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Social Finance Unit

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BASELINE STUDY FOR NEPAL

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BASELINE STUDY FOR NEPAL

October 2001

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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 Program initiated in 2000 a scheme to prevent debt bondage in four countries of South Asia, including Nepal.

The start of the project coincided with the His Majesty's Government of Nepal (HMG/N) cabinet decision to eradicate the *Kamaiya*-system of bonded labour, found mainly in five districts in the Mid- and Far Western *Terai*. As a consequence of this decision a large majority of the *kamaiyas* left their landlords and became free. HMG/N was suddenly faced with the daunting task to provide social and economic rehabilitation to about 18,000 families, to avert the likelihood that *kamaiya* families, for lack of alternative, return to bondage. On request of HMG/N, the project revised in Nepal its main emphasis from prevention of debt bondage to sustainable rehabilitation of former bonded labourers.

The project has since January 2002 initiated support activities with 1,000 families through two national NGOs, Mahila Upakar Manch (MUM) and Rural Reconstruction Nepal (RRN). Group formation, social and economic empowerment, savings & credit services, education, health and sanitation are important elements that the project has incorporated. This integrated approach is reinforced by the convergence of efforts of relevant partners and existing schemes.

This study, prepared by the Center for Micro-Finance (CMF), combines desk studies and field work in Banke district to map the situation and needs of freed *kamaiya* families. It provides base-line information to design the shape of the support programme in Nepal. I thank Namrata Sharma, Srijana Rana, Dr. Gajananda Agrawal and the CMF field team for implementation of the study. Dr. Ganapati Ojha and Purna Poudel provided valuable support in the collection of field data. Thanks also to Jenny Riley for editing the report and to Patrick Daru, Erik Beemsterboer and Krishna Acharya of the Social Finance project for the design and coordination of the research work. I sincerely hope that this work and related activities provided through the MUM and RRN will yield insights that will contribute to making bonded labour a phenomenon of the past.

Bernd Balkenhol
Manager, Social Finance Program, ILO-Geneva

Acronyms

CEAPRED	Centre for Environment and Agricultural Policy Research, Extension and Development
CGAP	Consultative Group to Assist the Poor
CMF	Centre for Micro Finance
DDC	District Development Council
DECONT	Democratic Confederation of Nepalese Trade Unions
DFID	Department for International Development
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
GDP	Gross Domestic Product
GEFONT	General Federation of Nepal Trade Union
GNP	Gross National Product
GRINSO	Group for International Solidarity
GTZ	German Technical Cooperation
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
MCPW	Micro Credit Project for Women
MFI	microfinance institution
NGO	non-governmental organisation
NRs	Nepali Rupees (US\$ 1 = NRs 75 in April 2001)
NTUC	Nepal Trade Union Congress
PCRW	Production Credit to Rural Women
RSDC	Rural Self-Reliance Development Centre
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
VDC	Village development committee
WFP	World Food Program

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Executive summary

1. The *kamaiya* system of bonded labour

In Nepal, the *kamaiya* system of bonded labour is found mainly in five districts of the mid-western and far western *terai*: Dang, Banke, Bardiya, Kailali and Kanchanpur. Unequal access to resources and services, and an unbalanced social power structure, have forced agricultural workers to accept contracts, including the payment of a salary advance, with wages far below the minimum wage. Usurious interest rates and low income levels have made certain that a worker would almost never be able to escape this bond. According to statistics of the Ministry of Land Reform, the number of *kamaiya* families in the five districts totals just over 18,000. In July 2000, a decision was taken by the Government of Nepal to eradicate the *kamaiya* system with immediate effect. However, over three-quarters of former *kamaiyas* are landless and the remainder are not much better off with small landholdings and limited assets. A major problem is unemployment, as without an income, life cannot be sustained.

2. The South Asian Debt Bondage project

The Social Finance Unit of the International Labour Organization has started a sub-regional project in Bangladesh, India, Nepal and Pakistan for an initial period of three years. The project is expected to induce existing microfinance institutions (MFIs) to develop, test and offer savings and loans products for vulnerable families to prevent them falling into exploitative labour relationships as a result of their indebtedness. Complementary to the core microfinance function of the project, accompanying support will be organised in the areas of public sensitisation, education, primary healthcare, income-generating activities, and group organisation and general empowerment. In Nepal, the focus of the project has been broadened to include activities for social and economic rehabilitation of former *kamaiya* families. The objective of this baseline study was to identify factors and mechanisms that may influence the implementation of the project. Secondary information was collected on legislative and policy background, macro-environment, social dialogue, government practices, and financial and economic environment.

3. Study methodology

In Banke, three village development committees (VDCs) were selected for conducting the baseline study. The study includes a household survey and participatory rural appraisals for an in-depth analysis of the current socio-economic situation of former *kamaiyas*. The sample size was 300 for non-bonded households and 200 for former bonded households. The fieldwork was carried out in March/April 2001.

The sociological background and micro-economic environment were assessed mainly using the Consultative Group to Assist the Poorest (CGAP) Poverty Assessment Tool¹ and supporting participatory rural appraisal techniques. The tool was originally developed by CGAP for assessing the relative poverty of clients of microfinance institutions. For this study, the tool was used to assess the relative poverty of former *kamaiya* households (former bonded labourers) in comparison with non-bonded households (never bonded). Some questions were added incorporating indebtedness, relation to the employer, group and community

¹ Consultative Group to Assist the Poorest (CGAP) and International Food Policy Research Institute (IFPRI) (2000). *Assessing the Relative Poverty of Microfinance Clients: a CGAP Operational Tool*.

participation, and household decision-making. In each VDC, the participatory rural appraisal included social mapping, wealth-ranking, seasonality and time-line exercises. Focus groups discussions were held with male groups, female groups, former *kamaiya* groups and mixed groups. Household visits were undertaken for personal interviews with key respondents and with (former) employers of *kamaiyas*.

4. Macro-environment

About 42.3 per cent of Nepal's 23.4 million people live below the national poverty line of NRs 4400 (US\$ 77) per capita per annum. Geographically, the incidence of poverty in the mid-western and far western regions of Nepal greatly exceeds the national average.

Banke District has a population of 313,330 and a population growth of 3.4 per cent per year. Almost 84 per cent of the population live in rural areas. Over 65 per cent are engaged in agriculture. Per capita income is NRs 6071; this is less than the national average of NRs 7373.

5. Legislative and policy issues: provisions on forced or bonded labour

The Constitution of Nepal (1990) recognises the significance of the labour force in economic and social sectors, and explicitly states that the rights and welfare of labourers have to be protected. Traffic in human beings, slavery, serfdom or forced labour in any form is prohibited. The nation will not allow any form of exploitation of children, and will make a gradual arrangement for free education for protection of their rights and welfare.

The Labour Act 1991 has made provisions regarding working hours, overtime, layoff, minimum-wage fixation, health and safety, welfare and other labour-related issues that have direct implications on lives of labourers. The minimum wage for agricultural labourers was fixed in April 2000 at NRs 60 per day.

In 2000, the government drafted a Bonded Labour Act to set people free automatically from bonded labour, make employing bonded labourers punishable by law, annul all debts and other contracts between the labourer to the employer, and return mortgaged property to the labourer. The act is not yet operational.

6. Socio-economic data of the sampled households

The average household size of the sample is 6.89 persons. The sex ratio is 103 per cent. The literacy rate is 35 per cent. The majority is Tharu: non-bonded households (78 per cent) and former *kamaiya* households (98.5 per cent). The main occupations of adult non-bonded household members are students (21.5 per cent), followed by self-employed in agriculture (16.1 per cent), domestic worker (14.9 per cent) and casual worker (14.4 per cent). In former *kamaiya* households, casual workers account for 27 per cent followed by domestic workers (13.5 per cent), students (12.3 per cent) and sharecroppers (10.3 per cent). One per cent of former *kamaiya* households indicate that they are still bonded. Another 4.3 per cent said they were working for a landlord.

About 16.4 per cent of household members from whom activities were recorded were children of 5–14 years of age. The number of school-going children of non-bonded households (72.7 per cent) is considerably higher than the number of school-going children of former bonded households (48.9 per cent). The conclusion can be drawn that children in former *kamaiya* households do not benefit from education as much as non-bonded households. Instead, a relatively large proportion of children aged 5–14 years from former *kamaiya* households are

child labourers. About 39.8 per cent of members of non-bonded households and 23 per cent of the former *kamaiyas* households had attended school.

7. Social structures

In the study areas, most landlords came from the high castes, mainly Brahmin and Chhetri. Another class of employers, rich farmers, were of other castes including Tharu. Most former *kamaiyas* belong to the Tharu community.

8. Poverty analysis

In Nepal, landholding is the main source of income and social status. Most sampled families (85.4 per cent) have less than 1 ha of land. The resale value of assets owned by non-bonded households is on average almost three times higher than former *kamaiya* households. In addition, 56.3 per cent of non-bonded households owned their house, while 34 per cent of former *kamaiya* households did.

The major income of former *kamaiyas* during the bonded labour system was the foodgrains given by the landlord in exchange for labour. The income of former *kamaiyas* is higher now than during the bonded labour system. Their annual family income used to be about NRs 6700 to NRs 8600; women were not paid separately. Now both male and female earn wages and their joint annual income ranges from NRs 9000 to NRs 15,000 depending on place and work type.

Main criteria for participatory wealth-ranking included possession of land and other assets, type of housing, education of children and type of health services that were used. Of non-bonded households, 21.7 per cent are very poor, 32 per cent are poor, 34.7 per cent are average and 11.7 per cent are rich. Of *kamaiya* households, 65.5 per cent are very poor, 27.5 per cent are poor, seven per cent are average and none are rich.

Besides giving data on indicators of poverty, the CGAP poverty assessment tool provides guidelines on making a relative poverty assessment of sampled households through developing a poverty index. Non-bonded households are evenly distributed by poverty group. Of former *kamaiya* households, 69 per cent can be found in the poorest third, 27.5 per cent in the middle group and 6.5 per cent are not considered poor.

9. Indebtedness

Of non-bonded households, 73.8 per cent have borrowed money and, of former *kamaiya* households, 79 per cent have borrowed money. The fact that about three-quarters of the population in the three VDCs of Banke has been indebted is significant enough to note the importance of credit in rural communities.

More than nine months after the abolishment of the *kamaiya* system, 19 per cent of former *kamaiyas* are indebted to their employer and 38 per cent to a moneylender. Common interest rates in the study region for these type of loans are 60 per cent on an annual basis. Only seven per cent of loans taken by former *kamaiyas* are from (semi-) formal credit sources. About three-quarters of loans taken by former *kamaiyas* are for non-productive purposes. This indicates a risk that former *kamaiya* households may relapse into bondage. High interest rates may raise the required payments to a level above the repayment capacity of a poor family and may once more force former *kamaiya* households to accept exploitative work conditions.

10. Relation with employer

Prior to abolition of the bonded labour system, 56.5 per cent of *kamaiya* households experienced an employer preventing them from seeking another opportunity for employment. Since the abolition of the bonded labour system, this has dropped to 41.5 per cent. Even after the abolition of the system, some former *kamaiyas* remain dependent on their employers, for instance, under sharecropping arrangements.

11. Economic alternatives to bonded labour

After the abolition of the bonded labour system, former employers have looked at four alternatives: sharecropping, employing people on daily wages, selling land and starting other business, and hiring out tractors. Sharecropping and employing people on daily wages are most common; landlords prefer sharecropping. Most former *kamaiyas* prefer working on the land. Since the abolition of the bonded labour system, some former *kamaiyas* now sharecrop or work for daily wages. Other income-generating activities include odd jobs, carrying loads, buying a bull for working the land, rickshaw-pulling, masonry and carpentry. Even after allocation of land to the former *kamaiya* families, the size of the distributed land will not be sufficient to live off. Therefore, household members will also need to develop other skills to supplement their agricultural-based income.

12. Financial and economic environment

In Banke District, there are 21 branches of eight commercial banks, 19 savings and credit co-operatives and many NGOs doing savings and credit. The informal sector consists of landlords, pawnbrokers, shopkeepers, friends and relatives, and savings and credit solidarity groups. After studying rural finance demand and supply in Banke, four models for supplying microfinance services have been identified: savings and credit co-operatives, linking of self-help groups with commercial banks, Grameen Bank, and NGOs working as financial intermediaries. It is recommended that an NGO with a sound experience in the savings and credit model is identified a partner organisation.

13. Conclusion

The target population of the project should be former *kamaiya* households and other households vulnerable to bondage. With more than 40 per cent of the population below the poverty line, there is a need to look beyond poverty for indicators of vulnerability. The following criteria have been derived.

- Tharu ethnicity
- Landownership
- House ownership
- Asset ownership
- Size and reliability of household income related to number of dependants
- Illiteracy
- School attendance of children
- Sharecroppers and other semi-permanent or seasonal farm labourers
- Indebtedness to informal credit sources with high interest rates

The following services for target families could be part of an integrated approach to rehabilitate former bonded households and prevent vulnerable families from becoming bonded through debt.

- Support group formation for economic and social empowerment.
- Provide access to financial services through institutions such as credit/savings organisations.
- Provide social security services such as health insurance services.

- Support enterprise development and strengthen market linkages; strengthen existing local micro-enterprise development organisations.
- Provide vocational and educational training and support.
- Promote irrigation facilities.
- Support enrolment in schools/higher education with special attention to the girl child.
- Organise adult literacy classes.
- Support access to easy and affordable healthcare and health services.
- Provide gender training and gender sensitisation of the community.
- Initiate awareness-raising programmes on debt bondage, government policies, leadership and dispute settlement, sanitary conditions in the village, etc.
- Initiate building of collective bargaining mechanisms by linking and strengthening organisations such as self-help groups, solidarity groups, NGOs, trade unions, etc.

Chapter 1: Introduction

1.1 The *kamaiya* system of bonded labour

In Nepal, the *kamaiya* system of bonded labour is widely known and researched. It is found mainly in five districts of the mid-western and far western *terai*: Dang, Banke, Bardiya, Kailali and Kanchanpur. Unequal access to resources and services, and an unbalanced social power structure, have forced agricultural workers to accept contracts, including the payment of a salary advance, with wages far below the minimum wage. Usurious interest rates and low income levels have made certain that a worker would almost never be able to escape this bond. According to statistics of the Ministry of Land Reform, the number of *kamaiya* families in the five districts totals just over 18,000.

In July 2000, a decision was taken by the Government of Nepal to eradicate the *kamaiya* system with immediate effect. A large majority of the *kamaiyas* left their landlords and became free. However, 46 per cent were living with the landlord and have become homeless. Over three-quarters of former *kamaiyas* are landless and the remainder are not much better off with small landholdings and limited assets. A major problem for many families is unemployment, as without an income, life cannot be sustained. Support programmes for rehabilitation are required to prevent *kamaiya* families falling back into bondage.

The two major causes of bonded labour are poverty of the worker and an exploitative relationship at work. Therefore, the main components of a sustainable rehabilitation programme should involve poverty alleviation schemes and the promotion of social dialogue. Such schemes would generally include awareness-raising, group formation, sustainable access to microfinance services, access to land and promotion of non-confrontational social dialogue.

1.2 The South Asian Debt Bondage project

In response to the ILO *Declaration of Fundamental Principles and Rights at Work* (1998) that explicitly recognises the obligation of the organisation to provide support to its members—governments, employers' and workers' organisations—with technical assistance in their efforts to eradicate forced labour, the Social Finance Unit of the International Labour Organization has started a sub-regional project in Bangladesh, India, Nepal and Pakistan for an initial period of three years.

The project, funded by the Government of the Netherlands, is expected to induce existing microfinance institutions (MFIs) to develop, test and offer savings and loans products, particularly tailor-made, for vulnerable families to prevent them falling into exploitative labour relationships as a result of their indebtedness. Complementary to the core microfinance function of the project, accompanying support will be organised in the areas of public sensitisation, education, primary healthcare, income-generating activities, and group organisation and general empowerment. In Nepal, the focus of the project has been broadened to include activities for social and economic rehabilitation of former *kamaiya* families.

The Centre for Micro Finance (CMF), a national not-for-profit organisation, was given the assignment of conducting a project baseline study for Nepal. The objective of the study was to identify factors and mechanisms that may influence the implementation of the project that aims to prevent debt bondage and support sustainable rehabilitation of former bonded labourer

families. Elements that can serve as a basis for future monitoring and evaluation are also identified.

