

***Debt bondage, as a form of voluntary slavery.***  
**Hypothesis for a definition of so-called debt bondage in India**

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*The greatest force of domination always resides in  
the consent of the dominated towards their domination.*

Prof. Osiris Cecconi

*Debt bondage* may be defined as the state of a debtor under the obligation to work for a creditor for free or for a very small remuneration (not only compared to the legal minimum wage when that has been defined by public authorities, but especially relative to average remunerations received within his community and within his society) because of a debt which he has contracted from this creditor; the debtor can be the person himself or a member of his extended family who is substituted for him (a brother or sister, wife or husband, child, niece or nephew); in the same way the benefit of the credit can be transmitted to an employer by the creditor. The debtor, or the person substituted for him, subsequently finds himself in the situation of an employee, in the sense that, in the execution of his work he, or she, is in a subordinate position when working, but at the same time, receives only a small fraction of the legal remuneration generally recognized for this type of activity; at the same time he is deprived of the liberty to choose his or her employer and is compelled to work for the creditor or the one designated by him.

It would be wrong to imagine, as is often the case among mainstream economists, that all forms of indebtedness are likely to induce debt bondage and that the debt burden is the essential cause of an economic relation of over-exploitation, and that it is therefore an extreme situation. It seems essential here to develop a certain number of hypotheses going against this economic interpretation. We will examine five.

Hypothesis # 1:

Debt bondage is a social relation in the sense that it constitutes a personal bond of subordination which in its most common form, pre-exist to the debt relationship itself: it is the consequence of this relation and its expression. This is the reason why, if the phenomenon appears general in the sense that it is widespread in the sub-continent and beyond, it occurs only in geographically delimited areas, areas larger today, because of the forced migrations that debt bondage induces. It is right then to reverse the assumption generally made, placing the debt at the very origin of the subordination. These populations are not in a situation of bonded labour because they are involved in debt, but because they are in a situation of subordination (which includes the economic conditions of their exploitation, but not only)

where they find themselves overburdened by debt, a situation leading to bondage. In India, the question of debt bondage is therefore intimately connected to personal status and more precisely to caste hierarchy.

Hypothesis # 2:

Debt bondage in its current forms is not an archaism which the current understanding of wage earning would make suddenly intolerable. Public authorities, including those of the colonial period and since independence, sought to eradicate debt bondage, with limited success, because the same economic ideology was prevalent in its interpretation, putting debt at the origin of bondage. The history of debt bondage can be seen as an evolution of ancient forms and is not an archaism, but a multifaceted and advanced form of labour exploitation, taking different forms and names according to the region.

Hypothesis # 3:

Taking into account migration and the shifting of the profit centers, the cultural and geographical areas of debt bondage are changing. However, the phenomenon is changing without affecting all the populations, because there are a certain number of ideological and cultural conditions which make certain communities invulnerable to the development of debt bondage.

Hypothesis # 4:

The endemic under-employment and the state of physical and financial distress in which some families and some people find themselves can lead those people to get involved, against advanced funds, in a relation of bonded labour. For these people, debt bondage is then a new social relationship in the making. This expansion of bonded labour was legally possible because of the way in which the British colonizers legitimized it as a work benefit against remuneration; i.e., the fixing of a contract of exchange to indicate a subordinate, personal relation. However, this trivialization in the form of a work contract against advances is limited if one compares it with the dominant forms of debt bondage based on a prior interiorized and inherited relationship of subordination.

Hypothesis # 5:

The systems known as informal financing must be analyzed, not in order to understand the development of ties leading to debt bondage, since it is only a small part of these financing activities which leads to it, but because these practices can themselves indicate appropriate solutions to meet the needs of populations likely to find themselves in a state of debt bondage.

These five hypotheses constitute the basis of the synthetic analysis concerning the social relationship of debt bondage which we present here.

### **Debt bondage as advance or as a temporary transfer of rights**

Apparently, debt bondage results from taking a loan and it can *a priori* be understood only if it is placed in the context of the prevailing loan system used by the communities practicing it. With this intention, one can distinguish four main loan categories:

- . loans with interest, having real deposit or personal guarantee,
- . loans which are an advance on harvest or production,

. loans which are characterized by a temporary change of rights during the period of indebtedness,

. and loans which are a contractual relation binding a debtor and a creditor and based on trust (many loans from *moneylenders* today are of such type, as well as the deals made within a great number of tontines, in India often called "shit funds").

