI) scheme where the poor paid only 4.5 discontinued over the past 5–7 years.) | 12 per cent to 16 per cent per annum for agriculture. 16 per cent to 21 per cent for non-agriculture purposes. | 16 per cent to 18.5 per cent per annum for agriculture. 18 per cent to 21 per cent for non-agriculture purposes. |
| Period | 9 months to 3 years | 5 years | More than 5 years |
| Purpose | Crop loans. IRDP and other anti-poverty loan schemes. | Bore-wells, pump sets, milch cows, bullocks and carts, sericulture equipment. Working capital for businesses. | Tractors, vans, lorries, construction of buildings, large poultry and dairy units, industrial projects, etc. |
| Repayment plan | Lump sum in case of crop loans. Annual/monthly instalments in case of anti-poverty loans. | Annual instalments. | As per project report. |
| Security | Hypothecation of crop (not land, unless loan amount is more than Rs 10,000). No security for IRDP and anti-poverty loans. | Hypothecation of movable properties created with the loan amount. Legal papers accepted by the courts. | Mortgage of movable and immovable properties created with the loan amount. Legal papers accepted by the courts. |
| Prevalence | Depends upon government schemes and RBI notifications. | Very common. | Extremely rare to non-existent. |
| Type of borrowers | Small farmers obtain crop loans (small and poor peasants are traditionally not given crop loans unless they have organised pressure). Scheduled caste/ scheduled tribe families obtain IRDP and other loans. | Small farmers and businessmen. | Big farmers, landlords and big businessmen. |

Source: Esteves (1998).¹

3.2.2 Informal Community Credit Systems – chit Funds

A chit fund is normally an informal community credit system, where a certain sum of money is collected and made available for auction at regular intervals. For example, if the pooled fund is Rs 5000, all members of the fund can bid for an amount and the member who bids to accept the lowest amount (for example, to receive Rs 4,000 as cash, but pay regular instalments as if returning the sum of Rs 5000) is given the chit. In other words, the bidder who offers the highest interest on the amount available lifts the chit. Although chit funds must be registered under the Co-operatives Act, this hardly ever happens. Chit funds normally run in urban areas with strong social control and peer pressure. They do not work appear to work well in rural areas.

3.2.3 Moneylenders in Market Towns and Urban Centres

Professional moneylenders are found in village, *taluka* and district headquarters, and may operate as pawnbrokers. Moneylenders rely on social networks to assess the credit-worthiness of prospective clients and exert pressure for timely repayment. Although moneylending has been the preserve of some castes, the evolution of political and economic power has ensured that anyone with capital and the right political connections can become a moneylender.

¹ Esteves, R. (1998). *A Survey of the Financial and Credit Environment in North Kolar District. ADATS.*

3.2.4 Farm Management and Labour Employment Systems

Agriculture is the backbone of the Indian economy, and until about a hundred years ago, the 'King's share' on agricultural land was the major source of revenue for the government. Under British rule, *zamindars* or landlords gained permanent, heritable and transferable property rights to their estates. The doctrine that 'the rents belong to the sovereign, the land to the *zamindars*' gained ground, and ownership of land, in the modern sense, was introduced to India.

The *zamindari* system was gradually replaced by the *ryotwari* system, where the government settled the amount payable by each farmer (*ryot*) on the basis of a permanent assessment of his lands and crops. Small farmers could enjoy all rights to the land subject to the payment of fixed revenue that was collected by the state. A third system, known as the *mirasdari* system, where the government settled with *mirasdars* who acted as representatives of a village, was accepted in some regions. On the whole, the *ryotwari* system found greater favour, even among administrators, as there was less scope for oppression by *zamindars* and *mirasdars*. Landlords, whether they were *zamindars* or small proprietors (*ryots*), evolved land management and labour employment systems based on feudal practices that are deeply rooted in the caste-based patron-client system.

Although farm labourers abhor the relationships that have to be endured for the sake of their credit requirements, they have no option but to put up with the system. The following systems have been documented (Esteves, 1998)² in Bagepalli *taluka*.

- *Nagu*. A simple material loan system used extensively for crop credit. For example, peasants borrow a bag of groundnut seed and return 1.5–2 bags after the harvest.
- *Bhogyam*. A mortgage system in which a peasant gives up all rights on half the area of his landholding in return for cash and kind to cultivate the remaining half. If, due to drought, this halving continues every couple of years, within a decade small peasant families become totally landless.
- *Jeetam* (bondage). This is a bonded labour system, one version of which would place a young boy in the landlord's house in return for cash and kind in order to cultivate land. In addition to what the parents borrow, the boy receives nominal wages of Rs 300 to Rs 1000 per year, two sets of clothes, 1–2 meals a day, and is allowed to sleep in the cattle shed. This payment converts the bondage, in the eyes of the law, to a form of contract labour.
- *Vaddi* (interest) hand loan (*kai sala*). Cash is loaned at interest varying from Rs 3 to Rs 6 per Rs 100 per month. This system works largely on trust and the confidence of the landlord that the money will be returned.
- Advance against wages. Landlords are happy to advance cash against wages that are normally discounted in real terms. Depending on the demand for labour, and the relationship between
- landlord and labourer, this does not necessarily lead to bondage.
- Loans on standing crop. Merchants—for example, dealers in groundnut—will assess a crop in the field and offer a suitably discounted amount for the crop that is due in a few months time. The merchant takes the risk in case of a crash in prices. In case of crop failure, interest is charged on the advanced amounts.