The study includes a household survey and participatory rural appraisals in three village development committees (VDCs) of Banke District for an in-depth analysis of the current socio-economic situation of former *kamaiyas*. The fieldwork was carried out in March/April 2001. The data presented, therefore, reflects the situation of spring 2001 and does not systematically incorporate more recent developments. Secondary information was collected on the legislative and policy background, the macro-environment, social dialogue, government practices, and the financial and economic environment

1.3 Background of the study area

According to the 1991 census, about 49 per cent of Nepal's population live below the absolute poverty line with insufficient income to meet the required 2250 calories per day. About 86 per cent of the population are dependent upon agriculture and 95 per cent reside in rural areas. Social, economic and human development indicators show that the majority of the population does not have adequate access to primary healthcare, education, safe drinking water and good sanitary conditions.

Banke District is located in the south of the Mid-Western Development Region of Nepal. The total population is 313,330. Although 67.5 per cent of the population are dependent on agriculture, only the southern belt is fertile. The literacy rate is 34.1 per cent. The main ethnic/religious groups are Tharus, Muslims, Kurmis, Chhetris, Brahmins and Magars. In the composite index of development indicators developed by the International Centre for Integrated Mountain Development (ICIMOD), Banke falls in the intermediate category. However, it is in the worst category for education/literacy rate; agricultural credit; cropping intensity; irrigation; health institutions; forestry; grassland; percentage share of females in non-agricultural occupations; child deprivation; and primary sector development.

Chapter 2: Study methodology

2.1 Selection of target area

The former *kamaiya* system of bonded labour has been officially recognised in five districts: Dang, Banke, Bardiya, Kailali and Kanchanpur. It is known that this system and other forms of bonded labour exist in other districts but insufficient data are available to assess the extent of the problem. The decision to limit project activities to Banke District is based on the following considerations.

- An ILO-IPEC Declaration project on bonded labour covers eight western *terai* districts and has an office in Nepalgunj, Banke District. For logistical issues, security and efficiency purposes, the country's project office was also established in Nepalgunj.
- Budgetary constraints limit project activities to only one district. Banke District, with 1342 former *kamaiya* families, was selected.
- As its environmental/logistical conditions are somewhat more favourable than other districts, it is easier to monitor signs of impact of the project in the district. After the impact assessment, additional resources can be mobilised to replicate activities in other districts, benefiting from the lessons learnt from Banke.

In Banke, three village development committees (VDCs) were selected for conducting a baseline study. These are Rajhena, Bankatwa and Kachnapur. Criteria for selection of VDCs were as follows.

- High number of registered former *kamaiya* families per VDC.
- Presence of other organisations and programmes: VDCs with existing or planned programmes that could generate a duplication of activities and services were not selected; VDCs with the presence of potential partners for providing complementary services were given preference.

Some characteristics of the VDCs are given in Table 2.1.

Table 2.1: Profile of selected VDCs

	<u>Bankatwa</u>	<u>Kachnapur</u>	<u>Rajhena</u>
Total population	11,872	5,470	7,593
Male population	5,995	2,774	3,797
Female population	5,877	2,696	3,796
Infrastructure and facilities present	primary schools health post bank stores irrigation canals temples close to highway close to market place	primary schools bank hostel Forestry Office temples close to highway	primary schools health post irrigation canals temples close to highway close to market place

Project activities are intended to start in these VDCs, but are not necessarily limited to them. The final selection of project areas will be made after the results of the baseline study are available, and after consultations with stakeholders and potential partners have been held.

2.2 Tools and techniques

- The following methodology was used to derive the findings.
- Literature review
- Dialogue with local government authorities, trade unions, non-governmental organisations (NGOs), research institutions, etc.
- Semi-formalised questionnaires
- Participatory rural appraisal and participatory wealth-ranking

The sociological background and micro-economic environment were assessed mainly using the Consultative Group to Assist the Poorest (CGAP) Poverty Assessment Tool² and supporting participatory rural appraisal techniques. The tool was originally developed by CGAP for assessing the relative poverty of clients of MFIs. For this study, the tool was used to assess the relative poverty of former *kamaiya* households (former bonded labourers) in comparison with non-bonded households (never bonded). The terms households and families are used interchangeably in this report and both entities are for the purpose of this study defined as people living and eating in the same house/hut. The following changes were incorporated as an adaptation to local conditions and context.

The sample size was 300 for non-bonded households and 200 for former bonded households (Table 2.2).

Table 2.2: Sample size in selected VDCs

	Number of non-bonded households	Number of former <i>kamaiya</i> households	Total
Bankatwa	134	87	221
Kachnapur	61	41	102
Rajhena	105	72	177
Total	300	200	500

Random samples of bonded households were selected at the village level by ward using probability proportional to sample size based on the former bonded labourers list supplied by the Ministry of Land Reform and for non-bonded households through the Election Commission's list. In the villages, many discrepancies were found in the names and addresses supplied, and adjustments were made accordingly.

The 'recommended questionnaire' from the CGAP-tool was used for collecting household data from the head of each of the 500 households, but some questions were added to incorporate the following subjects: indebtedness, relation to the employer, group and community participation, and household decision-making.

In each VDC, the participatory rural appraisal included social mapping, wealth-ranking, seasonality and time-line exercises. Focus groups discussions were held with male groups, female groups, former *kamaiya* groups and mixed groups. Household visits were undertaken for personal interviews with key respondents and with (former) employers of *kamaiyas*.

² Consultative Group to Assist the Poorest (CGAP) and International Food Policy Research Institute (IFPRI) (2000). *Assessing the Relative Poverty of Microfinance Clients: a CGAP Operational Tool*.

The fieldwork was carried out in three weeks during March/April 2001. The questionnaire was tested in the field before it was finalised. A team of 13 persons from CMF and CEAPRED were trained for two days prior to data collection.

Chapter 3: Macro-environment

3.1 Nepal's overall economic performance and poverty

Nepal, with its population of more than 23.4 million in 1999 and per capita income of less than US\$ 245, is one of the poorest countries in South Asia. Despite GNP growth of 5.9 per cent in fiscal year 2000—the highest growth in six years—the incidence of poverty is increasing and the disparity in income distribution remains. With an annual population growth of 2.3 per cent, any growth of wealth has to be shared by half a million more people every year. In 1999, agriculture contributed 41.3 per cent to GDP, services provided 37.1 per cent and industry 21.6 per cent. In 2000, the growth rate for agriculture was 5.9 per cent and for the industrial sector was 8.3 per cent.

About 42.3 per cent of the population live below the national poverty line of NRs 4400 (US\$ 77) per capita per annum. Geographically, the incidence of poverty in the mid-western and far western regions of Nepal greatly exceeds the national average, although the *terai* districts are relatively better off than the hill and mountain districts.

The Human Development Report 2000 of UNDP ranks Nepal 144 out of 174 countries. Table 3.1 shows Nepal's achievement in human development in the global and regional perspective.

Table 3.1: Nepal's achievement in human development in global and regional perspective

	Human development Index	Education index	Life expectancy index	Income index	Gender-sensitive development index
Nepal*	0.378	0.45	0.50	0.18	0.267
Banke District*	0.309	n.a.	0.51	0.14	0.265
World	0.764	0.71	0.64	0.94	0.637
Industrial countries	0.911	0.93	0.82	0.98	0.856
All developing countries	0.576	0.65	0.61	0.46	0.555
Least developed countries	0.336	0.44	0.42	0.14	0.323
Bangladesh	0.368	0.38	0.52	0.20	0.339
India	0.446	0.53	0.60	0.21	0.419
Pakistan	0.445	0.37	0.62	0.34	0.392

Note: * HDI and component values for Nepal are for 1996. For all other regions, values pertain to 1994. Source: UNDP Human Development Report, 1998.

3.2 Credit and indebtedness

Informal credit sources (mostly moneylenders and relatives/friends) account for more than 80 per cent of the total credit supply in Nepal; banks provide 16 per cent of the credit. Most loans (71 per cent) are for household consumption and expenditure; 29 per cent are for business and production purposes. Lower income households tend to have a higher borrowing rates and, correspondingly, incur larger volumes of debt finance consumption.

The level of informal debt among 'untouchable' groups is often high. One reason is that interest rates from moneylenders are often higher for 'untouchable' groups than they are for

high-caste groups. In three VDCs in Baitadi District, 'untouchable' groups were charged five to six per cent per month on loans from moneylenders while high-caste people were commonly charged two to three per cent. The interest rates that had to be paid by former *kamaiyas* on loans from their landlords are known to be high, although landlords did not provide clear information on the debt gathered and the interest to be paid. A former *kamaiya* who tried to pay off a debt could be presented with a long list of expenses and spiralling interest so that, in fact, the money was extremely difficult to pay off. Table 3.2 shows level of indebtedness in former *kamaiya* households of the region.

Table 3.2: Former *kamaiya* households and indebtedness

	Number of former <i>kamaiya</i> households	Number of indebted former <i>kamaiya</i> households	Debt per family (NRs)
Dang	3032	1253	4454
Banke	1066	354	3709
Bardiya	5119	2071	2916
Kailali	6245	4184	4603
Kanchanpur	1973	1362	8766
Total/average	17435	9224	4784

Source: Ministry of Labour

3.3 Gender divisions

The illiteracy rate of adult male (older than 15 years) was 42 per cent in 1999 compared to 77.2 per cent for adult women. Women work longer hours than men, and spend more time on subsistence activities and domestic work. In these activities, the workload of women exceeds that of men by more than 25 per cent. Most women are involved in agriculture, and personal and community services where income generation is low.

3.4 Population and economy in Banke District

Banke District has a population of 313,330 and a population growth of 3.4 per cent per year compared to the national average of 2.3 per cent per year. In terms of ethnicity and caste, 16.5 per cent are Brahmin/Chhetri, 15.2 per cent are Tharu, 5.2 per cent are Yadav/Ahir, 6.2 per cent are Magar, 3.4 per cent are Kami, 2.5 per cent are Thakuri, 1.7 per cent are Damai, 1.1 per cent are Kumal, 1.1 per cent are Sharki, and 47.1 per cent are others. In terms of religion, 84 per cent are Hindu, 15.6 per cent are Muslim, 0.2 per cent are Buddhist, 0.2 per cent are Christian, and 0.03 per cent are others.

Banke District has a total area of 2360 km². It is 50 per cent forest land, 41 per cent cultivable land and nine per cent other types. Nearly 98 per cent of the total cultivated land is irrigable but only 20 per cent is irrigated. Average farm size is 1.37 ha with cropping intensity of 146 per cent. Landless and marginal farm households comprise about 18 per cent of total farm households.

About 16 per cent of the population lives in urban areas and the rest in villages. Over 65 per cent is engaged in agriculture, 20.7 per cent in household work, 3.4 per cent in services, 2.3 per cent in business and 0.16 per cent in industry. The ratio of working children (10–14 years) is 40 per cent and the per capita income is NRs 6071; this is less than the national average of NRs 7373.

Chapter 4: Legislative and policy issues: provisions on forced or bonded labour

4.1 Constitution of Kingdom of Nepal 2047 BS (1990)

The constitution recognises the significance of the labour force in economic and social sectors and explicitly states that the rights and welfare of labourers have to be protected.

- Traffic in human beings, slavery, serfdom or forced labour in any form is prohibited. Any contravention of this provision shall be punishable by law.
- The nation will not allow any form of exploitation of children and will make a gradual arrangement for free education for protection of their rights and welfare.
- Minors cannot work in factories, mines or other hazardous occupations.
- The main social and economic strength of the country, i.e., the labour force, has to be ensured employment by providing employment opportunities.
- The nation will adopt a policy of involving women to the maximum extent in national development efforts by making special arrangements for their education, health and employment.

4.2 Labour Act 1991

The Labour Act 1991 has made provisions regarding working hours, overtime, layoff, minimum-wage fixation, health and safety, welfare and other labour-related issues that have direct implications on lives of labourers. Relevant provisions are as follows.

- Working hours for labourers should not exceed eight hours a day and 48 hours a week, and there should be one day off a week.
- The act makes legal provisions for intervals, refreshments and rest for workers. It states that no worker can be engaged in work continuously for more than five hours. In every five hours, there must be break for refreshment or rest.
- The act states that if a labourer has to work beyond normal working hours, he/she has to be paid for overtime by one and half of the normal wage, and no worker has to work overtime for more than four hours a day and 24 hours a week.
- A minimum-wage fixation committee will be formed by the government and the wage fixed by the committee has to be complied with by every concerned company/organisation.
- Provisions on health and safety, and welfare of the labourers state that the employer has to take proper care of health and safety, and welfare of workers.

In 1999, the Government of Nepal formed the Minimum Remuneration Fixation Committee. On its recommendations, the minimum wage for agricultural labourers was fixed in April 2000 at Rs 60 per day. The hourly wage rate is Rs 7.50. In December 2000, the committee advised the Tripartite Central Labour Advisory Committee to review the minimum wage levels every two years.

4.3 Trade Union Act 1992

The Trade Union Act 1992 provides workers with the right of collective bargaining and forming a body that can advocate and hold dialogue for the benefit of labourers. In the beginning, it provided legal authority to form associations only of workers engaged in enterprises or industries involved in some kind of formal trading and industrial activities. There were amendments to this act in 1999 that made the scope broader, also covering workers engaged in the agricultural sector and informal sectors, and provided these workers the equal opportunity

for forming unions and associations for their benefit. Workers include agricultural labourers, who are defined as a 'person who earns his livelihood by working on wages or paid labour in the agriculture sector'. Thus, local organisations or community organisations of bonded labourers can be members of trade unions. In addition, programmes to strengthen groups representing bonded labourers for holding dialogue at the local level can be designed and launched by any interested or concerned organisations.

4.4 Child Labour (Prohibition and Regulation) Act 2000

The Child Labour Act 2000 has made provisions for safeguarding children from exploitation and risk at work. A child is defined as a 'person who has not completed 16 years of age'. The act specifies that a child below 14 years should not be employed as a labourer. Likewise, it stipulates that nobody should engage a child in hazardous occupations. A child should not work from 6 p.m. to 6 a.m. and should not be engaged in work for more than six hours a day and 36 hours a week without extra remuneration. It is also stipulated that a child must be given rest after every three hours of work and one day's rest after every six days of work, and such period provided as rest time should be deemed as paid time.

However, existing practices with regard to working hours and remuneration for child labourers in urban as well as rural areas are often contrary to the law, and children are often employed in situations that can be regarded as risky and hazardous by law.

4.5 Muluki Ain 2021 BS (Public Law 1964)

Muluki Ain 2021 has made provision against the practice of forced labour. It states that 'nobody can force a person to work without his/her consent'; and 'none shall enslave or undertake bondage to anyone'. It also states that the rate of labour be fixed by mutual agreement and, if it is not mutually agreed, the prevalent rate of that specific locality for that specific labour has to be paid. It also outlaws taking people across the Nepal border for the purpose of selling them, and is well directed to punish those who sell humans and compel them to carry out undesired work. Such circumstances can be viewed as forced and exploitative forms of labour for the sold individuals.

4.6 Tenancy rights

There are legal provisions made for people who work on others' (landlords') land and pay a percentage of total production to the landlord. Land Related Act 1965 has made legal provisions that protect the interest of tenants. It states that 'a person working as a tenant on the land of a landlord will receive the legal right over the land with effect from the commencement of the law'. The act further protects tenants by making a provision of transfer of tenancy right to the wife, husband or sons or to a person whom the tenant has a faith after a registered tenant's death. Thus, the legal provisions made for the interest of tenants seem to be progressive. However, in practice, many of the provisions are violated and tenants are prevented from enjoying their legal rights.

4.7 Contract Act 1964

The Contract Act is a legal statement that declares that everybody is free to contract work suitable for him/her, and the contract shall be invalid if it is made through force or under influence.

4.8 Laws on migrant workers (Foreign Employment Act 1985)

The government enacted the Foreign Employment Act in 1985 to protect the large numbers of Nepali citizens migrating in search of employment. One stipulation is that women and minors must have permission from a husband or father to seek work outside the country.

4.9 Traffic in Humans (Control) Act 1986

This act was built upon the existing provisions in the Muluki Ain 2021 and has tried to define human trafficking as

- selling a person for any purpose
- taking a person abroad with the intention of selling her/him
- having a woman engage in prostitution by persuasion or enticement or deception and fraud or pressuring or encouraging anyone to be engaged in such acts
- attempting to commit any acts mentioned above or rendering assistance to commit such acts or encouraging anyone to be engaged in such acts.

4.10 Laws and policies related to gender

The constitution of Nepal has made provisions for non-discrimination between women and men: it states that 'for use of general law, no discrimination will be made based on religion, complexion, gender, caste, race and ideology' and 'no discrimination on remuneration will be made between male and female for the same work'.

However, Muluki Ain (Public Law 1964) stipulates that a daughter is debarred from her share of parental property (except in special circumstances), whereas the property right is the birthright of a son. Also, it does not recognise any transaction carried out by a wife without the consent of her husband. Chapters on husband/wife, marriage, tenancy rights, army and citizenship contain sections that reflect unequal rights for women.