All the different types of loans are centrally linked to one of these categories. In some cases, they present a hybrid character insofar as the prevalent categories get mixed with one or the other of the first three categories. The classification of a loan determines the understanding of its morality by the contracting parties. This categorizing has in itself a very significant meaning since the degree of interiorization of the debt to the refunding of a loan will not be the same one according to the position in the moral hierarchy of the loans.

This moral hierarchy of loans differs from one culture to another and this can place bank loans and microfinance in a category which can be more immoral than what in the West is regarded today as usurious loans, those in particular which lead to situations of debt bondage.

The loans allowing debt bondage concern categories 2 and 3, i.e., the advance or the transfer of property.

It is possible to regard the loans inducing debt bondage as an advance, since the debtor receives a certain sum at a given moment and works then during a certain period of time for the creditor. One must note here the advantage the debtor expects to find in this situation: the creditor, in order to recover his debt, is obliged to employ the person or a member of his family for a certain time and reciprocally, the debtor or the person who is substituted for him is obliged to work for the creditor. Thus, this position offers to those who get involved in debt a guarantee of employment and to the employer a guarantee of workforce.

This helps to clarify *a priori* unexpected situations of debt bondage, such as:

. the debtor ignores the exact amount which he has to pay back and consequently the number of months, even years, which bind him to his employer; he trusts him completely for this calculation; obviously, what matters most to him is the guarantee of being employed and the recognition of his status as a subordinate;

. Persons who have been "freed" from their debts thanks to the intervention of a non-governmental organization (for example by paying capital to the employer) fall back very soon into a situation of bondage by creating debts with their creditor.

One can also regard this type of debt as a temporary transfer of rights. The model of this kind of loan is the temporary loss of property rights to the land. In exchange for a loan, the debtor gives up his rights over a piece of land. Until the debt is cancelled, he pays a rent to have the right to use his own land. Note that the ancestral and communal link with the land is not broken but the income from the property is transferred. Interest in this case is assimilated to what economists have designated as rent. To understand this temporary transfer of rights, one has to go beyond the common distinction between land owner and tenant in order to situate the land rights in a hierarchy of accessibility to the use and income of that land. In the case of debt bondage, it is the work capacity itself which is offered for a given period of time. The indebted person (or the one who is connected through the family) becomes then a dependant or a voluntary slave.

In the case of a loan as an advance or a loan with temporary transfer of property, we do not really find ourselves in a situation of loan with interest. This distinguishes these loans from those of the first category, those with real security or personal, and those from the fourth category.

The actual difference between the moment of indebtedness and that of its repayment plainly justifies in the eyes of the debtor the margin which is deducted to compensate the financial service thus provided. The difference between the value here and now and the value later is strongly integrated. However, this type of loan differs considerably from the category of loans with interest, those which allow interest to build up, i.e. when the debtor finds himself unable to repay the debt, the repayments remaining unpaid carry, in their turn, interest. One must point out that in a great number of societies these accumulations of interest are limited (for example up to the doubling of the debt). This indicates the moral reprobation attached to the category of the interest bearing loan<sup>1</sup>.

### **The social hierarchy of the debt**

Colonization has been a period during which the personal relationships of subordination could evolve into relations known as economic - processes not completed - relationships in which property relations objectify the subordination, and the "goods" glorify it. This servitude isn't what it appears to be, a social relationship of production, but as the consequence of rights of access to things put on the "market", the land or actual work. Consequently, debt bondage which we have placed in the traditional loan category, burdens the people unable to offer as security a plot of land or something else having a monetary value, except their own capacity to produce, thus on the poorest sections of society. However, the personal elements that this subordination implies have not totally disappeared and bonded labour is found in certain geographic areas or more precisely in some particular socio-cultural zones, where this type of bondage can develop to a certain extent. It is necessary that the worker accepts this constraint and does not run away if he is overburdened and swell the huge mass of people living in the Indian shantytowns; thus, debt bondage can develop mainly only in the zones where communal rights and personal bonds of subordination<sup>2</sup>, products of a historical evolution, are still strong enough to make it acceptable, even desirable.