² Esteves, R. (1998). *A Survey of the Financial and Credit Environment in North Kolar District*. ADATS.

Chapter 4: Survey

4.1 Demographic Data

4.1.1 Household Size and Composition

The households surveyed had an average of 5.07 members. The male to female ratio was 1000 to 940 (comparable to 939 for rural India according to the 2001 census). The mean age of the 2683 household members was 26.9 years; the median age was 24 years, indicating that distribution is mildly skewed (skewedness = +0.73). The frequency distribution of age is presented in Table 4.1. Thirty per cent are children of 14 years or younger, almost two-thirds are below 30 years, and about 4.6 per cent are 60 years or older.

4.1.2 Educational Background

Table 4.2 shows the educational status of household members who are six years or more (primary school enrolment age). More than 55 per cent of the surveyed population have not had any formal education and are illiterate. Of illiterate household members, 600 (45 per cent) are male and 738 (55 per cent) are female.

The breakdown by categories shows that although illiteracy is clearly a factor contributing to poverty, it does not by itself explain why some households enter bonded labour.

4.1.3 Main Occupation and Activities

The main occupations of household members are presented in Table 4.3. Of the 1555 family members who said that they work as labourers, 1082 (69.6 per cent) had had no formal education.

4.1.4 Caste

Of the pre-selected sample, 47.5 per cent belonged to scheduled castes and 11.9 per cent belonged to scheduled tribes. Muslims accounted for 3.7 per cent and Lingayaths (a local caste) for 5.2 per cent.

4.2 Poverty Analysis

The questionnaire used for this study was adapted from the CGAP model, and serves primarily to analyse poverty in terms of food-related, dwelling-related and asset-related indicators.

4.2.1 Regularity of Meals

Table 4.4 shows that 48 per cent of households have two meals a day and 52 per cent have three meals a day. Respondents serve more meals when they have visitors.

Table 4.1: Age distribution

| | Count | Percentage |
|-------|-------|------------|
| 0–10 | 599 | 22.33 |
| 10–20 | 635 | 23.67 |
| 20–30 | 522 | 19.46 |
| 30–40 | 375 | 13.98 |
| 40–50 | 253 | 9.43 |
| 50–60 | 175 | 6.52 |
| 60–70 | 82 | 3.06 |
| 70–80 | 34 | 1.27 |
| 80–90 | 8 | 0.30 |

Table 4.2: Educational status

| | Count | Percentage |
|--------------------------------|-------|------------|
| Less than primary | 41 | 1.70 |
| Some primary | 579 | 24.02 |
| Completed primary | 242 | 10.04 |
| Technical school | 21 | 0.87 |
| Secondary school | 95 | 3.94 |
| Completed secondary | 60 | 2.49 |
| Attended college or university | 34 | 1.41 |
| Illiterate | 1,338 | 55.52 |

Table 4.3: Main occupations

| | Count | Percentage |
|--------------------------------|-------|------------|
| Self-employed in agriculture | 35 | 1.30 |
| Self-employed in non-farm jobs | 17 | 0.63 |
| Student | 439 | 16.36 |
| Labourer | 1,555 | 57.96 |
| Salaried job | 16 | 0.60 |
| Domestic servant | 450 | 16.77 |
| Others | 32 | 1.19 |
| Invalid | 139 | 5.18 |

Table 4.4: Regularity of meals

| | Count | Percentage |
|---------------------|-------|------------|
| Two meals per day | 254 | 48 |
| Three meals per day | 275 | 52 |

4.2.2 Superior (Luxury) Foods

Table 4.5 shows that non-vegetarian food (chicken, fish, etc.) is served by 20.6 per cent of respondents on an average of 1.21 days a week or twice every 12 days.

Table 4.6 shows that special vegetables and fruit were served more frequently than non-vegetarian food. For the valid 278 responses, the mean was 1.36 with a standard deviation of 1.67. This means that on an average, respondents had special vegetables or fruit on 1.36 days a week or once every five days.

Responses regarding sweets has a mean occurrence of 0.80 with a standard deviation of 0.88. This suggests that, on average, respondents have sweets 0.8 days a week or once every nine days (Table 4.7).

4.2.3 Staple Foods

While seven out of 109 respondents said that their staple diet was tubers such as *Colacasia* and yams, the remaining 102 said that millets (*ragi, jowar*, etc.) were their staple. None of the respondents said that rice was their staple. Of the 102 respondents who ate millets as their staple, only 42 (41 per cent) said they would change their staple diet to rice if they had more money to spend. This shows that millets are not considered an inferior food.