The Foreign Employment Act has made provisions to attempt to control the abuse of women and trafficking; however, the requirement for a woman to submit the permission of either husband or father while travelling alone has retrenched the liberty of independent women in terms of professionalism and livelihood.

More recently, the government has developed a National Policy to Combat Women and Child Trafficking and their Sexual Exploitation. The policy comprises programme and activities such as public awareness campaigns, actions to remove laws that discriminate against women, mobilisation of government offices, international NGOs and the private sector to combat the problem, and establishment of co-ordination committee at the central level, etc.

4.11 Laws and policies against discrimination on the basis of castes or tribes

Muluki Ain (Public Law 1964) has made provisions of punishments for those who discriminate people by their castes and traditions. In addition, the constitution of Nepal (1990) stipulates that 'no person shall be discriminated as untouchable or prevented from attending public places or using things of public utilities on the basis of their caste'. However, the revised Muluki Ain (Public Law 1991) undermined this strong statement by allowing discrimination that has existed 'traditionally'.

4.12 Bondage Labour (Prohibition) Act (draft)

In 2000, the government drafted a Bonded Labour Act. The draft contains provisions to set people free automatically from bonded labour, make employing bonded labourers punishable by law, annul all debts and other contracts between the labourer to the employer, and return mortgaged property to the labourer. The act is not yet operational.

4.13 International conventions ratified by Nepal

Nepal has ratified various international conventions to express its commitment towards eradicating exploitative forms of labour.

4.13.1 Conventions and protocols relating to the abolition of slavery

Nepal is a signatory to the Slavery Convention of 1926 and the Supplementary Convention (1956) on the abolition of slavery, the slave trade, and institutions and practices similar to slavery. Nepal has assumed the obligation 'to take all practical and necessary legislative and other measures to bring about progressive and, as soon as possible, the complete abolition or abandonment of institutions and practices relating to slavery and slave trade including debt bondage and serfdom'.

4.13.2 Universal Declaration of Human Rights

Nepal is one of the signatories of Universal Declaration of Human Rights (1948). The declaration states that no one shall be held in slavery or servitude: slavery and the slave trade shall be prohibited in all their forms.

4.13.3 ILO conventions

Nepal has ratified nine ILO conventions, of which two are directly concerned with forced labour and debt bondage: C29 and C182. The other convention directly concerned with forced labour (C105) still awaits ratification. The ratified conventions are as follows.

- Convention No. 14 – Weekly Rest (Industry) Convention 1921 (ratified 10.12.1986).
- Convention No. 29 – Convention Concerning Forced or Compulsory Labour 1930: Each member of the ILO, which ratifies this convention, undertakes to suppress the use of forced or compulsory labour in all its forms within the shortest possible period (ratified in September 2001).
- Convention No. 98 – Right to Organise and Collective Bargaining Convention 1949 (ratified 11.11.1996).
- Convention No. 100 – Equal Remuneration Convention 1951 (ratified 10.06.1976).
- Convention No. 111 – Discrimination (Employment and Occupation) Convention 1958 (ratified 19.09.1974).
- Convention No. 131 – Minimum Wage Fixing Convention 1970 (ratified 19.09.1974).
- Convention No. 138 – Minimum Age Convention 1973 (ratified 30.05.1997).
- Convention No. 144 – Tripartite Consultation (International Labour Standards) Convention 1976 (ratified 21.03.1995).
- Convention No. 182 – Worst Forms of Child Labour Convention 1999: Each member who ratifies this convention shall take immediate and effective measures to secure the prohibition and elimination of the worst forms of child labour as a matter of urgency. For the purpose of this convention, the term 'child' shall apply to all persons under the age of 18 (ratified in September 2001).

In 1998, the ILO adopted the Declaration of Fundamental Principles and Rights at Work and its Follow-up. This declaration recognises that members of the ILO, even if they have not ratified

all eight ILO Core Conventions, have an obligation to respect 'in good faith and in accordance with the Constitution, the principles concerning the fundamental rights which are subject of those conventions'. Two core ILO conventions have not yet been ratified by Nepal.

- Convention No. 87 – Freedom of Association and Protection of the Right to Organise 1948.
- Convention No. 105 – Convention Concerning The Abolition of Forced Labour 1957: Each member of the ILO that ratifies this convention undertakes to suppress and not to make use of any form of forced or compulsory labour: (a) as a means of political coercion or education or as a punishment for holding or expressing political views or views ideologically opposed to the established political, social or economic system; (b) as a method of mobilising and using labour for purposes of economic development; (c) as a punishment for having participated in strikes; (d) as a means of racial, social, national or religious discrimination.

Chapter 5: Government practices

5.1 Government efforts before abolishment of the *kamaiya* system

On 17 July 2000, the Government of Nepal decided by a Cabinet Decision to enforce the abolishment of the *kamaiya* bonded labour system. Prior to this, the government had allocated limited funds to rehabilitating former *kamaiyas* with the Department of Land Reform and Management playing the main role in designing and implementing programmes. From 1994 to 1998, the government allocated NRs 60 million for programmes focused on *kamaiyas*. For example, in 1996, skills development training, and child welfare and resettlement programmes were conducted targeting former *kamaiyas* and their children.

The primary programme designed for *kamaiyas* was the Kamaiya Livelihood Programme (KLP) implemented in 1995 by the Department of Land Reform and Management. Its main objectives were to organise *kamaiyas* in self-help groups and sustain their development on self-reliant basis; to provide them with new skills and opportunities for income generation; to provide loans for income generation, land and houses; and to help them to lessen their dependency on moneylenders or landlords.

Emphasis was laid on group formation involving 10 to 25 former *kamaiyas*. Groups were to carry out income-generating activities. Over 45 per cent of former *kamaiya* households in Banke were involved in these groups. The Land Reform Office of Banke reveals that many groups are no longer functioning.

In each of the five *kamaiya*-prone districts, 10 former *kamaiya* groups were formed for credit mobilisation. A revolving fund was established for each group in 1995/96. Each group was provided with NRs 30,000 as credit on condition that they pay it back within five years. The group was supposed to invest it for its members and manage the entire system of repayment and interest. It is not known to what extent this system is presently working.

Group members were motivated to save money each month and deposit 10 per cent of the loan amount (if a loan had been taken) to the group savings fund. The system was designed to serve the needs of group members for income-generating activities. However, savings were not used for income-generating activities nor debt repayment. In Banke, NRs 32,840 were saved but no investments were made.

Skills development training for former *kamaiyas* was organised. The sectors chosen for training were carpentry, masonry, wiring, welding, driving, pig-raising, goat-raising, and vegetable farming. In Banke, 179 former *kamaiyas* were trained. However, it is not known how many are now involved in these sectors.

The government allocated land to former *kamaiya* families and help for construction of houses. However, since 1995 only 195 former *kamaiya* families have received approximately 66 ha of land and no former *kamaiya* family has received support for houses construction.

The government has tried to form committees at village, district and central levels to co-ordinate efforts focused on former *kamaiyas'* issues. An attempt was also made to co-ordinate

with international, national and local organisations, and formulate bilateral and multilateral co-operation.

5.2 Government efforts after abolishment of the *kamaiya* system³

The government abolished the bonded labour system on 17 July 2000 and declared that all debts between landlord and labourers should be considered null and void. Since then, former *kamaiyas* have had to find other ways to make a living. However, because they have limited skills besides agriculture, little exposure to education and often no land and shelter, many former *kamaiyas* are compelled to live in camps⁴. Some continue to work in the same conditions for landlords because of lack of economic alternatives.

In July 2000, the government constituted a nine-member Central Level Co-ordination and Monitoring Committee under the chairmanship of the Deputy Prime Minister to deal with problems associated with former *kamaiyas*. Likewise, District Level Co-ordination and Monitoring Committees were formed in *kamaiya*-prone districts under the chairmanship of the concerned District Development Committee. The purpose of these committees was to identify and rehabilitate emancipated *kamaiyas*.

In accordance with a decision made by the Central Level Co-ordination and Monitoring Committee, the district offices of the Land Reform and Management Department have started to issue identity cards to former *kamaiya* families and distribute land. Former *kamaiya* families are classified into four categories: having no land and no house; having a house but no land; having a house and land up to two katthas (0.068 ha); and, having a house and more than two katthas (0.068 ha) of land. Every former *kamaiya* family that does not have land will be provided with up to five katthas (0.17 ha) of land and 50 cubic feet (1.416 m³) of wood for constructing a house. In Banke, at least 174 former *kamaiya* families with no land and no house have received four katthas (0.136 ha) of land each. Land distribution has started for another 874 former *kamaiya* families who are landless but own a house.

The district offices of the Land Reform and Management Department are organising various skills training for former *kamaiyas* for alternative sources of income. In Banke, 66 former *kamaiyas* are undergoing skills training such as hair-cutting, sewing and knitting, carpentry and masonry.

Ministry of Land Reform and Management estimates that NRs 981.24 million are required for the rehabilitation of former *kamaiyas*. The government has contributed NRs 205.5 million. It is raising NRs 735.74 million for rehabilitation and NRs 40.1 million for immediate rescue and relief works through international agencies such as GTZ, WFP, DFID, IFAD, UNICEF and ILO.

³ This concerns the period July 2000 to March/April 2001.

⁴ This reflects the situation at the time the field research was conducted in March/April 2001.

Chapter 6: Social partners

6.1 Introduction

This chapter examines how trade unions and employers have been involved in bonded labour-related issues in *kamaiya* districts.

It was found that landlords in Banke have not organised themselves to represent their concerns in discussions with government and other stakeholders. In districts where some landlords have organised themselves, they are not associated with the main employers organisation in Nepal, the Federation of Nepalese Chambers of Commerce and Industry (FNCCI), and have not been active in social dialogue with the government and trade unions. The FNCCI itself has so far not been involved in *kamaiya*-related issues.

The main trade unions have been more active in *kamaiya*-related issues or, at least, started to become more interested in representing the labour rights of agricultural workers. Their activities are presented below.

6.2 Democratic Confederation of Nepalese Trade Unions (DECONT)

Established in 1997, the main objectives of DECONT are to

- serve the labour force
- protect the labour force through proper legislation and acts
- promote better health services and facilities for the labour force
- develop the social, economic and political capacity of the labour force.

In its efforts to end the bonded labour system, DECONT is trying to reach the community in two ways: firstly, through an agricultural workers union and, secondly, through a construction workers union. Owing to the seasonal nature of agriculture work, most agricultural workers, including former *kamaiyas*, also work as daily-wage labourers on construction sites. DECONT is trying to create awareness about the issues and reach former *kamaiyas* by using this platform. DECONT's strategy is as follows.

- Develop indigenous leaders in the agriculture sector.
- Spread awareness about the minimum wage.
- Organise systematic groups.
- Identify non-farm activities of agricultural workers and help them organise workers unions.
- Carry out market assessment.
- Collect data and prepare appropriate programmes, based on the findings, in the areas of education, healthcare and job priorities including skills training.

6.3 General Federation of Nepal Trades Unions (GEFONT)

General Federation of Nepal Trades Unions (GEFONT) has been involved in programmes carried out for the emancipation of former *kamaiyas* since 1996. It started with the establishment of the Kamaiya Liberation Forum (KLF). The organisation's programmes include holding dialogue with employers, government and other organisations to lobby for the development of policies to liberate *kamaiyas*. It also conducts educational and awareness campaigns for *kamaiyas*.

GEFONT initiated the registration of the Agriculture Labourers Organisation with the Department of Labour in 1999. Now, this organisation (in affiliation with GEFONT) is working for agriculture labourers including former *kamaiyas*. In Banke, 22 village committees have been formed and GEFONT Banke represents them.

GEFONT played a role in making the government declare a minimum wage for the agriculture labourers in 2000. It also launched an information campaign to spread the message about minimum wages in the villages. It held meetings with employers to encourage them to comply with the provision of minimum wages in the villages. It also held meetings with the Ministry of Labour.

In 2000, GEFONT conducted three informal education programmes for former *kamaiyas*. GEFONT would like to strengthen the capacity of village-level committees so that they can hold dialogue at the local level and represent the interests of former *kamaiyas* more strongly.

6.4 Nepal Trades Union Congress (NTUC)

Nepal Trades Union Congress was established in the 1950s. The restoration of democracy in Nepal in 1992 gave the NTUC a new life. Its major activities are as follows.

- Social security
- Child labour
- Human rights and literacy
- Co-operatives
- Women's empowerment programmes

Under the structure of NTUC, there is no direct project for former *kamaiyas*; however, the congress has taken up the issues of agricultural workers strongly and played a major role in the setting of minimum wages for agricultural workers. Former *kamaiyas*' problems are voiced through the newly established agriculture union. Currently, NTUC is establishing committees and initiating social dialogue between leaders of VDCs, landlords and stakeholders to end the system of bonded labourer. In addition, they promote groups to register co-operatives as a means to end the debt trap with the landlords.

NTUC Banke is involved in organising labourers by working through 20 affiliated institutions. It has not conducted a separate, specific programme for former *kamaiyas*.

Chapter 7: Socio-economic data of sampled households

7.1 Demographic indicators

Table 7.1 shows the comparison between national and sampled data for various demographic indicators. Household size of the sample is higher than the national household size; most households are Tharus with large families. Female-headed households are fewer than the national average although the sex ratio is higher. Index of ageing and child dependency is lower than Nepal in general, probably because of the high birth rate. Old dependency and total dependency ratios are higher than in Nepal. Economic activity and literacy rates are lower than in Nepal.

Table 7.1: Demographic indicators of Nepal and sample survey (Banke)

	Nepal	Sample
Household size (persons)	5.6	6.89
Female-headed households (%)	13.2	4.2
Sex ratio (%)	99.47	102.70
Child dependency ratio (%)	77.98	71.36
Old dependency ratio (%)	8.93	9.05
Total dependency ratio (%)	86.91	80.41
Economic activity ratio (%)	57.0	55.42
Literacy rate (%)	39.6	34.90

7.2 Basic socio-economic data

7.2.1 Age of household members

Table 7.2 shows that the mean age of household members is similar for non-bonded households (23.16 years) and former *kamaiya* households (22.30 years). The median age is 19 years for non-bonded households and 18 years for former *kamaiya* households.

Table 7.2: Age of household members (years)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Maximum	84	109	109
Mean	23.16	22.30	22.83
Median	19.00	18.00	18.00

7.2.2 Sex of household members

Table 7.3 shows that the percentage of males is slightly greater than the percentage of females in all households. For the sample, 50.7 per cent are male and 49.3 per cent are female.

Table 7.3: Sex of household members (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Male	50.3	51.3	50.7
Female	49.7	48.7	49.3

7.2.3 Marital status of head of household

Table 7.4 shows married heads of household are the majority at 93.4 per cent. Unmarried are insignificant (0.6 per cent) and widow/widower are marginal (six per cent).

Table 7.4: Marital status of head of household (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Unmarried	0.3	1.0	0.6
Married	93.3	93.5	93.4
Widow/widower	6.3	5.5	6.0

7.2.4 Ethnicity/caste of head of household

Table 7.5 shows the dominance of Tharus (86.2 per cent) in the sample. They account for 78 per cent of non-bonded households and 98.5 per cent of former bonded households. No bonded Chhetri, Brahmin, Newar, Muslim and Magar households were found in the sample. Remarkable is the high number of Tharu in the sample. Of the households that were selected at random, 78 per cent were Tharu, while the 1991 census recorded a Tharu population of 15.2 per cent in Banke. Besides possible discrepancies the 1991 census and the list of inhabitants of the VDCs that was provided by the Land Reform Office, it may also have been the case that wards in which the research was done had a relatively higher concentration of Tharu households than other wards in the same VDCs.

Table 7.5: Ethnicity/caste of head of household (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Chhetri	14.0	0	8.4
Brahmin	1.7	0	1.0
Tharu	78.0	98.5	86.2
Satar	0	0.5	0.2
Newar	0.3	0	0.2
Muslim	0.7	0	0.4
Magar	1.0	0	0.6
Others	4.3	1	3.0

7.2.5 Religion of head of household

It can be seen from Table 7.6 that Hindus are the majority in the sample (99.2 per cent). In fact, all former *kamaiya* households were Hindu.

Table 7.6: Religion of head of household (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Hindu	98.7	100	99.2
Islam	0.3	0	0.2
Buddhist	0.7	0	0.4
Isai	0.3	0	0.2

7.2.6 Mother tongue of head of household:

Table 7.7 shows that Tharu speakers (86 per cent) are in the majority followed by Nepali speakers (12.2 per cent). However, in former *kamaiya* households, 99.5 per cent are Tharu speakers and the rest are Nepali speakers (0.5 per cent).