To be in debt in India doesn't even mean, in fact, to be in a situation of subordination. Almost all levels of society -- including some of the lenders who lend over again what they borrow, are in debt; through the caste system, for centuries, particular segments of the population in India had the duty to save and the moral obligation to lend a portion of the income they drew from the interests<sup>3</sup>.

One can schematically represent a social hierarchy of debt, from the jewellery owners and the landlords having a real production capacity to those who are completely deprived.

In the higher category of debt, the objects pawned are jewels, very often inherited or brought as dowry by the wife. This form of loan guarantee, if it is capable of demonstrating

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<sup>1</sup> "Interest from money-lending paid at one time should not exceed double [the principal], but on grain, produce, fleece, or draught animals it should not exceed five times [the principal]." *The Laws of Manu*, chap. 8, 151 (trad. Wendy Doniger, Brian K. Smith, Penguin Books India 1991).

<sup>2</sup> To avoid any misunderstanding, let us make it clear that a relation of subordination functions like a personal relationship, but that as a social relationship, the ones who dominate can be substituted according to their capacities to make advances. Perhaps it would be appropriate to bring together these Indian concepts with those of the first classical economists (those of " *travail stipendie*" of the physiocrats and Turgot or those of "command labor" of Adam Smith).

<sup>3</sup> It is most probably possible to speak about the Indian populations from a Freudian point of view of a marked anal nature - evidence of which one finds in the near-public defecations on the beaches, around railroad entrances, roads and houses, etc.

the superior status of the family, does not undermine the economic capacities of the debtors to produce. Pledging jewels can even prove to be a relevant strategy for benefiting from opportunities in speculative deals. The paid interest corresponds to some extent to the transfer of this eventual profit to the creditor. Thus, the dowry doesn't always have, as is often thought, an anti-economic character, since it can ensure a higher status in the logics of debt. The problem is for all those who have the pretense to reach it without having the means and who one finds in the lower socio-economic debt categories

In the case of loans guaranteed by land, two cases must be distinguished. If it is a loan with interest for which the debtor offers land as a guarantee, the risk involved is for the debtor if he does not manage to refund the *interest* and the *capital* which leaves the farmer not only without land but also indebted, the interest due itself carrying interest. In the case of a temporary transfer of land rights, the debtor's status changes; he finds himself as a tenant who has to pay rent to the creditor, but by this, he keeps the right to use "his" land. With colonization and the introduction of so called market principles which goes together, it seems that this type of loan, (except for tribal areas where there are limits on the transfer of land rights outside of the community), has considerably disappeared to the advantage of the first type of loan, that with a guarantee, which can imply a full and final transfer of the land. This means that essential communal rights to the land have disappeared.

In the Indian rural areas, more than 80% of the population called poor are without land or own less than a hectare. The *scheduled tribes*<sup>4</sup> have the greatest proportion of poor (54%) followed by the *scheduled castes*<sup>5</sup> (50%). The *scheduled castes* represent 18% of the total Indian population, but 27% of the total poor in India and the *scheduled tribes* 8% of the population and 11% of the poor. These global statistics explain the reasons why the probability of a *tribal* or a *dalit* being in a state of debt bondage is much higher than for other castes of the Indian population.

Debt bondage thus strikes the poorest categories of the population, those who are unable to offer jewels or land as security, in other words the *proletariat*, close in meaning to the old or Marxist term, those who can offer only their own labour or the labour of their family members in advance.

“A debtor, if he is of the same class or of a lower class than his creditor, may pay off his debt to him even by physical labour; but if he is of a higher class, he should pay it off gradually”<sup>6</sup>

In so doing, they are not only in a reproductive but also cumulative process of proletarianization, since they are not capable, because of their very small amount of assets, to accumulate. This historic movement falls under the vast process called *previous accumulation* by the classical economists, that is to say a progressive expropriation of individual and collective rights.

It is, from this point of view, appropriate that we analyze the causes of their debt. It is not only following disease, drought, insufficient production, loss of assets (due to fire, death of cattle, theft, etc.) that these people are involved in debt. Several of them are involved in debt because of celebrations related to the coming of age of the girls, marriages, funerals, etc. in other words the primary reason is their desire to take part fully and entirely in the essential rites of their community. The borrowers thus voluntarily reproduce the economic and ideological basis of their own loss, dispossession and subordination.