4.2.4 Food Sufficiency

Table 4.8 shows how many respondents had experienced days with one meal or less during the past week. To understand who among the respondents experienced hunger during the previous week on one or more days, Table 4.9 shows the responses by household category. *Dalits* made up 47.5 per cent of the respondents who said they had experienced a day with one meal or less in the last week, the backward castes made up 24.5

Table 4.5: Non-vegetarian food (chicken, fish, etc.) served

| | Count | Percentage |
|--------------|-------|------------|
| Did not know | 126 | 23.82 |
| 1 day | 92 | 17.39 |
| 2 days | 11 | 2.08 |
| 3 days | 6 | 1.13 |
| Missing | 294 | 55.58 |

Table 4.6: Special vegetables and fruit served

| | Count | Percentage |
|--------------|-------|------------|
| Did not know | 124 | 23.44 |
| Did not have | 16 | 3.02 |
| 1 day | 22 | 4.16 |
| 2 days | 52 | 9.83 |
| 3 days | 21 | 3.97 |
| 4 days | 33 | 6.24 |
| 5 days | 5 | 0.95 |
| 6 days | 2 | 0.38 |
| 7 days | 3 | 0.57 |
| Missing | 251 | 47.45 |

Table 4.7: Sweets served

| | Count | Percentage |
|--------------|-------|------------|
| Did not know | 100 | 18.90 |
| Did not have | 39 | 7.37 |
| 1 day | 121 | 22.87 |
| 2 days | 34 | 6.43 |
| 3 days | 21 | 3.97 |
| Missing | 214 | 40.45 |

Table 4.8: One meal or less during the past week

| | Count | Percentage |
|--------------------|-------|------------|
| Did not know | 136 | 25.7 |
| Did not experience | 93 | 17.6 |
| 1 day | 36 | 6.8 |
| 2 days | 89 | 16.8 |
| 3 days | 9 | 1.7 |
| 4 days | 5 | 1 |
| Missing | 161 | 30.4 |

Table 4.9: One meal or less during the past week by household categories (percentage)

| | Backward | Dominant | Dalit (rbi) | Dalit (other) | Tribal (other) | All groups |
|--------|----------|----------|-------------|---------------|----------------|------------|
| 1 day | 7.5 | 4.5 | 16 | 5 | 10.5 | 7 |
| 2 days | 16.5 | 13.5 | 30 | 14 | 26.5 | 17 |
| 3 days | 0.75 | 1 | 5.5 | 2.5 | 0 | 1.5 |
| 4 days | 0.75 | 1 | 0 | 1.5 | 0 | 1 |
| Total | 25.75 | 20 | 51.5 | 22.5 | 37 | 26.5 |

per cent and dominant castes made up 12.9 per cent. In view of the variance across caste groups, it is possible that this is one of the best indicators for measuring poverty.

Table 4.10 shows how many months during the previous year the respondent had experienced a shortage of food. The majority of respondents (80.6 per cent) had experienced a shortage of food; this was defined as one meal or less in at least one month of the year. A few individuals experience shortage of food for more than three months a year.

4.2.5 Food Purchasing Power

Table 4.11 shows how often respondents buy the household staple. The mean purchasing interval is 2.5 days, although the modal interval is three days.

Table 4.12 shows how often staples are purchased by household category. Although it is possible to apply an analysis of variance to test the hypothesis that all caste categories are fairly equally placed in this distribution, for the time being, it can be concluded that most respondents buy their food stocks once in three days, and that this might not be a good indicator of poverty.

Table 4.12: Purchase of staple by household categories

| | Backward | Dominant | Dalit (rbl) | Dalit (other) | Tribal (rbl) | Tribal (other) | All groups |
|--------|----------|----------|-------------|---------------|--------------|----------------|------------|
| 1 day | 41 | 25 | 17 | 65 | 0 | 17 | 165 |
| 2 days | 13 | 12 | 5 | 17 | 1 | 5 | 53 |
| 3 days | 58 | 32 | 13 | 106 | 3 | 23 | 235 |
| 4 days | 5 | 2 | 1 | 4 | 1 | 2 | 15 |
| 5 days | 14 | 18 | 1 | 17 | 0 | 10 | 60 |
| 6 days | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Total | 132 | 89 | 37 | 209 | 5 | 57 | 529 |

Note: rbl = released bonded labourer.

Table 4.13 shows how much respondents would add to expenditure on food if they were to receive an additional Rs 100 per week in wages. Over 80 per cent of respondents said they would spend all of the additional Rs 100 per week on food. This indicator does not discriminate between various levels of poverty. It is possible that this question would have produced different results if it had been administered using participatory rural appraisal techniques.

4.2.6 Type of Roof

Table 4.14 shows that 30 percent of households have a thatched roof followed by 29 per cent with a tiled or concrete roof. Among asset-based indicators, this one appears to be fairly sound as it measures a good spread across the various categories; even backward and dominant groups surveyed are from poor backgrounds, and this indicator seems to be discriminating within groups fairly well.