Table 7.7: Mother tongue of head of household (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Nepali	20.0	0.5	12.2
Abadi	2.3	0	1.4
Tharu	77.0	99.5	86.0
Hindi	0.3	0	0.2
Others	0.3	0	0.2

7.2.7 Migration patterns of former *kamaiya* households

One the participatory group discussions with former bonded households revealed that most of the former bonded households came to Banke 15–20 years ago from Bardiya and Dang Districts. They were brought by *zamindars* (landlords) in Banke to work on their land in exchange for housing and sharecropping arrangements.

7.3 Main occupation/activity of household members

7.3.1 Main occupation/activity of adults

Table 7.8 shows that in non-bonded households the main occupations of household members of 15 years and older are students (21.5 per cent), followed by self-employed in agriculture (16.1 per cent), domestic worker (14.9 per cent) and casual worker (14.4 per cent). In former *kamaiya* households, casual workers account for the greatest number of adult workers at 27 per cent followed by domestic workers (13.5 per cent), students (12.3 per cent) and sharecroppers (10.3 per cent).

A striking difference between the two groups is the comparatively low percentage of former *kamaiya* households that are self-employed in agriculture; 2.3 per cent against 16.1 per cent for non-bonded households. Instead, former *kamaiya* households seem to rely to a much greater extent on casual labour (27.0 per cent against 14.4 per cent), for which availability of work is, in general, unreliable in the agricultural slack season (i.e., for seven months a year).

One per cent of former *kamaiya* households indicated that they are still bonded. Another 4.3 per cent said they were working for a landlord; this could also indicate bondage. During the field research, a number of people confirmed that they were still working as a *kamaiya* for the same employer. As a result of lack of alternatives and fear of reprisals by the employer, they

chose to stay with their landlords after the government abolished the *kamaiya* system. Non-bonded households are also recorded in these same categories (0.2 per cent and 0.4 per cent, respectively); this could mean that a few households have been wrongly classified as ‘non-bonded’.

Table 7.8: Main occupation/ activity of household members (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Self-employed in agriculture	16.1	2.3	10.8
Self-employed in non-farm enterprise	1.8	1.2	1.6
Student	21.5	12.3	18.0
Casual worker	14.4	27.0	19.3
Salaried worker	2.3	1.1	1.9
Domestic worker	14.9	13.5	14.3
Unemployed/looking for job	0.2	0.2	0.2
Unwilling to work/retired	2.2	4.2	3.0
Not able to work (disabled)	1.4	4.1	2.4
Working for landlord	0.4	4.3	1.9
Sharecropping	9.4	10.3	9.8
Bonded worker	0.2	1.0	0.5
5–14 years of age	15.1	18.4	16.4
Total	100.0	100.0	100.0

7.3.2 Main occupation/activity of children

About 16.4 per cent of household members from whom activities were recorded were children of 5–14 years of age. The frequency distribution by occupation/activity of these children is depicted in the Table 7.9. The data show that schooling (‘students’) is the main activity for children of both groups. However, the number of school-going children of non-bonded households (72.7 per cent) is considerably higher than the number of school-going children of former bonded households (48.9 per cent). More or less the same picture could be seen in Table 7.8, with 21.5 per cent of non-bonded households having students as against 12.3 per cent of the former *kamaiya* households. As these groups are likely to consist of older children and young adults, the conclusion can be drawn that children in former *kamaiya* households still do not benefit from education as much as non-bonded households. Instead, a relatively large proportion of children aged 5–14 years from former *kamaiya* households are child labourers, working as casual or domestic workers.

Table 7.9: Main occupation/ activity of household members below 15 years of age (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Self-employed in agriculture	2.8	0.7	2.0
Self-employed in non-farm enterprise	0.8	0.3	0.6
Student	72.7	48.9	63.6
Casual worker	5.1	10.8	7.3
Salaried worker	0.2	1.6	0.8
Domestic worker	7.3	13.4	9.6
Unwilling to work/retired	3.4	9.2	5.6
Not able to work (disabled)	5.1	10.8	7.3
Working for landlord	0.2	2.0	0.9
Share-cropping	2.0	2.3	2.1
Bonded worker	0.4	0.0	0.3
Total	100.0	100.0	100.0

7.4 Education

7.4.1 School attendance

Table 7.10 shows that 39.8 per cent of members of non-bonded households attended school and 60.2 per cent did not. Of former *kamaiyas*, 23 per cent attended school and 77.0 per cent did not.

Table 7.10: School attendance of household members (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
School not attended	60.2	77.0	66.2
School attended	39.8	23.0	33.8

7.4.2 Completed number of schooling years

Table 7.11 shows that over 50 per cent of household members who attended school have completed one, two or three years of schooling. In non-bonded households, 6.1 per cent enrolled but did not complete the first year, 45 per cent completed one, two or three years, 5.3 per cent completed SLC (year 10; minimum academic qualification) and 0.3 per cent (two people) completed Bachelor's level education (year 14). In former *kamaiya* households, eight per cent enrolled but did not complete the first year, 65.5 per cent completed one, two or three years, 0.4 per cent (one person) completed SLC (year 10) and no one completed Bachelor's level education (year 14).

This confirms information gathered through interviews and focus group discussions that many parents, who do send their children to school, take their children out of school after a few years of education. Although school attendance and number of completed years of schooling of non-bonded household members is low by all standards, members of former *kamaiya* families clearly have even less exposure to education.

Table 7.11: Completed years of schooling for household members who attended school (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
0	6.1	8.0	6.6
1	20.4	28.9	22.5
2	14.4	22.1	16.3
3	10.2	14.5	11.3
4	9.2	9.2	9.2
5	8.9	6.4	8.3
6	6.0	2.4	5.1
7	5.4	6.0	5.6
8	6.2	1.2	5.0
>8	13.2	1.2	10.2

7.4.3 Reasons for not attending school

Table 7.12 lists the primary reasons for not attending school. Over 37 per cent did not attend school for financial reasons, 24.4 per cent were needed to perform livestock and agriculture duties, 24.3 per cent were not allowed to attend school, and 4.6 per cent claimed that they did not attend school because there was no school or system.

Table 7.12: Reason for not attending school (percentage)

Financial reasons	37.1
Livestock/agriculture duties	24.4
Not allowed	24.3
No school/no system	4.6
Other	9.6

Although the underlying reasons why children are not allowed to go school cannot be known for sure from this data, it can be derived that a great majority of the children that do not attend school do so for economic reasons. This confirms views that were recorded during the qualitative research that economic motives are the main reason for allowing children not to attend school or for taking them out of school after a few years. In the words of a former *kamaiya* from Bankatwa VDC, ‘The main reason for not sending our children to school is that we simply cannot afford it. In most cases, the parents income is hardly enough to feed the family. If family members stop helping in the house and the land, who is going to do the work?’

Many *kamaiya* families do not attach high value to sending their children to school. In one focus group discussions, it was pointed out that even if their children were to pursue higher education, they would probably not be able to find a good job. So, ultimately they would end up like those who did not invest in education.

Group discussions and interviews also revealed that parents often prefer to give male children more exposure to education, as female children leave the household after they are married (and, therefore, stop contributing economically to the household).

Economic reasons are in some cases behind the fact that a number of participants of focus group discussions mentioned that one or more of their children worked as domestic workers in Nepalgunj or Kathmandu. However, in cases where their children still worked for the same landlord (or his family members') in houses in Nepalgunj or Kathmandu, it was said that the landlord would not release their children or would actually demand the labour services of one or more of their children as a condition for their own release from the *kamaiya* system.

7.4.4 Children's perspectives on education and work

During discussions with school-going children between 10 and 12 years of age, it was noted that for most of them pursuing higher education and earning at least Rs 500 per month was a dream. The reason for a specified fixed amount of earning meant that they would like to have a regular source of income, preferably a salaried job. Since there are no facilities for higher education available in the sampled villages, children would have to go to the district headquarters of Nepalgunj. Especially girls said that, although they will follow tradition and do things according to their parents wishes, they would also like to go for higher education and have a career.

Chapter 8: Social structures

8.1 Caste division of the population

In the study areas, most landlords came from the high castes, mainly Brahmin and Chhetri. Another class of employers, rich farmers, were of other castes including Tharu. Most former *kamaiyas* belong to the Tharu community. It was noted that rich farmers not coming from high castes and former *kamaiyas* share many things including weddings and other festivals; they are quite comfortable in each other's company. However, there is an important social division between the high-caste landlords and the former *kamaiyas*. High-caste landlords do attend former *kamaiya* weddings and are treated with respect, but if former *kamaiyas* attend weddings and ceremonies at a high-caste landlord's house, they are fed separately and treated differently from other guests.

8.2 Decision-making processes

8.2.1 Decision-making process at the village level

The VDC makes major decisions at the village level concerning community resources, etc. The chairperson of the VDC is considered the leader; however, major decisions are made on the basis of majority votes.

8.2.2 Decision-making in the former *kamaiya* community

In the survey area, there were former *kamaiya* groups known as *Kamaiya Samuha*. All decisions regarding former *kamaiyas* are influenced or guided by these groups. A former *kamaiya*, who is active, vocal, capable of taking matters to the district level and has time for the group, is chosen as the leader of each former *kamaiya* group. Usually, this person is economically stable and comes from the Tharu community.

8.2.3 Decision-making in former *kamaiya* households

Although the majority of respondents said that decisions at the household level are taken after joint consultation between husband and wife, informal individual interviews revealed the following.

- Men make the decisions concerning major spending and also carry out the spending.
- When a former *kamaiya* girl works in the village, she takes permission from her mother; however, if she goes to work outside the village, she seeks permission from the men of the household.
- When deciding whether to send their children out to work, the major decision lies with the men of the household even against the preference of the mother.
- In decisions regarding the purchase of assets such as radio, utensils, etc., the consent of the in-laws/parents are taken; however, the male head of the household takes the ultimate decision.
- The former *kamaiya* husband decides whether his wife should work for daily wages or at the landlord's house.

8.2.4 Participation in group activities by former *kamaiya* households

Involvement in group activities was examined for an insight into group dynamics and organised strengths. Table 8.1 shows that 25.2 per cent of *kamaiya* households participate in savings groups. About 2.6 per cent participate in women's groups, one per cent are members of co-operatives, self-help groups or NGOs, 4.6 per cent are members of awareness/literacy/civil rights groups, and 1.2 per cent are members of village committees. Membership of other groups

is 15.8 per cent and accounts for former *kamaiya* groups, self-promotion groups, farmers' groups and volunteer groups.

A comparison with non-bonded households (Table 8.2) shows no significant difference between the two groups for most categories. However, in the category 'Member of other group' the percentage of former *kamaiya* households is much higher than that of non-bonded households. An explanation could be participation in various *kamaiya* groups.

Table 8.1: Participation in group activities by former *kamaiya* households (percentage)

	Yes	No
Savings group	25.2	74.8
Women's group	2.6	97.4
Co-operative/self-help group/NGO	1.0	99.0
Awareness/literacy/civil rights group	4.6	95.4
Member of village committee	1.2	98.8
Member of other group	15.8	84.2

Table 8.2: Participation in group activities by non-bonded households (percentage)

	Yes	No
Savings group	24.3	75.7
Women's group	4.0	96.0
Co-operative/self-help group/NGO	0.0	100.0
Awareness/literacy/civil rights group	5.3	94.7
Member of village committee	2.0	98.0
Member of other group	3.0	97.0

8.3 Responsibilities and workload in the household

8.3.1 Responsibilities and workload of adult members of former *kamaiya* households

Prior to the abolition of the bonded labour system, adult females from former *kamaiya* households worked in the landlord's house doing household chores such as washing dishes, running errands, washing clothes and cooking. Some were required to work in the fields, when necessary. Men were required to work on the land of the employer performing tasks such as giving grass to the cattle, cleaning the cattle sheds, ploughing the fields, collecting wood and grass from the forest, and threshing corn. Children were often required to take care of the landlord's children or cut grass and tend the landlord's goats. Sometimes, they were allowed to attend school but generally for a few primary classes only; after that they had to work in the landlord's house. Since the abolition of the bonded labour system, women and men in former *kamaiya* households tend to work for daily wages. Some former *kamaiya* children work as domestic workers or wash utensils in restaurants; some go to school. When school is closed, they help with domestic chores. However, if both parents are working, they do not go to school but remain at home to look after younger siblings and cook meals.

From focus group discussions with both male and female groups on responsibilities and workload in *kamaiya* households before and after the *kamaiya* system was abolished, some changes in the common daily activity patterns could be derived (Tables 8.3 and 8.4).

Table 8.3: Responsibilities and workload in the household: adult female

Time	During <i>kamaiya</i> system	Time	After <i>kamaiya</i> system
5.00 a.m. to 6.00 a.m.	Waking, cooking morning meal, feeding family	5.30 a.m. to 8.30 a.m.	Waking, cleaning house
		8.30 a.m. to 9.00 a.m.	Cooking morning meal
6.00 a.m. to 7.30 p.m.	Working in landlord's house at tasks such as washing dishes, mulching, running errands, washing clothes, cleaning the house, cooking food, working in field, grinding <i>dhal</i> , peas, etc.	9.00 a.m. to 5.00 p.m.	Working for daily wages
7.30 p.m. to 8.00 p.m.	Cooking evening meal	5.00 p.m. to 8.00 p.m.	Working in household at tasks such as washing dishes, cooking food, feeding children, running errands
8.00 p.m. to 10.00 p.m.	Feeding family, doing household chores, sleeping	8.00 p.m. to 9.00 p.m.	Caring for children, sleeping
Total hours	17		15.5

Table 8.4: Responsibilities and workload in the household: adult male

Time	During <i>kamaiya</i> system	Time	After <i>kamaiya</i> system
5.00 a.m. to 11.00 a.m.	Working in landlord's house at tasks such as feeding cattle, cleaning cattle sheds, ploughing, working in field, fetching wood and grass from forest, threshing straw	5.30 a.m. to 6.00 a.m.	Waking
11.00 a.m. to 12.00	Eating lunch	6.00 a.m. to 10.30 a.m.	Working for daily wages
12.00 to 3.00 p.m.	Caring for cattle, weaving rope, fencing	10.30 a.m. to 12.00	Eating lunch, resting
3.00 p.m. to 5.00 p.m.	Ploughing	12.00 to 5.00 p.m.	Working for daily wages
5.00 p.m. to 6.00 p.m.	Feeding cattle	5.00 p.m. to 7.00 p.m.	Returning home, working around the house
6.00 p.m. to 10.00 p.m.	Odd jobs	7.00 p.m. to 8.00 p.m.	Eating evening meal
After 10.00 p.m.	Returning home, eating, sleeping	After 8.00 p.m.	Relaxing, sleeping
Total hours	17		14.5

Before the abolishment of the *kamaiya* system, both women and men worked approximately 17 hours a day, mostly on non-remunerative chores at the landlord's premises. After the abolishment of the *kamaiya* system, there has been a reduction in the number of working hours for both women and men, although slightly less for women. The greatest difference, however, is that women can work set hours in remunerative work such as daily-wage labouring and manage their domestic household tasks in the remaining hours.

8.3.2 Responsibilities and workload of children in former kamaiya households

Although it was difficult to develop a timeframe for children's daily activities, it was noted that before the abolishment of the *kamaiya* system girls had to care for the landlord's children or do light agricultural work, and boys had to care for the livestock. Some children went to school for

one or two years, but were withdrawn as soon as their services could be utilised by the landlord.

After the abolishment of the *kamaiya* system, more children of former *kamaiya* households attend school. However, many children still do not attend school because of economic limitations. After school and during school holidays, children usually help with domestic chores and caring for siblings.

Chapter 9: Poverty analysis

9.1 Asset and resource-related wealth indicators

9.1.1 Distribution of landholding

In Nepal, landholding is the main source of income and social status. Table 9.1 shows that most people (85.4 per cent) have less than 1 ha of land. Of non-bonded households, 81 per cent have less than 1 ha and, of former *kamaiya* households, 97 per cent have less than 1 ha. Less than one per cent of non-bonded households are landless, while four per cent of former *kamaiya* households have no land.

Table 9.1: Landholding size of household (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Landless	0.7	4	2
Marginal (<1 ha)	80.3	93	85.4
Small (1–2 ha)	14	2.5	9.4
Medium (2–4 ha)	2.3	0	1.4
Large (4–10 ha)	2.3	0.5	1.6
Very large (>10 ha)	0.3	0	0.2

9.1.2 Ownership of assets

The resale value of assets owned by non-bonded households is on average almost three times higher than former *kamaiya* households (Table 9.2), indicating a clear difference in relative poverty between the two groups.