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<sup>4</sup> A term often used today to indicate the *adivasi* known also as "*tribals*" or *aboriginals* of India, whose territory is very often found in mountainous areas or forests.

<sup>5</sup> The term "untouchable" having become politically incorrect in India, it is by this expression that one administratively indicates those who generally recognize themselves as *dalits*.

<sup>6</sup> *The Laws of Manu*, chap. 8, 177 (trad. Wendy Doniger, Brian K. Smith, Penguin Books India 1991).

This loss and this dispossession took a very different meaning with the new financial system of social relations brought about by the colonial establishment (the institutionalization of "markets" of "labor", of "land" and of "money") and by the development of the capitalist relation to production (in regard to salary or to the rise of export activities).

In its old forms, debt bondage had as a consequence the reproduction of the situation of dependence of a section of the population and one can say that it was even itself the cause (thus building a vicious circle of dependence, a circle from which it is almost impossible to escape). The dominant sections of society had, reciprocally, by their loans, the moral obligation to ensure the material and non-material conditions of their dependents (in particular, from an ideological point of view, by their financing of certain rites and from a material point of view by the provision of certain reserves in the event of shortage).

Debt bondage thus fits into the whole mechanism of exploitation, which leads to a transfer of surpluses from the "exploited" to the "exploiters". The exploitation particular to bonded labour, changes in degree but not in nature from what one can observe in the relations with the landless tenants, who are also obliged, in order to survive, to work for a very small remuneration on the land of the masters<sup>7</sup>.

One should see debt bondage as a part of the whole mechanism of exploitation (in the sense of a transfer of surplus that could take place due to the energy of someone used for the profit of another, as well as thanks to commercial profits).

New forms of debt bondage are tailored according to old forms, which allow them to have a strong hold on the people, to the point where this form of bondage is often denied. But what is new is that the finished work is generally not meant any more for reproduction within the local community (for example farm work, for which the landowner secures for himself access to manual labour when the time comes). The tasks carried out by these bonded labourers are intended for commercial production<sup>8</sup>. More and more frequently, the lenders themselves do not come from the higher castes any more; members of lower castes can become lenders, a social evolution which also causes the moral obligation of the masters to help their dependants in case of need to disappear; the relation then tends to become strictly an economic relationship. The problem is that these workers, not having the capacity to compete with their employers - a strong characteristic of the modern salaried worker - their productive activity takes place under not only very difficult conditions, but also without any or almost any health protection. This is emphasized by the fact that part of this labour force is not exploited directly by its creditors, but that those workers give the whole or part of the capacity to work available to them to another employer. The exploitation of labour can then take the most despicable forms, for example when these people are sold as sex objects. The moral obligation which bound the creditor to his debtors within the context of the old, local communities is broken, the phenomenon being strengthened by migrations-deportations which the workers are subjected to.

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<sup>7</sup> One should note here the disputed origin of the word "*coolie*", someone bound to a state of dependence by the fact of working for others (originally a Sanskrit or Tamil term designating a slave and then an indigenous worker, especially in Asian ports).

<sup>8</sup> Contrary to what is often thought, "salarization" isn't opposed to slavery because these two forms of employment can have two modalities, not only complementary but articulated, of management of the labour force available in a society. In Brazil, until the legal prohibition of servile work at the end of the nineteenth century, newspapers published small advertisements for the sale of slaves. Those who acquired them gave - against the equivalent of wages - their exploitation to the factory owners who employed them for productive ends.

## Degrees of moral legitimacy of the various types of loans

The definition of archaic and economic examples of debt bondage explains that these practices are interpreted as excesses of a system, a kind of aberration; they are not thought of as a bond of subordination which has fundamentally changed its nature because of the development of wage-earning - from which they will borrow the economic character leading to exploitation - and of globalization which offers new potentialities for the marketing of the products.

The changing nature of debt bondage justifies fully that it be fought against today. Not because it would be the perpetuation of an archaism, but because its social function, its nature has fundamentally changed since the protection which it brought to the communities in exchange of submission tends to disappear. The main difficulty is that this changing nature is not necessarily clearly perceived by those who benefit from it nor by those who are subjected to this form of bondage.