Table 4.10: One meal or less in at least one month of the year

| | Count | Percentage |
|----------|-------|------------|
| 1 month | 303 | 57.3 |
| 2 months | 54 | 10.2 |
| 3 months | 13 | 2.5 |
| 4 months | 4 | 0.7 |
| 5 months | 0 | 0 |
| 6 months | 2 | 0.4 |
| Missing | 153 | 28.9 |

Note: rbl = released bonded labourer.

Table 4.11: frequency of purchasing staple

| | Count | Percentage |
|--------|-------|------------|
| 1 day | 165 | 31.2 |
| 2 days | 53 | 10 |
| 3 days | 235 | 44.4 |
| 4 days | 15 | 2.8 |
| 5 days | 60 | 11.4 |
| 6 days | 1 | 0.2 |

Table 4.13: Additional expenditure on food

| | Count | Percentage |
|-----------------|-------|------------|
| Less than Rs 20 | 39 | 7.37 |
| Rs 20 to Rs 40 | 0 | 0 |
| Rs 40 to Rs 60 | 13 | 2.46 |
| Rs 60 to Rs 80 | 42 | 7.94 |
| Above Rs 80 | 435 | 82.23 |

Table 4.14: Type of roof (percentage)

| | Backward | Dominant | Dalit (rbl) | Dalit (other) | Tribal (rbl) | Tribal (other) | All groups |
|-----------------|----------|----------|-------------|---------------|---------------|----------------|------------|
| Thatch | 36 | 30 | 8 | 33 | 0 | 23 | 30 |
| Stone slab | 12 | 24 | 32 | 11 | 20 | 23 | 16 |
| Iron sheets | 20 | 26 | 11 | 28 | 0 | 35 | 25 |
| Tiles/ concrete | 32 | 20 | 49 | 29 | 80 | 19 | 29 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

Note: rbl = released bonded labourer.

4.2.7 Type of Exterior Wall

Table 4.15 shows that 55.6 per cent of respondents' houses had mud walls followed by 36.7 per cent with brick or stone walls, accounting for 92.3 per cent of the sample. This may possibly be as a result of government programmes to provide basic shelter to below-poverty-line households. Hence, this is not a useful indicator of poverty in this area.

4.2.8 Legal Status of Building

Table 4.16 shows that 86 per cent of respondents live in their own property. This is again probably because of government schemes. It can be seen that only one respondent claimed to be living on landlord's land.

4.2.9 Type of Energy Used

Table 4.17 shows that most respondents (70.1 per cent) use electricity alone or partially, while 29.9 per cent use kerosene, which is available through the public distribution system.

4.2.10 Cooking Fuel

Table 4.18 shows that 87.9 per cent of respondents used wood as fuel for cooking. For a crosscheck regarding the suitability of this indicator, Table 4.19 shows the type of fuel used for cooking by household category. Wood (either collected or purchased) is the main type of cooking fuel used by all household categories.

Table 4.15: Type of exterior wall

| | Count | Percentage |
|----------------|-------|------------|
| Thatch | 31 | 5.8 |
| Mud walls | 294 | 55.6 |
| Iron sheets | 1 | 0.2 |
| Timber | 9 | 1.7 |
| Brick or stone | 194 | 36.7 |

Table 4.16: Legal status of building

| | Count | Percentage |
|-------------------------|-------|------------|
| Public land, encroached | 26 | 4.9 |
| Landlord's land | 1 | 0.2 |
| Relative's land | 9 | 1.7 |
| Rented property | 38 | 7.2 |
| Own property | 455 | 86 |

Table 4.17: Type of energy used

| | Count | Percentage |
|---------------------------------|-------|------------|
| Kerosene | 158 | 29.9 |
| Kerosene and electricity | 7 | 1.3 |
| Electricity (to be legalised) | 4 | 0.8 |
| Electricity (shared connection) | 16 | 3 |
| Electricity (own connection) | 344 | 65 |

Table 4.18: Cooking fuel

| | Count | Percentage |
|--------------------|-------|------------|
| Dung | 29 | 5.5 |
| Collected fuelwood | 465 | 87.9 |
| Purchased fuelwood | 34 | 6.4 |
| Gas | 1 | 0.2 |

Table 4.19: Type of cooking fuel by household categories

| | Backward | Dominant | Dalit (rbl) | Dalit (other) | Tribal (rbl) | Tribal (other) | All groups |
|--------------------|----------|----------|-------------|---------------|---------------|----------------|------------|
| Dung | 10 | 7 | 0 | 12 | 0 | 0 | 29 |
| Collected fuelwood | 113 | 79 | 34 | 182 | 5 | 52 | 465 |
| Purchased fuelwood | 8 | 3 | 3 | 15 | 0 | 5 | 34 |
| Gas | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Total | 132 | 89 | 37 | 209 | 5 | 57 | 529 |

Note: rbl = released bonded labourer.

4.2.11 Source of Drinking Water

Karnataka has major programmes for providing drinking water to rural areas through World Bank and DANIDA schemes. This is no doubt the reason that 91.7 per cent of respondents have access to public piped water or standpipe (Table 4.20). There is no evidence that respondents depend on their landlord for their water supply.