Table 9.2: Resale value of movable assets (average per household, NRs)

	Non-bonded households	Former <i>kamaiya</i> households
Livestock	11,669	5,641
Transport means	6,426	724
Radio	275	76
Television	323	67
Other appliances and electronics	1,444	314
Total	20,137	6,822

9.1.3 Ownership status of house

Table 9.3 shows that among non-bonded households, 56.3 per cent own their house and land, 41.7 per cent have built a house on encroached land and 1.3 per cent live in a house owned by a landlord. In former *kamaiya* households, 58 per cent of houses were built on squatter land, and 34 per cent on land owned by the household. About 7.5 per cent live in houses owned by a landlord and 0.5 per cent in houses provided by the government.

Table 9.3: Ownership status of house (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Built on landlord land	1.3	7.5	3.8
Built on squatter land	41.7	58.0	48.2
Owned	56.3	34.0	47.4
Given by relative or other to use	0.7	0	0.4
Provided by government	0	0.5	0.2

9.1.4 Type of roofing materials

Table 9.4 shows that most households (67.8 per cent) use brick tiles for the roof, followed by a thatch of branches, twigs or grass (25.8 per cent). In non-bonded households, 7.7 per cent use concrete. In former *kamaiya* households, 31 per cent use thatch.

Table 9.4: Type of roofing materials of house (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Branches and twigs or grass	22.3	31.0	25.8
Tarpaulin, plastic sheets	0.3	0	0.2
Brick tiles	68.3	67.0	67.8
Iron sheeting	1.3	1.0	1.2
Concrete	7.7	1.0	5.0

9.1.5 Type of exterior walls

Table 9.5 shows most houses have mud walls (40.8 per cent) followed by brick or stone with mud (31 per cent) and tarpaulin, plastic sheets or branches and twigs (22.2 per cent). Non-bonded households mostly use brick or stone with mud (38.0 per cent) followed by mud (37.7 per cent). Among former *kamaiya* households, 45.5 per cent use mud followed by 31.5 per cent using tarpaulin, plastic sheets or branches and twigs.

Table 9.5: Type of exterior walls of house (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Tarpaulin, plastic sheets, or branches and twigs	16.0	31.5	22.2
Mud	37.7	45.5	40.8
Iron sheeting	0.7	0	0.4
Timber	1.0	1.0	1.0
Brick or stone with mud	38.0	20.5	31.0
Brick or stone with cement plaster	6.7	1.5	4.6

9.1.6 Type of floor

Table 9.6 shows that dirt/mud floors are found in 96.6 per cent of houses. Cement are used in two per cent of houses mainly of non-bonded households.

Table 9.6: Type of floor of house (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Dirt/mud	96.3	99.5	97.6
Wood	0.3	0	0.2
Cement	3.0	0.5	2.0
Cement with covering	0.3	0	0.2

9.1.7 Structural condition of house

Table 9.7 shows that the majority (58.4 per cent) of households have houses of sound structure. Of non-bonded households, 65.7 per cent of houses are structurally sound and 26.7 per cent need major repairs. Of former *kamaiya* households, 47.5 per cent of houses are structurally sound, 31 per cent need major repairs and 21.5 per cent are seriously dilapidated.

Table 9.7: Structural condition of house (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Seriously dilapidated	7.7	21.5	13.2
Need for major repairs	26.7	31.0	28.4
Sound structure	65.7	47.5	58.4

9.1.8 Electricity supply

Table 9.8 shows that 86.4 per cent of households have no electricity connection. Of non-bonded households, 84 per cent have no connection and 10 per cent have their own connection. Of former *kamaiya* households, 90 per cent have no connection and 3.5 per cent have their own connection.

Table 9.8: Electricity supply for house (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
No connection	84.0	90.0	86.4
Shared connection	6.0	6.5	6.2
Own connection	10.0	3.5	7.4

9.1.9 Type of cooking fuel used in house

Table 9.9 shows that most households (91.4 per cent) collect wood/twigs/crop residue for fuel, followed by 6.6 per cent using dung. Of non-bonded households, 92.3 per cent use collected wood/twigs/crop residue and 5.3 per cent use dung. Of former *kamaiya* households, 90.0 per cent collect wood or twigs and 8.5 per cent use dung.

Table 9.9: Type of cooking fuel used in house (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Dung	5.3	8.5	6.6
Collected wood/twigs/crop residue	92.3	90.0	91.4
Purchased wood or sawdust	1.0	0.5	0.8
Charcoal	0.3	0.5	0.4
Gas/biogas	1.0	0.5	0.8

9.1.10 Access to drinking water

Table 9.10 shows that public wells sealed with a pump or public tube-wells are the major source of drinking water used by 57.2 per cent of households followed by 19 per cent using their own well. Of non-bonded households, 52 per cent use sealed public wells, 25 per cent use their own well/tube-well and 11 per cent use an open public well. Over 10 per cent have access to piped water. Of former *kamaiya* households, 65 per cent use sealed public wells, 12.4 per cent piped public water and 11 per cent open public wells. About 10 per cent have their own well.

Table 9.10: Access to drinking water (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Rainwater, dam, pond, spring, lake or river	0.3	0.5	0.4
Open public well/boring	11.0	11.0	11.0
Sealed public well with pump/tube-well	52.0	65.0	57.2
Own well/tube-well/ boring in residence	25.0	10.0	19.0
Piped public water	5.7	12.5	8.4
Piped private tap	5.0	1.0	3.4
Employer's tube-well/boring/well/tap	1.0	0	0.6

9.1.11 Quality of latrine in house

Table 9.11 shows that 97.6 per cent of households do not have access to a latrine. Of non-bonded households, two per cent have their own pit toilets and 1.7 per cent have improved latrines. No former *kamaiya* households have access to a latrine.

Table 9.11: Quality of latrine in house (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Bush, field or no facility	96.0	100	97.6
Own pit toilet	2.0	0	1.2
Shared, ventilated, improved pit latrine	0.3	0	0.2
Own improved latrine	1.7	0	1.0

9.1.12 Number of rooms available in house

Table 9.12 shows that 48.4 per cent of households have one room and 23 per cent have two rooms. Of non-bonded households, 40.4 per cent have one room, 22.7 per cent have two rooms, 17 per cent have three rooms and 13.7 per cent have four rooms. Of former *kamaiya*

households, 60.5 per cent have one room, 23.5 per cent have two rooms and 13.5 per cent have three rooms.

Table 9.12: Number of rooms available in house (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
1	40.3	60.5	48.4
2	22.7	23.5	23.0
3	17.0	13.5	15.6
4	13.7	1.0	8.6
>4	6.2	1.5	4.6

9.2 Income and expenditure patterns of former *kamaiyas*

During focus group discussions with groups of men and women from former *kamaiya* families, data were collected on income and expenditure before and after the abolishment of the *kamaiya* system.

The major income of former *kamaiyas* during the bonded labour system was the foodgrains given by the landlord in exchange for labour. Foodgrains were either given in fixed quantity, usually 900 kg to 1200 kg per annum per family, or one-third of the total product of the landlord's land would be divided among the former *kamaiyas* working for the landlord. After the abolition of the system, there appears to be two major patterns of income for former *kamaiyas*: selling labour in the free market and sharecropping with a landowner. The first pattern is more dominant than the second. Sharecropping requires capital investment of around NRs 10,000 for purchasing bullocks and minor agricultural implements.

Former *kamaiyas* usually work as unskilled labourers carrying bricks and cement on an as-and-when-needed basis or tending land. Some former *kamaiyas* are engaged in rickshaw-pulling. The number of days per month that a former *kamaiya* has a job depends upon the season. It ranges from two to 30 days per month. May and June are busy (> 20 days per month) for men as it is rice-planting season. Between 10 and 20 days of work per month can be found towards the end of rice-planting (July), during the rice harvest (September, October), and planting and harvesting of winter crops (January, March, April). Less than 10 days of work is available at other times. Women can find 10 and 20 days of work per month between April and July, and November to December. At other times, they have less than 10 days of work per month. The income of former *kamaiyas* is higher now than during the bonded labour system. Their annual family income used to be about NRs 6700 to NRs 8600 (converting 900–1200 kg of foodgrains to cash); women were not paid separately. Now both male and female earn wages and their joint annual income ranges from NRs 9000 to NRs 15,000 depending on place and work type (see Annex 1 for more details).

The main expenses of former *kamaiyas* are food, clothes, medicine, schooling and festivities irrespective of the period during and after the bonded labour system. However, expenses on foodgrains, clothes and schooling are greater since the abolition of the bonded labour system. More foodgrains are purchased because they no longer receive free meals from the landlord during special occasions. With increased cash-in-hand from wages, they spend more on clothing. They have also started sending children to school for more years.

Gender differences were observed. Women used to spend NRs 2300–3100 per year during the bonded labour system and men spent NRs 3250–5960 per year. Since the abolition of the bonded labour system, women spend NRs 3740–4215 per year and men spend NRs 5750–5850 per year.

9.3 Food consumption and food security

The household questionnaire included a number of questions on food sources, food consumption patterns and food security in order to find out if these food-related indicators show a difference in relative poverty between former *kamaiya* households and non-bonded households.

The consumption of luxury and inferior food was examined for both groups. The data revealed no significant differences in the consumption of luxury food. Of the three types of luxury food studied, one type was consumed more often by former *kamaiya* households, another type more by non-bonded households and the consumption of the third type was about equal for both groups. The same exercise for three types of inferior food gave similar mixed outcomes. Therefore, the food consumption patterns of the two groups do give an indication of relative poverty differences between the two groups.

The months in which households face food scarcities are August and September for both groups. Again, no differences were found between the two groups.

Data on the consumption of food by source show that former *kamaiya* families can rely for only 7.5 per cent of their food on self-grown crops compared to 35.1 per cent for non-bonded households (Table 9.13). This can be explained by differences in landownership, with former *kamaiya* households possessing mostly marginal plots. The proportion of annual food consumption from sharecropping is about one-quarter for both groups, leaving former *kamaiya* households with the need to purchase most of their food: 57.5 per cent compared to 39.0 per cent for non-bonded households. The higher percentage of food from 'other' sources for former *kamaiya* households could indicate food support from relief organisations after the abolishment of the *kamaiya* system.

Table 9.13: Consumption of food by source (percentage)

	Non-bonded households	Former <i>kamaiya</i> households
Purchased	39.0	57.2
Grown	35.1	7.5
From sharecropping agreement	24.1	26.7
Other	1.8	8.6
Total	100.0	100.0

Related to the fact that non-bonded households obtain a larger part of their annual consumption from own-grown crops, but also indicating a higher relative food security, non-bonded households have larger food stocks in their house (Table 9.14).

Table 9.14: Stock of local staples in the house

	Non-bonded households	Former <i>kamaiya</i> households
Number of weeks the household can eat from the stock	6.9	4.8

The conclusion is that food consumption patterns do not reveal differences between the two groups, but that former *kamaiya* families face greater food insecurity because of smaller (average) land possession and smaller food stocks. As a larger part of annual food consumption that has to be purchased, former *kamaiya* families are also likely to spend a larger part of their income on food, leaving less for other types of expenditure. This could indicate a higher relative poverty for former *kamaiya* families compared to non-bonded households.

9.4 Participatory wealth-ranking

9.4.1 Participatory wealth-ranking: the findings

The main objectives of this exercise was to explore community-centred definitions and indicators of poverty emphasising issues related to assets, education, health, etc. of households, and social economic relationships at different poverty levels. The information obtained reveals some insight into community perceptions of pathways out of poverty as it relates to social economic problems.

One wealth-ranking exercise was done in each VDC. Six key respondents did three exercises—two people per exercise. There was a range of respondents: male farmers and landlords, female former *kamaiyas* and male former *kamaiyas*. Age, education and occupation were also considered. The ratio of non-*kamaiyas* to former *kamaiyas* was two to one. A possible bias in this exercise was that all six key respondents were Tharu and married.

In each VDC, 30 names of household heads were selected randomly from a list. After discussing criteria on the basis of which the 30 households could be classified as rich, average, poor or very poor, all households were ranked accordingly.

Table 9.15 shows that 39.2 per cent of households are very poor, 30.2 per cent are poor, 23.6 per cent are average and seven per cent are rich. Of non-bonded households, 21.7 per cent are very poor, 32 per cent are poor, 34.7 per cent are average and 11.7 per cent are rich. Of *kamaiya* households, 65.5 per cent are very poor, 27.5 per cent are poor, seven per cent are average and none is rich.

Table 9.15: Relative wealth assessment of household (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Very poor	21.7	65.5	39.2
Poor	32.0	27.5	30.2
Average	34.7	7.0	23.6
Rich	11.7	0	7.0

9.4.2 Characteristics of rich people⁵

Rich people have 10–60 bigha (6.8–40.8 ha) of farm land in the village. They also have land for housing in the local town of Nepalgunj. They have four-storey concrete houses in the village and a house in town as well. Well-off people have more assets and more varied income sources than middle-class and poor people. Examples of income sources are buses, tractors, jeeps, rice mills or shops or occupations such as cement-tile industries and teaching. Crops and milk are sold in the market. Land is often cultivated by sharecroppers.

Moneylending is an important and profitable business. They lend money and charge a high rate of interest (60 per cent and over). Assets in their possession are black and white televisions, radios and other electrical goods as luxury items. They have old, big utensils that are used in ceremonies to cook and store food, as well as brass and copper utensils. Women wear golden earrings, bangles, *tilahari* (a necklace of glass beads), *nimpatti* (a kind of earring), necklaces and other ornaments. In Tharu society, women wear necklaces and anklets of silver coins. Most have two or three female buffaloes and two male buffaloes. Some have one or two cows, oxen, chickens and goats.

Not all rich adults are educated. Some are illiterate; some have completed intermediate-level education or Bachelor's degree. Daughters-in-law have some education, whereas mothers-in-law are illiterate. All rich people send their children to government and private schools in the village for initial education, and then to college at Nepalgunj or Kathmandu for further education. When the rich are sick, they go first to the health post in the village and then to town or Lakhanau (India), if necessary. They have no problem paying medical costs. Rich people have their own electricity connection where it is available. The people in this class live in medium-sized families of 7–12 people with 3–5 children.

9.4.3 Characteristics of middle-class people

Middle-class people own 0.4–2.5 bigha (0.27–1.7 ha) of land. They do not own land or houses in town. They can feed their families the whole year with the produce of their own land but for other expenses, they sharecrop with rich people. People in this class are day labourers, farmers or hold other jobs such as carpentry and skilled construction work. They keep at least one cow, one buffalo and two oxen as livestock assets. They sell milk and some crops for income. They use oxen to plough their land and keep some other animals such as pigs, chickens and goats as additional sources of income. Middle-class people do not usually have concrete houses. They have two- to three-storey, mud-walled houses with tiled roofs. They have black and white televisions, radios, carts, kitchen utensils and golden jewellery as assets. They use carts for their own goods transportation and rent them out for income. Most adults are illiterate. A few attended school for a few years. Children mostly go to government schools; a few go to private schools. Some remain at school for 10 years; others are withdrawn to work after four or five years. In the event of sickness, these people go to the local health post and then to Nepalgunj for treatment, if necessary. Some middle-class people have their own electricity connections, some share with others and some do not have electricity. There are 6–11 family members with 4–7 children.

⁵ All characteristics were determined by the respondents themselves. The characteristics of the different groups, from rich to very poor, from the three VDCs have been merged into one summary of characteristics per group.

9.4.4 Characteristics of poor people

Poor people have a small house and 5–7 katthas (0.17–0.24 ha) of land. They also grow food on unregistered land/public land. They can feed their families from their own crops for seven to eight months a year. Most work as day labourers or as sharecroppers. None has other income sources or skills to earn money. They keep a few livestock (mostly oxen, some cows). They have some brass and copper kitchen utensils, a few pieces of jewellery and some have cheap radios as assets. They have rough, mud-walled houses with tiled roofs. None of the adults is literate. Most send their children to government school but withdraw them after four or five years. They go to the health post when sick. If necessary, they go to Nepalgunj for medical treatment. A few of them still believe in faith healers. They borrow money for loans, if necessary. A few poor people share electricity with their neighbours but most of them do not have this facility. Poor people have a family of 7–10 members with 4–6 children.

9.4.5 Characteristics of very poor people

Almost all former *kamaiyas* are in the very poor category. A few have 1–2 katthas (0.034–0.068 ha) of unregistered land and the rest are landless. Most live on public land in their own houses with tiled roofs and mud walls; some live on landlord's property. A few are sharecropping with a landlord to feed their families. For additional expenses, or for daily food, they borrow money from the landlord. Some have a small, cheap radio. They do not have many utensils. Women wear, at least, a nose ornament. A few keep male buffaloes and rent them out to pull carts and plough the land. Some have a few chicken or a pig or goat. All the adults are illiterate but they send their children to the government school. However, they withdraw their children from school when they are old enough to work—11 or 12 years old. People of this class go to the health post for medical treatment. They have to borrow money from friends or landlords for treatment. They do not have their own electricity connections, but a few use electricity from other houses. Families are made up of 7–12 people including 4–6 children.