Another difficulty, paradoxically, is due to the fact the loans which microfinance proposes appear within the framework of Western culture and are perceived as having the moral integrity of the "market culture" whereas it is very uncertain that it is thought of like this by those who are the potential beneficiaries. Microfinance loans are indeed loans with interest which, because there is the addition of interest in the refunding, can appear as more unacceptable because, in short, one can only label those cultures as traditional loans systems, for example, of which debt bondage forms a part.

The comparison and the evaluation, from a moral point of view, on the one hand, of advances which induce a situation of bonded labour and on the other hand, the loans of the various microfinance organizations, very much puts into context the spontaneous classification in a binary opposition: microfinance/usury, as an opposition: good/bad. This hierarchy is not spontaneously revealed by the populations and it even hides, insofar as the people know, to some extent at least, the expectations of the outside suppliers of funds "to fight against the usurers", insofar as the local, non-governmental organizations play the role of filter to create the expected representations and where the people have a thirst for credit and are ready to absorb these loans which are granted at rates relatively advantageous.

The fact remains that the contact between different worlds (which could bring us closer to the analyses of Boltanski and Thevenot) create an ambivalence because on the one hand the interest rate of an NGO cannot fully be compared to the old forms of usury (in particular because of accompanying practices) and on the other hand the contemporary forms of debt bondage are not the exact reproductions of the old forms, mainly because of forced migrations meant to fulfill productive activities and produce goods intended to be sold<sup>9</sup>.

However, this question of interest must be treated with lots of caution because the moral understanding of the various loan terms and the fact of amassing wealth which it allows must also be placed in the evolutive framework of the major discussions on the rate of interest. From this point of view, one can witness an evolution of its understanding over a long period. If the Islamic cultures, than British, brought with it a disapproving notion of usury, the local Hindu cultures do not reject, contrary to what has been often claimed following a quick

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<sup>9</sup> It follows that the standardization of imports by the Northern countries, by not allowing, for example, the sale of goods which seem to have been produced outside of the legal framework (for example by children or bonded labour), can be an extremely efficient means of eradicating the modernization of debt bondage. Insofar as these products represent a source of income, albeit tiny, for those who create them, it is essential that accompanying measures are taken for the development of their own activities and to liberate them from their own debts.

interpretation of certain texts,<sup>10</sup> the loan with interest and thus in a general way, the fact of becoming rich through loans. This does not exclude the hierarchy of loans that we have mentioned above. In the functional division of the village communities, the caste of the lenders fulfills an essential role,

The moneylender, as we have seen, has the function and the obligation to save. From this point of view, British colonization broke the existing balance. On the one hand, the British come with a morality which condemns excesses of usury and the exploitation of loans, and on the other hand they transform the obligations between creditors and debtors and the rights to the exploitation and loss of the land, setting up the model of the economists, of the "markets" of "money", of "labor" and of "land". While in ancient systems, the debtor could keep his usage rights over his own land in exchange for the payment of rent, in the new system, the expunging of the financial debt is accomplished by his eviction.

In some ways, it is possible to see the new forms of debt bondage involving population displacement as a transposition, into an informal framework, of the new rights of property and market. Here again we find one of the offshoots of the global process of *"previous accumulation"*.

Nevertheless, this *transformation* is not finished since on the one hand, the worker is obliged to make available to others his work capacity (he is free in the sense of available) and on the other hand he does it under conditions which bind him to a particular employer; he is not free to choose his "exploiter", he is not potentially available for those likely to employ him. There is no labour "market" because the link is that of a *"customer relationship"* and not one of the *"marketplace"*. The main features of this contract are, on the one hand, that the price depends entirely on the particular relationship existing between the employer and the worker (there is no objectivation of the price of the "work") and on the other hand, that the relationship perpetuates itself, in this case as a form of subordination.

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<sup>10</sup> For a well-documented, critical review, see David Hardiman, 1996 and Shishir Sharman and S. Charmala, 2003.

## Conclusion

If the relation of debt bondage has its origin essentially in a social relationship of subordination of which the debt is a device allowing its recurrence, it follows:

- that the simple fact of expunging debt (by canceling those declared illegal or by substituting loans through the action of public authorities and/or NGOs) cannot by itself eradicate the cause of the debt,
- and that the so-called "accompanying" *empowerment* and financing measures are not accessory elements, but are essential to create conditions for a change of status which can eliminate the personal, social relationship which constitutes *bonded* labor status.

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