From qualitative surveys, it is known that bonded labourers, who live on the landlord's premises, have access to water although there may be some cultural restrictions. Public standpipes are available on village roads and local caste restrictions are not necessarily related to debt bondage. Table 4.21 shows that 98.6 per cent of respondents do not depend on their landlord for water supply (although it is conceded that a landlord may have influence over many of these sources).

4.2.12 Toilet Facilities

In most of rural Karnataka, there is no sanitation infrastructure. Although wealthier people have toilets at their homes (outside, if not inside), in the sampled households, there appears to be few; 97.9 per cent of households have no facilities (Table 4.22).

4.2.13 Landownership

Table 4.23 shows details of landownership for surveyed households. Note 1 acre is 0.405 ha.

Table 4.23: Landownership

| | Count | Percentage | Average acres | Rs per acre |
|-----------------------|-------|------------|---------------|-------------|
| Dry land | 209 | 39.5 | 2.34 | 27,490 |
| Wet land | 37 | 7 | 3.32 | 47,540 |
| Non-agricultural land | 12 | 2.5 | 1.08 | 15,208 |
| Landless | 271 | 51 | — | — |

4.2.14 Livestock Ownership

Table 4.24 shows ownership of farm animals for surveyed households. Modal ownership of cattle is one cow; 30 per cent of respondents owned cattle or buffalo .

Table 4.20: Source of drinking water

| | Count | Percentage |
|------------------------|-------|------------|
| Invalid | 1 | 0.2 |
| Pond or lake | 3 | 0.5 |
| Open well | 30 | 5.7 |
| Public standpipe | 167 | 31.6 |
| Piped public water | 318 | 60.1 |
| Bore-well in residence | 10 | 1.9 |

Table 4.21: Ownership of water supply

| | Count | Percentage |
|----------------------|-------|------------|
| Public | 519 | 98.1 |
| Belongs to landlord | 7 | 1.3 |
| Belongs to household | 3 | 0.6 |

Table 4.22: Toilet facilities

| | Count | Percentage |
|-----------------------------|-------|------------|
| No toilet | 518 | 97.9 |
| Shared pit toilet | 9 | 1.7 |
| Own pit toilet | 1 | 0.2 |
| Twin pit (improved) latrine | 1 | 0.2 |

Table 4.24: Ownership of farm animals

| | Cattle | | Sheep, goats and pigs | | Poultry | |
|---------|--------|------------|-----------------------|------------|---------|------------|
| | Count | Percentage | Count | Percentage | Count | Percentage |
| None | 85 | 16.1 | 118 | 22.3 | 123 | 23.2 |
| 1 | 92 | 17.4 | 29 | 5.5 | 18 | 3.4 |
| 2 | 44 | 8.3 | 19 | 3.6 | 16 | 3 |
| 3 | 14 | 2.6 | 4 | 0.7 | 4 | 0.7 |
| 4 | 8 | 1.5 | 5 | 0.9 | 3 | 0.6 |
| 5 | 1 | 0.2 | 3 | 0.6 | 2 | 0.4 |
| 6 | 0 | 0 | 1 | 0.2 | 2 | 0.4 |
| 8 | 0 | 0 | 1 | 0.2 | 1 | 0.2 |
| 10 | 0 | 0 | 1 | 0.2 | 1 | 0.2 |
| 20 | 0 | 0 | 1 | 0.2 | 1 | 0.2 |
| 30 | 0 | 0 | 2 | 0.4 | 1 | 0.2 |
| Missing | 285 | 53.9 | 345 | 65.2 | 357 | 67.5 |

4.2.15 Personal/Domestic Assets

Ownership of personal assets such as furniture, electronic equipment, etc. is becoming more common in rural India. Table 4.25 shows ownership of personal assets for surveyed households. This list reflects the capacity of respondents to acquire assets.

4.2.16 Seasonal Migration

Respondents were asked whether they migrated to other regions for work. Table 4.26 shows the responses; 28.4 per cent of respondents said they migrated for work in the off season.

Table 4.27 shows the pattern of responses across the eight *talukas*. There does not appear to be much migration from Belgaum district (Bailhongal and Raigarh *talukas*). It was found in qualitative research that villagers from these *talukas* find work locally in textile mills and the industrial belt in Nippani area.

4.2.16 Expenditure on Clothes

The benchmark indicator for calculation of a poverty index is the amount spent per household on clothes. The assumption is that poor families will spend less on clothes than better off families. Table 4.28 shows how respondents claimed to spend money on clothes.

4.3 Indebtedness

The need for credit is a pressing rural requirement and the formal banking system has not been able to address this need adequately.