9.5 CGAP Poverty Index

Besides giving data on indicators of poverty, the CGAP poverty assessment tool provides guidelines on making a relative poverty assessment of sampled households through developing a poverty index. This index is developed through statistical analysis (principal component analysis) of all indicators. The indicators that correlate most with the benchmark indicator (expenditure on clothes and footwear) and among themselves will jointly form a poverty index. Differences in the relative poverty level between different sample groups and within these groups can be assessed by applying the poverty index (more details on statistical analysis are given in Annex 2). Table 9.16 shows that non-bonded households are evenly distributed by poverty group. Compared this with former *kamaiya* households, where 69 per cent can be found in the poorest third, 27.5 per cent are in the middle group and 6.5 per cent not considered poor.

Table 9.16: Poverty group of household (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Lowest	33.3	69	47.6
Middle	33.0	27.5	30.8
Highest	33.7	3.5	21.6

9.6 Conclusion

Although their regained freedom has given some former *kamaiya* households the chance to improve their socio-economic position, most can be categorised under the poor and very poor.

Both by their own definitions (wealth-ranking) and through statistical analysis of quantitative data (CGAP poverty index), former *kamaiya* households are considerably poorer than the randomly selected (non-bonded) households. Actually, almost all the data on landownership, housing, access to resources and food security show that former *kamaiya* families are relatively more disadvantaged than other households. It confirms that release by itself is not sufficient to reduce the extreme vulnerability of bonded labourers and that external support for socio-economic rehabilitation of former *kamaiya* families is required to prevent a possible relapse into bondage.

Chapter 10: Indebtedness

10.1 Indebtedness of households

Table 10.1 shows that, of non-bonded households, 73.8 per cent have borrowed money and 26.2 per cent have not. Of former *kamaiya* households, 79 per cent have borrowed money and 21 per cent have not. Although there are no large differences between the two groups, the fact that about three-quarters of the population in the three VDCs of Banke has been indebted is significant enough to note the importance of credit in rural communities.

Table 10.1: Money borrowed by household (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Yes	73.8	79	76
No	26.2	21	24

10.2 Accumulated debt

Table 10.2 gives some statistics for the outstanding amount of loan, amount borrowed and number of years duration of loan. The average amount borrowed is NRs 8815, the average outstanding debt is NRs 13,408 and the average duration of the loan is 2.2 years. The outstanding amount is greater than the original amount because of low repayment rates and accumulated interest rates.

Table 10.2: Accumulated debt and period of repayment

	Outstanding amount of loan (NRs)	Amount borrowed (NRs)	Number of years
Mean	13,408	8,815	2.2
Median	6,600	5,000	1.8
Maximum	200,000	150,000	18.0

10.3 Duration of loan

Three-quarter of the loans taken are repaid in three years or less, with about 40 per cent in one year or less (Table 10.3). There are no large differences between the two groups, although non-bonded households have a slightly higher number of loans that are repaid in two years or less (64.2 against 59.1 per cent) and former *kamaiya* households have a slightly higher number of loans of four years or more (13.2 against 10.1 per cent).

Table 10.3: Duration of loan (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total sample
Less than one year	40.1	37.6	39.0
1-2 years	24.1	21.5	23.0
2-3 years	12.7	19.3	15.6
3-4 years	13.1	8.3	11.0
4-6 years	7.6	8.8	8.1
More than 6 years	2.5	4.4	3.3
Total	100.0	100.0	100.0

10.4 Sources of loan

Table 10.4 shows that, of non-bonded households, 35.9 per cent take loans from moneylenders followed by relatives or friends (24.9 per cent), commercial banks (13.1 per cent) and MFIs (8.4 per cent). Of former *kamaiya* households, most take loans from moneylenders (38.1 per cent) followed by friends or relatives (19.9 per cent), employers (18.8 per cent) and *kamaiya* savings and credit groups (13.8 per cent). For former *kamaiya* households, borrowing from MFIs, commercial banks or co-operatives was low. In general, this is in line with other research on access to credit that indicates that the poorer the household, the more limited its access to (semi-) formal credit sources. This leaves households no choice other than to take informal credit, often with higher costs.

Table 10.4: Sources of loan of household (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Moneylender	35.9	38.1	36.8
Employer	5.5	18.8	11.2
Relatives/friends	24.9	19.9	22.7
MFIs	8.4	1.7	5.5
Commercial banks	13.1	3.9	9.1
Co-operatives	5.1	1.7	3.6
<i>Kamaiya</i> savings and credit groups	3.8	13.8	8.1
Others	3.4	2.2	2.9

The relative high percentage (18.8 per cent) of loans that are taken by former *kamaiya* households from the employer is remarkable, as the *kamaiya* system was abolished nine months before the field research and all loans from landlords to *kamaiya* were declared null and void. Unfortunately, no information is available on whether these loans were taken from the old landlord or from new employers, and whether all old loans were indeed cancelled. From group discussions and interviews, it was learned that a number of former *kamaiyas* are still working for the same landlord, in some cases under similar conditions as before. For those, elements of debt bondage may continue to exist.

10.5 Annual interest rate

Table 10.5 shows the variance of annual interest rates paid by households. The minimum level of interest rate is zero, the maximum 72 per cent. Frequently mentioned interest rates were zero per cent (5.5 per cent), 18 per cent (13.4 per cent), 24 per cent (20.8 per cent) and 36 per cent (6.9 per cent). The highest frequency (44.5 per cent) is for an interest rate of 60 per cent—the rate at which loans are commonly borrowed from moneylenders and employers.

Table 10.5: Annual interest rate (percentage)

Annual interest rates	Percentage of loans
0–10	7.6
11–20	17.3
21–30	21.8
31–40	6.9
41–50	1.4
>50	44.9

10.6 Purpose of taking loan

Table 10.6 shows that, for non-bonded households, most loans are borrowed for subsistence (35.4 per cent) followed by the purchase of productive assets (23.6 per cent), unexpected calamities (15.2 per cent) and upgrading of living standards (14.3 per cent). For former *kamaiya* households, most loans are taken for subsistence purposes (46.4 per cent) followed unexpected calamities (17.7 per cent), dowry (12.2 per cent), purchase of productive assets (11.6 per cent) and upgrading of living standards (10.5 per cent).

Table 10.6: Purpose of taking loan (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Subsistence	35.4	46.4	40.2
Dowry	9.3	12.2	10.5
Ceremonies	1.3	1.1	1.2
Upgrading of living standards	14.3	10.5	12.7
Productive assets	23.6	11.6	18.4
Repayment of previous loan	0.8	0.6	0.7
Unexpected calamities	15.2	17.7	16.3

10.7 Seasonality of loans

Most loans are taken from July to October. At this time, food is scarce as the main food crops are not yet ready for harvesting. Besides consumption purposes, people borrow to buy or hire bulls/oxen for ploughing fields and also for expenditures for the main festival, *Dashain*, which takes place in October. By the middle of October, the harvests are ready for consumption.

Loan-taking is also related to the availability of daily-wage work in agriculture. In the agricultural low seasons (Table 10.7), when it is difficult to find work, loans may be taken for consumption purposes. In addition, larger amounts of credit are usually required for wedding celebrations and payment of dowry that often take place in February.

Table 10.7: Seasonality of daily-wage work available in Banke District

15 Apr	15 May	15 Jun	15 Jul	15 Aug	15 Sep	15 Oct	15 Nov	15 Dec	15 Jan	15 Feb	15 Mar
Nepalese months											
Baisakh	Jestha	Asadh	Saun	Bhadra	Asoj	Kartik	Marga	Poush	Magh	Fagun	Chaitra
Men's activity											
Women's activity											

Note: High employment (more than 20 days of work/month); average employment (between 10 and 20 days work/month); low employment (less than 10 days work/month).

10.8 Conclusion

More than nine months after the abolishment of the *kamaiya* system, 19 per cent of former *kamaiyas* are indebted to their employer and 38 per cent to a moneylender. The common annual interest rate for these type of loans is 60 per cent. Only seven per cent of loans taken by former *kamaiyas* are from (semi-) formal credit sources, indicating limited accessibility to these sources. About three-quarters of the loans taken by former *kamaiyas* are for non-productive purposes, often forced by economic, medical or social/cultural circumstances. This indicates a risk that former *kamaiya* households may relapse into bondage. High interest rates may raise the required payments to a level above the repayment capacity of a poor family and may once more force former *kamaiya* households to accept exploitative work conditions to cope with debt obligations.

Chapter 11: Relation with employer

11.1 Prevention by employer for avenues of employment

Table 11.1 shows that, prior to abolition of the bonded labour system, 56.5 per cent of former *kamaiya* households experienced an employer preventing them from seeking another opportunity for employment. Since the abolition of the bonded labour system, this has dropped to 41.5 per cent of households. This is still remarkably high. Unfortunately, no additional information is available to explain this.

Table 11.1: Prevention by employer for other avenues of employment (percentage)

	Before abolishment	After abolishment
Yes	56.5	41.5
No	43.5	58.5

11.2 Loans and working conditions

Table 11.2 shows that, of non-bonded households, 2.2 per cent have been forced by loan-taking to accept working conditions that they would not have accepted otherwise. The rate for former *kamaiya* households is 6.6 per cent.

Table 11.2: Forced by debt relation to accept low working conditions (percentage)

	Non-bonded households	Former <i>kamaiya</i> households	Total
Yes	2.2	6.6	4
No	97.8	93.4	96

11.3 Sources of health/education expenditure

Table 11.3 show that the major source of health/education expenditure for former *kamaiya* households is self (93.5 per cent). Loans from an employer accounted for four per cent, while loans from others accounted for two per cent.

Table 11.3: Sources of health/education expenditure for former *kamaiyas* (percentage)

	Former <i>kamaiya</i> households
Self	93.5
Loan from employer	4
Loan from others	2
Loan with social security	0.5

11.4 Threatening/cursing by employer

Table 11.4 shows that, prior to abolition of the bonded labour system, 48.5 per cent of *kamaiya* households experienced threats/cursing by their employers. Although since the abolition of the bonded labour system this has dropped to 13 per cent of households, it is still high enough to attract attention.

Table 11.4: Threatening/cursing by employer (percentage)

	Before abolishment	After abolishment
Yes	48.5	13
No	51.5	87

11.5 Violent acts by employer

Table 11.5 shows that, prior to abolition of the bonded labour system, 16.5 per cent of *kamaiya* households experienced violence at the hands of their employers. Since the abolition of the bonded labour system, this has dropped to 7.5 per cent of households. This is still high and raises concern.

Table 11.5: Violent acts by employer (percentage)

	Before abolishment	After abolishment
Yes	16.5	7.5
No	83.5	92.5

11.6 Employer involvement in dispute settlement for former *kamaiyas*

Employers are still highly involved in dispute settlement for former *kamaiyas*. Table 11.6 shows that, prior to abolition of the bonded labour system, employers were involved in dispute settlement in 43 per cent of households. Since abolition, employers are involved in dispute settlement in 42.5 per cent of households. Unfortunately, no additional information is available to explain this.

Table 11.6: Employer involvement in dispute settlement (percentage)

	Before abolishment	After abolishment
Yes	43	42.5
No	57	57.5

11.7 Changing labour arrangements

Even after the abolition of the system, former *kamaiyas* remain dependent on their employers. Under sharecropping arrangements, for instance, landlords have a better bargaining position concerning who is to cultivate their land. Instead of receiving half of the harvest, a sharecropper may have to settle for less. Sometimes, the landlord claims that a part of the plot is only for seed production for next season: the remaining is divided, resulting in a less than 50 per cent share for the sharecropper.

It is also not unusual to find sharecroppers whose household members are helping with domestic chores in the landlord's house, without any remuneration. Such arrangements are 'mutually agreed' beforehand, with the labourer accepting these conditions in order to receive the sharecropping contract. A number of new type of labour arrangements, which came up after the *kamaiya* system was abolished, were recorded by the research team. In some cases, children of the labourer were required to work as a domestic worker in Nepalgunj or Kathmandu.

Chapter 12: Attitudes towards the kamaiya system and its abolishment

12.1 Attitudes of employers

At interviews with a number of landlords in each VDC, it was noted that the attitude of former employers of *kamaiyas* regarding the government's decision to abolish of bonded labour system was negative. According to landlords, this decision has negatively affected both employers and former *kamaiyas*. It has created unnecessary conflict between former *kamaiyas* and employers.

Employers reported that some production costs have decreased as they do not have to look after former *kamaiyas*' children, and food expenses are reduced. However, work in the fields is no longer done by *kamaiyas*; other solutions have to be found. Employers' houses are less clean and repair costs have risen. Keeping livestock is more difficult, and both milk production and vegetable cultivation has decreased. Some employers are worried that an unclean house, and less consumption of vegetable and milk might adversely affect their health.

According to landlords, former *kamaiyas* have nothing now. They have no house, no work and have less chance of obtaining a loan. The claim that the government has not done anything for former *kamaiyas*. The little amount former *kamaiyas* receive as a wage is immediately spent on luxuries such as local wine, cinema, clothes, bicycles, etc. Their condition cannot be improved. Landlords strongly believe that former *kamaiyas* will return to them in due course because they do not have the skills to work in the regular labour market and the capacity to manage their income. Former *kamaiyas*' earning will not be sufficient to meet their basic needs. Landlords can provide food and local wine that will attract former *kamaiyas* to return to their old employers.

12.2 Attitudes of former *kamaiyas*

All former *kamaiyas* expressed happiness about the decision to abolish the bonded labour system because of their new freedom. However, they were despondent that they did not have work, food, house and clothes. They can no longer obtain loans from the landlord. They cannot acquire sharecropping contracts because they have to please the landlord through work without pay. Only a few former *kamaiyas* have land for sharecropping. They are under-employed, as daily-wage labour is only part-time. Many do not have skills other than load-carrying and traditional farming. They are expecting assistance from the government or other agencies to overcome these problems.

Chapter 13: Economic alternatives to bonded labour

13.1 Employers' alternatives

After the abolition of the bonded labour system, former employers have looked at four alternatives: sharecropping, employing people on daily wages, selling land and starting other business, and hiring out tractors. Sharecropping and employing people on daily wages are most common; landlords prefer sharecropping. The advantages and disadvantages of these two labour systems, as perceived by employers, are given in Table 13.1.

Table 13.1: Advantages and disadvantages of labour systems as seen by employers

	Advantages	Disadvantages
Sharecropping	<p>Convenience of having another person managing the farm work.</p> <p>No need of bullock and implements.</p>	<p>Low productivity as cultivators do not work hard and have limited farm management skills.</p> <p>Land-quality deterioration as long-term soil improvement measures are not applied.</p> <p>Seed and fertiliser costs have to be paid by landlords.</p> <p>Cultivators do not give half of the actual products to landlord; sometimes, there is theft.</p> <p>Cultivators change every year.</p>
Daily-wage labour	<p>Less costly.</p>	<p>Labourers with particular skills are not always available.</p> <p>Labourers do not work hard.</p> <p>Immediate or even advance cash payment as labourers do not accept payment in kind.</p> <p>Labourers do not come on time even when advance payment is made.</p>

13.2 Economic alternatives as perceived by former *kamaiyas*

Most former *kamaiyas* prefer working on the land. Since the abolition of the bonded labour system, some former *kamaiyas* now sharecrop or work for daily wages. Other income-generating activities include odd jobs, carrying loads, buying a bull for working the land, rickshaw-pulling, masonry and carpentry.

Some have received skills development training such as sewing, painting, etc. but owing to their inability to buy tools, they do not work in these fields. In Bankatwa, the Ministry of Land Reform had given training on sewing to female former *kamaiyas* and provided a sewing machine to each trainee. However, most families had sold the machine, and none was making a living by sewing clothes. Table 13.2 shows a SWOT analysis of enterprises in which respondents are confident.

Table 13.2: SWOT analysis of former *kamaiyas* views on various micro-enterprises

	Strength	Weakness	Opportunity	Threat
Goat-raising and pig-farming	Have some experience in this kind of work.	Do not have resources to buy goats/pigs. Do not have formal technical/professional knowledge.	Market is available. Some NGOs provide technical support. There are institutions that give loans for these activities.	–
Buffalo-farming	Have skills.	No land or money to build animal shelter.	Can sell milk in the market. Technical support for buffalo-raising available.	Institutions unlikely to give money for such an enterprise.
Carpentry and masonry	Have basic training and able to work hard.	Do not know how to read and write. Do not know how to improve skills and do not have contacts with institutions for training.	Demand for skilled workers in town.	–
Driver	Willing to work.	No training Illiteracy and consumption of alcohol.	Demand for experienced drivers in town.	–

13.3 Non-traditional economic alternatives in Banke

Compared to some other regions, one can say that in terms of development the mid-western region has been neglected. Although it has access to the national road network, in terms of communication, irrigation and electricity, it is still behind other regions. The *terai* districts in the region are, however, somewhat more advantaged than the hill and mountain districts. While assessing the market in Banke, the district has to be considered in terms of a border economy. There are certain constraints to creating viable micro-enterprises as there is an open-border system and no import duty is levied (levy/tax) on primary goods imported from India.