Table 4.25: Ownership of personal assets

| | Count | Percentage |
|------------------------------|-------|------------|
| Cot/bed | 23 | 4.3 |
| Cupboard/bureau | 5 | 0.9 |
| Radio | 43 | 8.1 |
| Bicycle | 66 | 12.5 |
| Television (black and white) | 25 | 4.7 |
| Television (colour) | 3 | 0.5 |

Table 4.26: Migration for work

| | No | Yes |
|---------|-----|------|
| No | 136 | 25.7 |
| Yes | 150 | 28.4 |
| Missing | 243 | 45.9 |

Table 4.27: Migration by taluka

| | No | Yes |
|----------------|-----|-----|
| Bidar | 49 | 17 |
| Basava Kalyana | 49 | 17 |
| Bagepalli | 2 | 29 |
| Bangarapet | 30 | 24 |
| Kollegal | 2 | 23 |
| Gundlupet | 3 | 31 |
| Bailhongal | 0 | 4 |
| Raigarh | 1 | 5 |
| All talukas | 136 | 150 |

Table 4.28: Expenditure on clothes per year

| | Count | Percentage |
|------------------------------|-------|------------|
| Less than Rs 500 | 57 | 10.7 |
| Rs 500 to less than Rs 1000 | 128 | 24.2 |
| Rs 1000 to less than Rs 1500 | 122 | 23.1 |
| Rs 1500 to less than Rs 2000 | 74 | 14 |
| Rs 2000 to less than Rs 2500 | 47 | 8.9 |
| Rs 2500 to less than Rs 3000 | 39 | 7.4 |
| Rs 3000 or more | 62 | 11.7 |

4.3.1 Incidence and Prevalence of Loans

Table 4.29 shows that 78.5 per cent of respondents had outstanding loans. This incidence of indebted rural households is higher than the state level (49.2 per cent in 1983), and than the all-India level (50.4 per cent) as reported in the latest issue of the Study Group on Rural Labour Indebtedness (1990). This higher incidence is an element that confirms the focus of the survey on *talukas* with a population at risk of becoming bonded. Respondents said that on average the last loan was taken 17 months before (mean = 16.95, SD = 34.52). On average, there were two loans against the family of each respondent (mean 2.00, SD = 1.51). The total loan burden was on average Rs 10,000 per family (mean = Rs 9677.25, minimum = Rs 50, maximum = Rs 75,000, SD = Rs 10,405.48).

4.3.2 Access to Credit

About 25.1 per cent of respondents reported having approached commercial banks for loans (Table 4.30), and 9.3 per cent have contributed to chit funds (Table 4.31).

4.3.3 Sources of Credit

Table 4.32 shows the sources of credit when respondents need a relatively small sum such as Rs 1000. The landlord is the most frequently cited source followed by 'interest' and moneylender (apparently, the same thing).

Although there are professional moneylenders and pawnbrokers in district and *taluka* headquarters, poor agricultural labourers normally turn to their landlords for urgent credit requirements. In some areas, employers give loans against a signed receipt, sometimes on stamped paper, but, in general, contracts are informal and honoured by both parties, particularly the borrower. Although legal enforcement, modernisation and opportunities for labour mobility, particularly to adjacent states, has encouraged cases of bonded labourers who have taken loans and run away, there is a strong socio-cultural compulsion to repay the debt. It is common for bonded labourers to say that repayment of the debt was a priority. Other important concepts, having their origins in feudal relationships, that came up in discussions, are loyalty, duty, responsibility and integrity.

Discussions with leaders of non-governmental organisations suggest that although the labouring class cannot afford the middle-class Indian policy of avoiding loans, they contribute to the notion that a person should die debt-free. It is axiomatic that if a person dies with a debt, it is the duty of his son or another family representative to take over responsibility for repaying the loan. From this principle comes the practice of third-party bondage. The following case illustrates this. Govindappa is 40 years old and belongs to the washerman caste. He lives in Karadaguru village of Bangarapet *taluka*. He recommended a loan for a kinsman, who entered into a *jeetam* arrangement with the landlord and abruptly disappeared. Since Govindappa vouched for his friend, his honour persuaded him to substitute for his friend to serve out the remaining *jeetam* term. There are cases of children standing in (often under pressure from their parents) for loans taken by the parents.

Table 4.29: Indebted households

| | Count | Percentage |
|-----|-------|------------|
| Yes | 415 | 78.5 |
| No | 114 | 21.5 |

Table 4.30: Approached commercial bank

| | Count | Percentage |
|-----|-------|------------|
| Yes | 133 | 25.1 |
| No | 396 | 74.9 |

| | Count | Percentage |
|-----|-------|------------|
| Yes | 49 | 9.3 |
| No | 480 | 90.7 |

Table 4.32: Sources of credit of indebted households

| | Count | Percentage |
|-----------------|-------|------------|
| Landlord | 293 | 61 |
| Friends | 68 | 12 |
| Society (co-op) | 8 | 02 |
| Bank loan | 37 | 08 |
| Moneylender | 89 | 14 |
| Others | 15 | 3 |

A typical example of bonded labour is the case of Babu of Bangarapet *taluka*, Kolar district. Babu came from Jothanahalli in Bangarapet *taluka* to Karadaguru for *jeetam*. He has no land or house, so he entered *jeetam* to take care of his two sons. He took a loan of Rs 15,000 from his landlord for his daughter's marriage a decade ago. He receives a daily wage of Rs 20 and works an estimated average of 320 days per year. He earns Rs 6400 per year. Under normal circumstances, assuming there is no interest component, he would be free of *jeetam* in two years and four months. However, he has been working for the past 10 years under the same landlord and he is still in *jeetam*. Babu's landlord cuts wages for days that Babu does not work even if the reason for absence is sickness. However, the landlord is happy to advance additional money for his urgent needs. Babu has only a rough idea of the details of his account. The bottom line is that it is highly unlikely that Babu will ever be able to work his way out of debt.