Former *kamaiyas* are most skilled in farming/agriculture. The crops that are currently most grown in Banke and for which one may assume there are market opportunities are shown in Table 13.3.

Table 13.3: Major agricultural produce in Banke

Staple crops	Fruits	Spices	Vegetables
Rice	Mango	Garlic	Green leafy vegetables
Wheat	Banana	Onions	Tomatoes
Corn	Guava	Chillies	Cauliflower
Barley		Turmeric	Radish
Potato			Carrots
Sugar cane			Cabbage
			Eggplant

Delays in the distribution of land mean that many former *kamaiyas* are currently employed in casual work. Even after allocation of land to former *kamaiya* families, the size of distributed land (4 katthas (0.136 ha)) will not be sufficient to live off. Therefore, household members will need to develop other skills to supplement their agricultural-based income. Possible

manufacturing industries for employment for casual workers in Banke District are roojeeen, turpentine, polythene pipe, polythene film, jerry can/containers, copper/aluminium sheets/wire, etc. Possible processing industries for employment for casual workers in Banke District are rice mill, flourmill, *dhal*-processing, oil-processing, brush manufacture, plywood manufacture, cloth manufacture, iron-rod manufacture, brick manufacture, tile manufacture, etc. Existing service industries for employment are hotels and restaurants.

Chapter 14: Financial and economic environment

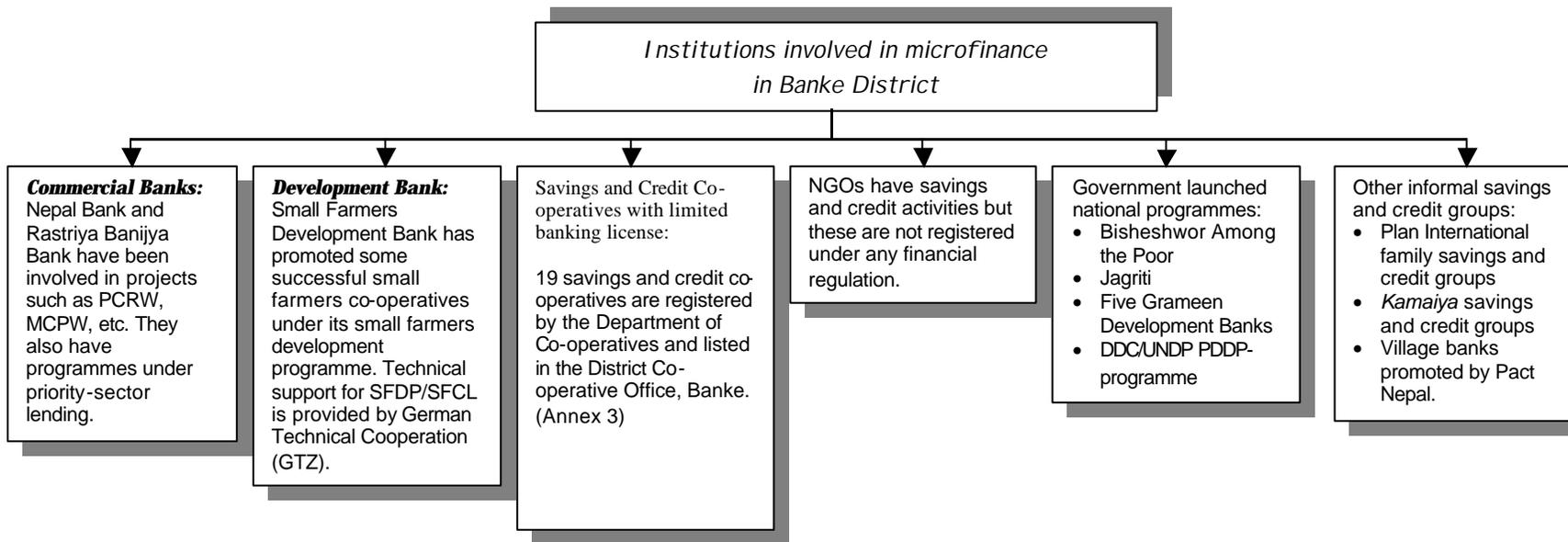
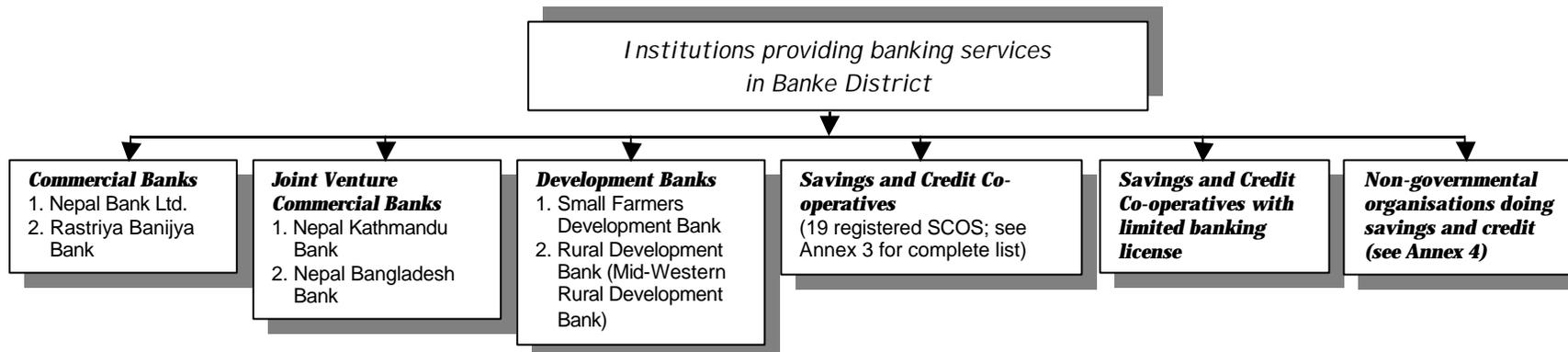
14.1 Overview of formal banking institutions in Nepal

In the formal financial sector, there are 13 commercial banks, five development banks, five regional rural development banks, 44 finance companies, 30 NGOs with limited banking licences and 29 co-operative societies with limited banking licences.

The first commercial bank in Nepal, Nepal Bank, was established in 1937 to cater for the growing agricultural credit needs of businesses such as cotton mills, jute and match factories, etc. In 1956, credit was provided through co-operatives to migrant and landless settlers in the district of Chitwan. In 1959, the Co-operative Society Act was formulated and many co-operatives emerged. To meet the growing credit demand of farmers and other co-operatives, the Co-operative Bank was established in 1963. However, owing to mismanagement of funds, more than 1400 co-operatives were liquidated and the Co-operative Bank was converted into the Agricultural Development Bank in 1968. In 1975, Nepal Rastriya Bank, the central bank of Nepal, formulated the policy of mandatory investment (five per cent of total deposits) for commercial banks to this sector. Many changes have been taken place; however, currently, 12 per cent of a bank's total loan portfolio has to be spent on priority sectors, of which at least three per cent has to be directed to deprived sectors (agriculture, cottage and service industries). Key players in this field are Rastriya Banijya Bank, Nepal Bank and Agriculture Development Bank. Other government-run initiatives in rural finance are Production Credit to Rural Women (PCRW) started in 1981, Micro Credit Project for Women (MCPW) started in 1993, and Banking with the Poor Programme (BWTP) started in 1991.

14.2 Formal and informal financial institutions in Banke District

Banke District is one of the fastest growing business centres of the Mid-Western Development Region. Twenty per cent of credit needs are met by formal financial institutions. There are 21 branches of eight commercial banks, 19 savings and credit co-operatives, and many NGOs undertaking savings and credit. The UNDP-sponsored and DDC-implemented Participatory District Development Programme (PDDP) also promotes and supports savings and credit groups in VDCs in Banke District. The informal sector consists of landlords, pawnbrokers, shopkeepers, friends and relatives, and savings and credit solidarity groups. The following two diagrams give an indication of institutions providing banking services and institutions involved in microfinance in Banke District.



14.3 Models of microfinance services for Banke District

After studying rural finance demand and supply in Banke, four models for supplying microfinance services have been identified.

- Savings and credit co-operatives
- Linking self-help groups with commercial banks
- Grameen Bank model
- NGOs working as financial intermediaries

14.3.1 Savings and credit co-operatives

These are savings and credit associations/local financial institutions based on the principles of a credit union. Under this model, individuals buy shares of the organisation, save regularly and meet the credit needs of their members from the collected savings. Formally registered savings and credit co-operative organisations can also access additional funds for on-lending to members from the government's Rural Self-Reliance Fund, commercial banks and the Rural Micro-Finance Development Centre (RMDC).

In Banke, there are some well-run savings and credit co-operatives promoted by the Rural Self-Reliance Development Centre. At the client level, individuals form solidarity groups and become members of a savings and credit co-operative. All members save regularly depending on their capacity and access credit either on a group-guarantee basis or on the basis of individual membership within the co-operative. A list of savings and credit co-operatives in Banke is given in Annex 3.

A variation to the traditional savings and credit groups is village banking, promoted by the PACT Women Empowerment Project (see Annex 4 for local NGOs applying the village banking methodology).

Former *kamaiyas* and other rural poor could form their own solidarity groups and gain access to credit through linking with already existing co-operatives. In Bankatwa, for example, there is the well-known Jana Samaj Savings and Credit Co-operative. Possible solidarity groups are former *kamaiya* women, former *kamaiyas* (both men and women) or former *kamaiyas* and other poor.

14.3.2 Linking self-help groups with commercial banks

Local NGOs work in the community as social mobilisers and form target solidarity groups depending upon the objective of their work. These informal groups are later linked with formal institutions such as commercial banks to meet their credit needs.

Usually, the NGO deposits a certain amount at the commercial bank and the bank provides credit to the NGO's clients/target group against that security. Under this model, the NGO takes the lead in forming groups and clients have to comply with all standard loan policies of the bank. The bank makes the NGO responsible for any delinquencies and acts only on recommendation of the NGO.

An example of such an NGO is the Group for International Solidarity (GRINSO). GRINSO first supports groups to become operational for a certain period and to register with an existing co-operative in order to strengthen the internal group structures before linking them with banks.

14.3.3 Grameen Bank model

This model is a replication of the Grameen Bank of Bangladesh. In this model, clients form solidarity groups of five. Usually, a social mobiliser goes to a village to help the target group to form solidarity groups, make regular savings and repay the loan. This model has the highest outreach. It functions best near highways and big cities where petty trade can flourish as repayments have to be made weekly. It is similar to the NGO/commercial bank linkage model but the bank reaches the target group directly through established channels. In Banke, there is a Rural Development Grameen Bank. Kachnapur, Rajhena and Bankatwa currently have village branches and they are served by the Kohalpur branch office. However, as a result of high operational costs these village branches may be closed in the near future.

14.3.4 NGOs working as financial intermediaries

The Financial Intermediation Act of 1999 allows NGOs to work as a financial institutions (excluding collection of deposits/savings). Unfortunately, no NGO working in Banke is currently qualified to work as a financial intermediary. Therefore, they still act as credit agents only. However, there is a strong NGO called Mahila Upakar Manch working in Banke that has a presence in all three VDCs and has requested to be upgraded to a financial intermediary in order to give legal status to clients' savings and credit activities.

14.4 Financial health of selected MFIs

The financial health of some of the main MFIs in Banke has been assessed using the financial analysis tool, PEARLS. Each letter of the word PEARLS measures key areas of an MFI's operations: Protection, Effective financial structure, Asset quality, Rates of return and costs, Liquidity and Signs of growth.

PEARLS analysis of the following MFIs is given in Table 14.1.

- Small Farmers Co-operative Limited (SFCL)
- Bhatwati Savings and Credit Co-operative (supported by RSDC)
- Grameen Bikas Bank (Mid-Western Rural Development Bank)
- Bheri Co-operative

Table:14.1 PEARLS analysis of major MFIs

Area	Formula	Goal	SFCL	Bhatwati	Grameen	Bheri					
P = Protection	Provisions for loan loss	35 % of loan delinquent from 1 to 12 months	14 %	43 %	N/A	13 %					
	Total delinquency										
E = Effective financial structure	Loans/total asset	Minimum 50 %	85 %	97 %	61 %	76 %					
	Deposits/total asset	70 % to 80 %	10 %	54 %	14 %	76 %					
	Shares/total asset	Maximum 20 %	7 %	15 %	52 %	15 %					
A = Asset quality	Total loan delinquency	Less than 1 %	4.57 %	3 %	N/A	6 %					
	Total loan portfolio										
	Non-earning assets	Close to 0 %	1 %	N/A	12 %	6 %					
	Total assets	Institutional capital + zero-cost liabilities	Greater than or equal to 100 %	6.3 %	N/A	N/A (it is in loss)	11 %				
R = Rates of return and costs	Net income/total assets	Greater the better at least enough to over costs	4 %	2 %	4 %	2 %					
	Total loan Income						Rates which cover all costs and needs	17 %	< 1 %	15 %	14 %
	Total loan portfolio										
L = Liquidity	Cash in hand + bank	Should be minimised and approach 0 %	2 %	16 %	9 %	21 %					
Total assets											
S= Signs of growth	Growth in assets	> 10 %	22 %	22 %	90 %	66 %					
	Growth in loans	> 10 %	25 %	25 %	40 %	54 %					
	Growth in savings	> 10 %	38 %	38 %	101 %	36 %					

14.5 Recommendations for a microfinance strategy

Considering the various modalities of MFIs working in Banke, the Center for Micro Finance (CMF) recommends that the project first identifies as a partner organisation an NGO with a sound experience in the savings and credit model. This can be done in two ways.

- Form savings and credit groups of the target population at the ward level, and then connect them with existing savings and credit co-operatives.
- Form savings and credit groups of the target population and register a new savings and credit co-operative.

Chapter 15: Conclusion

15.1 Definition of project target population

The target population of the project are groups that are vulnerable to debt bondage.

Former *kamaiya* households are considered to be vulnerable to relapsing into bondage until they have been rehabilitated and no longer belong to the hard-core poor. Although their regained freedom has given some of them the chance to improve their socio-economic position, the study clearly shows that most former *kamaiya* households can be categorised under the poor and very poor. Rehabilitation efforts have just started and may take a number of years before full socio-economic rehabilitation.

It is presumed that other households could be vulnerable to bondage if they have a large similarity in socio-economic characteristics with (formerly) bonded households. Poverty is a strong indicator. However, with more than 40 per cent of the population below the poverty line, there is a need to look beyond poverty. Not all poor people may be at risk from falling into bondage as there are other socio-economic and cultural factors that may relate to the risk of becoming bonded. From the baseline data, the following criteria can be derived that indicates vulnerability to bondage.

- Tharu ethnicity — 98.5 per cent of sampled former bonded labourers belong to the Tharu community.
- Landownership < 1 ha — 97 per cent of sampled former bonded labourers were landless or owned < 1 ha of land.
- House ownership — 58 per cent of houses of former *kamaiya* families were built on squatter land; this indicates a risk of eviction. Former *kamaiya* families are offered government land but other people, in similar circumstances, are not. Eviction may leave them no choice other than to sell their labour under exploitative conditions.
- Asset ownership — Possession of sizeable moveable assets (livestock, transport means, electronic appliances) that can be sold to deal with economic shocks may protect a household against selling labour under exploitative conditions.
- Size and reliability of household income related to number of dependants — The family size of the sampled population is 6.9 compared to the average for Nepal of 5.6. Households with one or two breadwinners with unreliable income sources (daily wages) and a large number of dependants are considered more vulnerable than households with relatively smaller families, more breadwinners, and higher and more reliable income sources.
- Illiteracy — 77 per cent of former *kamaiyas* had not attended school.
- School attendance of children — Although enrolment rates are improving, more than half of school-aged children still do not go to school. Without education and other skills besides farm skills, this could become a new generation of poor farm labourers at risk of being exploited.
- Sharecroppers and other semi-permanent or seasonal farm labourers — After abolishment of the *kamaiya* system, new exploitative labour systems have emerged, often based on sharecropping arrangements.
- Indebtedness to informal credit sources with high interest rates — More than nine months after the abolishment of the *kamaiya* system, 19 per cent of former *kamaiyas* are indebted to their employer and 38 per cent to a moneylender. About three-quarters of the loans are for non-productive purposes. High interest rates may raise the required payments to a level above the repayment capacity of a poor family and may force them to accept exploitative working conditions.