Depending on several factors, the interest on small loans (up to Rs 300) of great urgency is Rs 5 to Rs 10 per Rs 100 of loan, deducted at source. Thus, a labourer who borrows Rs 300 for a one-month period gets Rs 290 in hand, and has to repay Rs 300 at the end of one month (this may be in the form of 10 days labour at equivalent wages of Rs 30 per day). The interest works out to 3.45 per cent for one month.

Chapter 5: Vulnerability to Forced Labour

Debt bondage exists in various forms in the four Karnataka districts surveyed. The system has survived despite the Bonded Labour System (Abolition) Act. The term *varshada shambala* (annual wages) is used for the present manifestation of bonded labour in Karnataka by landlords and some officials.

5.1 District-wise Characteristics

An overall impression is that debt bondage is most acute in Kolar district followed by Bidar, Belgaum and Chamrajnagar. Kolar district adjoins Andhra Pradesh where the feudal landlord system known as *redderickam* (*gowdali* in Karnataka) has not entirely disappeared. Many holdings in the drought-prone Kolar *talukas* are large and require cheap labour for upkeep and timely cultivation.

Bidar has bonded labour and some non-governmental organisations dedicated to working on the issue. Although there is bonded labour in rural Belgaum, research suggests that the system is also present in urban areas in some industries. Chamrajnagar borders Kerala where labour wages are as high as Rs 120 per day. Until the recent slump in plantation produce prices, coffee estates in Kerala and nearby Kodagu district were a source of demand for casual labour at relatively high wages. This caused Chamrajnagar labour wages to be pushed up to Rs 80 per day. This district also has a number of new landlords from Kerala and Tamil Nadu, who are keen to develop their properties and are not bound by traditional agrarian relationships.

5.2 Categories of Debt Bondage

Debt bondage presents itself in three categories.

- Caste-based bondage based on traditional relationships between generations of landlords and their labourers, who could be from the same caste as the landlord but are usually from lower castes.
- A sudden need for a large sum of money (ranging from Rs 1000 to Rs 15,000) for an emergency, traditional celebration or marriage drives a labourer to pledge himself/herself or children against a *jeetam* (local term for the debt bondage system) contract. This arrangement is also referred to as *bitti chakri*, which means free work. Work under this system includes odd jobs on the landlord's property. Some labourers are in a position to enter into a contractual arrangement with the landlord for an advance with clearly spelt out repayment terms that does not involve a *jeetam* relationship.
- There were also combinations of these two categories in a system of multiple loans and rolling debt where both parties agree informally to extend the *jeetam* or *bitti chakri* service period.

5.3 Relationships and Dependence on Employers and Moneylenders

Although the sample covered poor agricultural labourers, some of whom were released bonded labourers, in fact, there were a number of labourers who were still in debt bondage.

5.3.1 Housing

Only a few of the bonded labourers interviewed said that they live on the premises of the landlord. Most lived in their own accommodation in the village. Those that lived on the landlord's premises were permitted to sleep outside the house in a sheltered location.

5.3.2 Food

Most bonded labourers said they received two meals a day. No respondents said that they go hungry. In fact, receiving two meals a day was reported to be one of the chief benefits of the bondage arrangement. In most cases, bonded labourers received food or foodgrains and coffee/tea from the landlord.

The impression from discussions was that they received adequate food, even if it was only millet porridge and chutney. Some bonded labourers said they received meat once a week.

5.3.3 Clothes

Depending on the area, bonded labourers said they received two to three sets of clothes per year from their landlord at festival times.

5.3.4 Access to Drinking Water

The practice of untouchability forbids lower castes from drinking from the same vessel as upper castes. There is no question of using the vessels of the landlord. Even in local teashops, separate vessels are used for untouchables

5.3.5 Restrictions to Alternative Income Sources

Working under the *jeetam* system is a full-time commitment. There is no opportunity to work for another employer or pursue any part-time occupation .

5.3.6 Restrictions in Movement

Bonded labourers are not permitted to be absent from the landlord's property without permission. On average, they start their day at 5 a.m. and work until 10 p.m. They must be physically present on the landlord's property all day and night. The range of odd jobs consists of feeding cattle, collecting cowdung, sweeping courtyards, cleaning the farmhouse, washing vessels, operating water pumps, attending to the feeding of silkworms (where applicable) and functioning as a watchman for the landlord's house or agricultural crops.

Bonded labourers said that even if there were an opportunity to move to a new job for more money, they would be unwilling to go as this would show disloyalty to the landlord.

5.3.7 Violence

Physical punishment for negligence or dereliction of duty does occur against bonded labourers.

Chapter 6: Social Mapping

Relationships between landlord and bonded labourers are governed by strict traditional systems of etiquette. Bonded labourers, who mostly belong to scheduled castes and tribes, are considered to be ritually polluting and have prescribed norms of behaviour in their transactions with upper castes. There is no notion of commensality and even touching drinking water or vessels is considered polluting.

In addition, there are bonded labourers who are from the same caste as the landlord. While they have free access to the landlord's house and there are no restrictions on account of ritual pollution, they are still a servant in the house and their children could not marry into the landlord's family. In other words, although theoretically endogamy is permitted within the same caste, the class factor would prevent it.

In Bagepalli, discussions revealed that bonded labourers do not consume milk or milk products from the cows or buffaloes of their landlords since it is said to cause the animals' udders to bleed. Such superstitions have been handed down from generation to generation until the lower caste bonded labourers have made it a part of their cultural framework.

Chapter 7: Gender: Balance of Workload and Responsibilities

7.1 Workload in the Family

Table 7.1 shows daily work allocation as described by in Bangarapet *taluka* in Kolar district. Women work as hard as men and, in many cases, harder, both in terms of workload and working hours. They often do both agricultural and domestic work.

Table 7.1: Work responsibilities on the landlord's property for a bonded labourer's family

| | Activities and working hours |
|----------------------|--|
| Wife | Filling water. Feeding cattle. Fetching fuelwood. Sweeping. Weeding commercial vegetable garden; light work such as fixing supports for tomato plants. Domestic chores such as cooking, washing dishes, washing clothes. Works from 6 a.m. until 10 a.m. |
| Husband | Filling water. Feeding cattle. Weeding, collecting cattle fodder, taking care of the pump house. Occasionally buys groceries from the market when his wife is sick. Works from 8 a.m. until 6 p.m. |
| Father-in-law | Grazing sheep. Works from 10 a.m. until 2 p.m. |
| Son | Loading and unloading agricultural produce, fertiliser and soil from the landlord's tractor. Working on agricultural land. Works from 8 a.m. until 8 p.m. |
| Son | Working on agricultural land: weeding, occasionally ploughing and operating the tractor. Works from 8 a.m. until 8 p.m. |

7.2 Decision-Making in the Family

Table 7.2 shows the decision-making roles of various family members.

Younger women, aged 15–35 years, give their wages to their husbands. Since older women manage the home budget, in many cases the husband keeps some pocket money and gives the rest of his wages to his wife. The discrepancy between the workload of the wife and her participation in decision-making has an important bearing for cases of bonded labour since this intra-household power inequality will have as a direct consequence on the involvement of the wife and children in the tasks given by the employer for a nominal payment.

Table 7.2: Decision-making in the family

| | Education | Income management | Purchase of assets/ household items | Marriage/ dowry | Family planning |
|---------------|-----------|-------------------|-------------------------------------|-----------------|-----------------|
| Wife | 2 | 1 | 2 | 1 | 3 |
| Husband | 1 | 2 | 1 | 2 | 1 |
| Mother-in-law | 3 | 3 | 3 | 3 | 3 |
| Father-in-law | 3 | 3 | 3 | 3 | 3 |
| Son | 1 | 2 | 2 | 2 | – |
| Daughter | 1 | 3 | 3 | 3 | – |

Note: 1 = main decision-maker, 2 = has some say in the decision, 3 = does not have any say in the decision.

Chapter 8: Potential Partners and Linkages

There are several active non-governmental organisations working with bonded and child labourers in Karnataka. There are other non-governmental organisations that work broadly in the area of poverty alleviation and integrated rural development.

8.1 Microfinance Institutions

Most non-governmental organisations working in the general area of poverty alleviation are promoting self-help groups or thrift and credit groups. None of these non-governmental organisations can be called a microfinance institution as classified under the Reserve Bank of India Act.

Sanghamitra Financial Services is a microfinance institution that was incorporated in 1995 as a non-banking financial company and has since been reclassified as a microfinance institution exempt from compliance with registration and other requirements under the Reserve Bank of India Act. The company started operation in March 2000. Therefore, the annual accounts for 1999/2000 cover just one month of operations and the 2000/2001 accounts are not yet finalised.

None of the non-governmental organisations in the Micro-Credit Network of Karnataka actually lend money, although all of them are involved in promoting self-help groups. Their accounts only show which funds have been given to self-help groups for microcredit activities. Self-help groups maintain their own accounts and manage their own funds including determining what interest and service charges should be charged to clients and how to recover their money.

Chapter 9: Conclusion

The report shows that the need for a project targeting bonded labourers in Karnataka exists and deserves attention. It is recommended that a project targets families at risk of becoming bonded with an inclusive microfinance element, both for supporting self-employment of the targeted group and for impacting on the state of the informal financial market.