15.2 Suggested services to be provided by the project

The following services to target families could be part of an integrated approach to rehabilitate former bonded households and prevent vulnerable families from becoming bonded through debt.

- Support group formation for economic and social empowerment.
- Provide access to financial services through institutions such as credit/savings organisations.
- Provide social security services such as health insurance services.
- Support enterprise development and strengthen market linkages; strengthen existing local micro-enterprise development organisations.
- Provide vocational and educational training and support.
- Promote irrigation facilities.
- Support enrolment in schools/higher education with special attention to the girl child.
- Organise adult literacy classes.
- Support access to easy and affordable healthcare and health services.
- Provide gender training and gender sensitisation of the community.
- Initiate awareness-raising programmes on debt bondage, government policies, leadership and dispute settlement, sanitary conditions in the village, etc.
- Initiate building of collective bargaining mechanisms by linking and strengthening organisations such as self-help groups, solidarity groups, NGOs, trade unions, etc.

15.3 Relevant criteria for future impact assessment

Systematic monitoring and evaluation of indicators should provide information on the project's performance and impact. Most indicators that are relevant for monitoring and evaluation can be derived from the baseline study. The general monitoring framework may include the following indicators and means of verification.

15.3.1 Indicators

- Economic security of target families through landownership (provided by the government) and access to gainful employment.
- Accumulation of moveable assets, in particular, quantity and quality of livestock owned.
- Number of children enrolled in school.
- Number of target families represented in savings and credit groups; average savings per family; number of families taking a first, second and third loan; repayment rates; number of families having access to credit from banks; number of families borrowing from employer or moneylender.
- Sustainability of microfinance services by partner organisations.
- Time spent by women in remunerative work; time saved on household chores by the introduction of time-saving technologies; change in perceptions of women and children's traditional roles after gender-sensitising training; changed decision-making patterns in the household.
- Access to affordable health services; use of latrines.
- Active participation of former *kamaiyas* in village and ward-level politics and social functions.

15.3.2 Means of verification

- Impact study based on the methodology applied in the baseline study.
- Government records and statistics, in particular, with regard to land distribution and other support provided to former *kamaiyas*.
- Management information systems of partner NGOs.
- School enrolment rates of former *kamaiya* children.
- Records of the number of enrolments/graduates in vocational and other technical schools.

Annex 1: Income and expenditure pattern of former kamaiyas

Table A1.1: Income and expenditure pattern of former *kamaiyas* in Banke for selected VDCs

Major income patterns												
Income (per family)	As <i>kamaiya</i>						After leaving employer					
	Kachnapur		Bankatwa		Rajhena		Kachnapur		Bankatwa		Rajhena	
	F	M	F	M	F	M	F	M	F	M		
Paddy (kg)	960		1200		900							
Wheat (kg)	160		100		100							
Maize (kg)	160		50									
Grain legumes (kg)			135		50							
Mustard (kg)			20		25							
Labour (human day)			20				52	125	140	137	100	120
NRs per year	6720		8340		8600		2600	6250	7000	8220	6000	7200
Total	6,720		8,340		8,600		8,850		15,220		13,200	
Major expenditure patterns												
Expenditure (per person)	As <i>kamaiya</i>						After leaving employer					
	Kachnapur		Bankatwa		Rajhena		Kachnapur		Bankatwa		Rajhena	
	F	M	F	M	F	M	F	M	F	M	F	M
Food	2000	3060	500	2000	1250	1650	2000	4320	1940	3600	2500	3100
Clothes	633	300	1000	500	1250	1000	1000	300	1000	500	1250	1000
Treatment	200	2000	200			200	250	200	200	200		200
Education			500		300		350	350	500	50	165	500
Festivities	130	600	100	750	300	1000	260	600	100	1500	300	1000
Total of the individual	2963	5960	2300	3250	3100	3850	3860	5770	3740	5850	4215	5800
Total of the family	8,923		5,550		6,950		9,630		9,590		10,015	

Annex 2: Principal component analysis for relative poverty assessment

To assess the relative poverty of non-bonded households and former *kamaiya* households, various indicators were computed at the household level. For per capita expenditures on clothes/footwear (benchmark indicator) with other indicators the linear correlation coefficients were calculated. The results are shown in Tables A2.1–A2.8.

Table A2.1: Linear correlation coefficients for per capita expenditure on clothes/footwear and other indicators

	Pearson correlation	Significance (2-tailed)
Per capita expenditure on clothes/footwear	1.000	–
Average age of adults in household	-0.025	0.581
Percentage of adults having SLC (grade 10) or above education	0.421(**)	0.000
Percentage of adults having primary or above education	0.334(**)	0.000
Percent of household adults who can write	0.345(**)	0.000
Number of adults self-employed in agriculture	0.261(**)	0.000
Number of adults self-employed in non-farm enterprise	0.075	0.092
Number of students	0.305(**)	0.000
Number of casual workers	-0.191(**)	0.000
Number of salaried workers	0.201(**)	0.000
Number of domestic workers	0.034	0.449
Number of adults working for landlord or sharecropping or bonded worker	-0.190(**)	0.000
Size of household	-0.043	0.338
Child dependency ratio	-0.282(**)	0.000
Old dependency ratio	-0.022	0.630
Dependency ratio in household	-0.270(**)	0.000
Female-headed household	-0.133(**)	0.003
Marital status of head of household	-0.122(**)	0.006
Ethnicity/caste of head of household	0.045	0.313
Religion of head of household	0.037	0.404
Mother tongue of head of household	-0.249(**)	0.000
Number of days luxury food 1 served	0.298(**)	0.000
Number of days luxury food 2 served	0.145(**)	0.001
Number of days luxury food 3 served	0.106(*)	0.018
Number of days inferior food 1 served	-0.154(**)	0.001
Number of days inferior food 2 served	-0.114(*)	0.011
Number of days inferior food 3 served	-0.045	0.320
Number of meals served during last week	0.223(**)	0.000
Number of days inferior food served in last week	-0.257(**)	0.000
Number of months household members did not have enough food	-0.198(**)	0.000
Frequency of purchasing staple 1	0.218(**)	0.000
Frequency of purchasing staple 2	-0.010	0.823
Frequency of purchasing staple 3	0.021	0.642
Average annual consumption of food purchased in percentage	-0.165(**)	0.000
Average annual consumption of food grown in percentage	0.396(**)	0.000
Average annual consumption of food sharecropped in percentage	-0.172(**)	0.000
Average annual consumption of food in other categories in percentage	-0.137(**)	0.002
Number of weeks stock of local staples will last	0.147(**)	0.001
Ownership status of house	0.199(**)	0.000
Type of roofing materials	0.172(**)	0.000
Type of exterior walls	0.277(**)	0.000
Type of floor	0.269(**)	0.000
Structural condition of house	0.215(**)	0.000
Rooms per member	0.344(**)	0.000

Table A2.1 continues

Table A2.1 continued: Linear correlation coefficients for per capita expenditure on clothes/footwear and other indicators

	Pearson correlation	Significance (2-tailed)
Households' electricity supply	0.189(**)	0.000
Type of cooking fuel used	0.129(**)	0.004
Access to drinking water	0.125(**)	0.005
Quality of latrine	0.085	0.057
Size of cultivated and non-agriculture land in hectares	0.287(**)	0.000
Value of landholding (cultivated and uncultivated)	0.338(**)	0.000
Per person of total assets	0.360(**)	0.000
Resale value of livestock	0.181(**)	0.000
Resale value of appliances and electronics	0.409(**)	0.000
Resale value of transport	0.115(*)	0.010
Resale value of radio	0.187(**)	0.000
Resale value of television	0.300(**)	0.000
Relative wealth assessment of bonded/non-bonded labour	0.375(**)	0.000

Note: ** Correlation is significant at the 0.01 level (2-tailed); * Correlation is significant at the 0.05 level (2-tailed). The number (N) of respondents is 500.

Selecting those indicators whose r-value is statistically significant; the procedure for principal component analysis was done. Various permutations and combinations were attempted. Out of various results, the following were selected as final. From the final combination of indicators, the component scores as variable was saved by regression method.

Table A2.2: Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's test of sphericity

Kaiser-Meyer-Olkin measure of sampling adequacy		0.817
Bartlett's test of sphericity	Approx. chi-squared	913.192
	Degrees of freedom	36
	Significance	0.000

Table A2.3: Communalities

	Initial	Extraction
Per capita expenditure on clothes/footwear (1)	1.000	0.522
Percentage of adults having SLC or above education (2)	1.000	0.683
Percentage of adults having primary or above education (3)	1.000	0.517
Resale value of television (4)	1.000	0.557
Percentage of household adults who can write (5)	1.000	0.457
Frequency of purchasing staple 1 (6)	1.000	0.331
Number of meals served during last week (7)	1.000	0.282
Average annual consumption of food grown in percentage (8)	1.000	0.618
Value of landholdings (cultivated and uncultivated) (9)	1.000	0.423

Table A2.4: Total variance explained

Component	Initial Eigen values			Extraction sums of squared loadings		
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %
1	3.230	35.885	35.885	3.230	35.885	35.885
2	1.162	12.910	48.794	1.162	12.910	48.794
3	0.965	10.724	59.518			
4	0.843	9.364	68.882			
5	0.690	7.669	76.551			
6	0.633	7.037	83.588			
7	0.535	5.939	89.527			
8	0.490	5.443	94.970			
9	0.453	5.030	100.000			

Table A2.5: Component matrix

	Component 1	Component 2
Per capita expenditure on clothes/footwear (1)	0.684	0.232
Percentage of adults having SLC or above education (2)	0.531	0.634
Percentage of adults having primary or above education (3)	0.640	-0.327
Resale value of television (4)	0.498	0.555
Percentage of household adults who can write (5)	0.622	-0.266
Frequency of purchasing staple 1 (6)	0.478	-0.320
Number of meals served during last week (7)	0.504	-0.168
Average annual consumption of food grown in percentage (8)	0.731	-0.290
Value of landholdings (cultivated and uncultivated) (9)	0.646	7.995 x 10 ⁻²

Households are grouped into terciles first by using only the 300 non-bonded households. Ranking in descending order, the povindex for the local sample new variable (Rank of POVINDEX) was created and divided into three equal groups (terciles) that gave npovinde (Ntiles of POVINDEX).

Again the middle group (rank equal to two) was sub-selected (100 sub non-bonded households) and their statistics were calculated as shown in the Table A2.6.

Table A2.6: Statistics for poverty index scores

Mean	-7.6384354 x 10 ⁻³
Standard deviation	0.2315536
Minimum	-0.32174
Maximum	0.50230

Note: N = 100

Based on the statistics reported in Table A2.6 a new variable (POVGROUP) was created. The variable POVGROUP was assigned the value below -0.32174 of poverty index scores as 1(POOR GROUP), between -0.32174 and 0.50230 as 2(MIDDLE GROUP) and above 0.50230 as 3(HIGHEST GROUP).

Table A2.7: Correlation between poverty group and relative wealth assessment

	Pearson correlation	Significance (2-tailed)
Poverty group	1.000	–
Relative wealth assessment of bonded/non-bonded labour	0.632(**)	0.000

Note: ** Correlation is significant at the 0.01 level (2-tailed).

Table A2.8: Non-parametric correlation between poverty group and relative wealth assessment

	Spearman's rho	Significance (2-tailed)
Poverty group	1.000	–
Relative wealth assessment of bonded/non-bonded labour	0.608(**)	0.000

Note: ** Correlation is significant at the 0.01 level (2-tailed).

Annex 3: Savings and credit co-operatives based in Banke District

Table A3.1: Detailed information of savings and credit co-operatives based in Banke District

	Name of savings and credit co-operative (SCOS)	Address	Member			Working areas	Regid. date
			Male	Female	Total		
1	Tharu mahila SCOS	Kohalpur-6, Lakhana	-	32	32	Kohalpur VDC	2055/03/02
2	Mahila Samaj Sewa SCOS	Kohalpur VDC-5	-	25	25	Kohalpur VDC	2057/03/02
3	Rapti Swabalmban SCOS	Binauna VDC-5	16	16	32	Binauna VDC	2055/09/10
4	Bhagawati Swabalmban Development SCOS	Mahadevpuri VDC	16	17	33	Mahadevpuri VDC	2055/09/07
5	Janswabalmaban SCOS	Kachabapur VDC	7	21	28	Kanchanapur VDC	2055/09/17
6	Milon Swabalmban SCOS	Phattepur VDC-7	25	5	30	Phattepur VDC	2056/09/26
7	Shanti Swabalmban SCOS	Kohalpur VDC-4	5	25	30	Kohalpu VDC	2056/09/26
8	Sarmik Swabalmban SCOS	Nauwasta VDC-6	15	15	30	Nauwasta VDC	2056/09/26
9	Majdur SCOS	Bageshowri VDC-2	12	13	25	Bageshowr VDC	2056/11/20
10	Nepalgunj SCOS	Nepalgunj Mcpty, Surkhet road	15	10	25	Nepalgunj Municipality	2056/12/03
11	Chamkilo Tara SCOS	Nepal Mcpty-3	18	7	25	Nepalgunj Municipality	2057/04/09
12	Holikka SCOS	Nepalgunj Mcpty-1, Dhamboji	33	4	37	Nepalgunj Municipality	2057/06/10
13	Kaacho Chhala Sankalan SCOS	Nepalgunj Mcpty-6, Fultaygra	21	4	25	Nepalgunj Municipality, Banke overall	2054/07/03
14	Suvam SCOS	Nepalgunj Mcpty-13 Banke	12	22	34	Nepalgunj Municipality	2054/07/03
15	Nepal Cottage & Small industry SCOS	Nepalgunj	-	25	25	Nepalgunj Municipality	2052/01/18
16	Asma SCOS	Nepalgunj Mcpty-13, Banke	19	6	25	Nepalgunj Municipality	2057/07/20
17	Panchamala SCOS	Chisapani	16	12	28	Chisapani VDC	2057/09/04
18	Siddhartha SCOS	Nepalgunj Mcpty-15	5	21	26	Nepalgunj Municipality	2057/09/04
19	Rastrasewak SCOS	Nepalgunj Mcpty-12	7	48	55	Nepalgunj Municipality	2057/08/05

Source: District Co-operative Office

Annex 4: NGOs involved in village banks

Table A4.1: List of NGOs involved in village banks through Pact Project in Banke District

	Name of NGO	V.D.C./Mul.	Tole/Village	Contact person	Designation	Telephone	Fax
1	Mahila Samaj Sewa Bachat Tatha Rin Sahakari Santha Ltd.	Kohalpur	Kohalpur	Ms Meena Sigdel	Chairperson	081-29316	
2	Tharu Mahila BAchat Thatha Rin Sahakari Santha Ltd.	Kohalpur	Lakhana	Mr Gauri S. Tharu	President		
3	Sahakari Sanstha Ltd.	Bageswari	Khajura Bazar	Mr Ram Pr. Sharma	Accountant	081-20952	
4	Jana Biswas Co-operative Society Ltd.	Kohalpur	Kohalpur Bazar	Mr Narendra Pr. Paudel	Chairman	081-29322	
5	Rural Development and Environment Conservcation Center	Kohalpur	Kohalpur	Mr Shiva B. Pandit	Chairman	081-29322	
6	Pidit Jan Sewa Bikas Karyakram	Nepalganj NP	Ganeshpur, Bus	Mr Resam B. Pariyar	Chairman	081-21781	
7	People Awareness Center	Nepalganj NP	Surkhet Road	Mr Bipul Gautam	Secretary	081-21299	081-21299
8	Multiple Service Center	Nepalganj NP	Dhambojhi	Mr Prabhat K. Thakuri	President	081-20021	
9	UNESCO-Banke	Nepalganj NP	Khajura Road	Mr Parwej Al Siddiqui	Executive	081-22817	
10	Nari Utthan Kendra	Bageswari	Bazar Line Khajura	Mrs Jamuna Bhatta	President	081-20971	
11	Samaj Sewa Pariwar	Kohalpur	Kohalpur	Mrs Maya D. Chhetri	Chairperson	081-29322	
12	Samajik Jagaran Abhiyan Kendra	Nepalganj NP	Ganesh Man Chok	Mr Ravindra K. Shrestha	Treasurer	081-21048	
13	Harit Shanti Abhiyan	Kohalpur	Kohalpur	Mrs Vimmi Panthi	Chairperson	081-29322	
14	Rural Development Service Board of Nepal (RDSB)	Karkando	Khas Karkando	Mr Dan B. Shahi	Chairman	081- c/o	
15	Federation of Nepal Cottage and Small Industries (FNCSI)	Nepalganj NP		Mr Purna L. Chuke	President	081-22467	081-22469
16	Banke Mahila Arthik Swawalamban Sanstha	Nepalganj NP	Dewa Fulwari	Mrs Ranjana Dhakal	Chairperson	081-22600	

