Surviving a Pandemic: Employment and Indebtedness among Rural Poor in Kerala

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Rajani[1] is teaching in an ITI on contract basis. Her husband Binoy, a Gulf returnee, does not have stable employment and takes up casual work. The household was primarily dependent on Rajani's monthly salary of Rs. 15,000. As the household is in debt, debt servicing consumes a significant portion of the monthly family income. However, the four member family could somehow make ends meet. But the current pandemic has derailed this balance. As Rajani was working on contract, she could not claim her salary since lockdown. For Binoy, it is not easy to find work these days. Currently surviving on the ration and the government's financial assistance, the family had to resort to borrowing every now and then during the lockdown for loan repayments and to meet other emergency needs.

Story of Rajani and Binoy is not an exception. Instead, their case demonstrates intensity with which an unforeseen shock and its long lasting impact can sabotage the financial planning of poor households, restoring myriad financial strategies to meet their daily needs (Collins et al., 2009). With incomes that are low, irregular and unpredictable, even minor fluctuations in income and expenditure can push these households into severe distress. How do such families experience an unprecedented situation induced by the current pandemic is a crucial area that requires critical attention. The mainstream discussions on "new normalcy" and the changed mode of work arrangements might not be of much relevance for those engaged in casual and temporary works. In this context, this study attempts to understand the effect of COVID-19 on the livelihood and earnings of rural poor households in Kerala and methods they adopt to survive the crisis.

The rest of the report is structured as follows: Section 1 sets the background of the study by examining the relevance of the research in the context of Kerala. Section 2 describes the methodology adopted for the study. Sections 3 and 4 discuss the impact of COVID-19 on employment and income of rural poor households in Kerala. Section 5 explores the survival strategies adopted by these households to withstand the crisis. Section 6 analyses the pattern of indebtedness incurred by this group during the pandemic months. Section 7 narrates the diverse ways in which the rural poor families in Kerala experienced and encountered the pandemic. Section 8 briefly presents the COVID-19 responses of Kerala, and Section 9 concludes the study.

[1] All the names in this report have changed to protect the identity of the respondents

1. Background of the Study

The manifold impact of the COVID-19 on the world and regional economies is well recognised by now. The pandemic is highly disruptive in the near term and highly unpredictable in the medium to long periods. "Global Economic Prospects" published by the World Bank in June 2020 presents a bleak picture of the current and future world economy, forecasting the deepest global recession since the Second World War. The World Bank estimates that the pandemic could push about 49 million people to extreme poverty.

More importantly, several studies have noted the pandemic's differential effect on diverse sectors and socio-economic groups. For obvious reasons, adversity of the impact of a pandemic would be more acute on low-income households' income and employment, particularly those working in the informal sectors.[2] Moreover, studies caution about the rise in inequality and the massive jump in household debt during outbreaks.[3]

Along with understanding the macro level perspectives on the pandemic's impact, it is essential to capture and contrast the experiences of vulnerable households. Therefore, this study explores the changes in employment, earnings, and indebtedness of the rural poor households in Kerala, five months after the relaxation of complete lockdown in the state.[4] It is also of policy relevance in understanding the coping up strategies followed by these families to withstand the hardships they faced in the last many months. Towards the purpose, a sub-sample of respondents from an earlier study on rural indebtedness among poor households in Kerala, undertaken by CSES (published in 2020)[5], was revisited through telephonic interviews.

2. Methodology

In 2018, CSES surveyed 540 rural poor households across Kerala to assess their indebtedness level (hereafter 2018 study). Following method was adopted to choose sample households: in the first stage, 12 Panchayats were selected from the total 941 Panchayats in Kerala through systematic random sampling. In the second stage, three wards were chosen randomly from 12 Panchayats. Then, 15 poor households were selected from each ward by adopting the "right hand rule" method. Thus the household survey covered 36 wards, constituting 45 households in each Panchayat. The study has defined poor households in rural areas based on the colour of the Public Distribution System (PDS) cards.[6] The sample households were selected only among those holding yellow and pink cards.

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[2] International Labour Organization (ILO) in May estimated that close to 80 per cent of informal workers have been significantly affected by COVID-19.

[3] See Furceri, Loungani, & Ostry (2020); and Tiftik & Guradia (2020) for detailed discussions.

[4] Severity of impact of COVID-19 on the Kerala economy can be gathered from the quick assessment undertaken by the Kerala State Planning Board in May 2020. The assessment has estimated a shortfall of Rs. 80,000 crores in Kerala economy for the first quarter of 2020-21.

[5] CSES (2020). *Indebtedness among the Rural Poor in Kerala.* Kochi: CSES.

[6] Currently there are four types of ration cards in Kerala—yellow, pink, blue and white each with different benefits. Yellow cards are provided to the most economically backward sections (referred as Antyodaya Anna Yojana beneficiaries). With this card, they are entitled to 35 kilograms of food grains

For the present study (hereafter 2020 study), half were chosen from the sample households of the previous study. Due to the COVID related restrictions, the interviews with the respondents were conducted over the phone using a structured questionnaire. Interviews were conducted in September 2020, nearly five months after the lifting of complete lockdown. Out of the 270 households selected, 31 households could not be reached despite repeated attempts. Another 9 households did not cooperate with the interview. Thus the effective sample size of the present study is 230.

The social composition of sample households figured in 2020, and 2018 studies are presented in Table 1. The proportion of different social categories in the original sample and the sub-sample is observed to be almost same which indicates the representativeness of the sub-sample chosen for the current study

Table 1: Social Composition of Sample Households in the 2020 and 2018 Studies

Social Category	Proportion in Total Sample (%)	
	2020 Study	2018 Study
SC	29.1	29.6
ST	6.1	7.2
OBC	53.9	52.0
General	10.9	11.1
Total	100.0	100.0

Base: Total number of households surveyed; for 2020 study=230; for 2018 study=540
Source: Primary survey

The primary survey was also supplemented by interviews with key respondents such as district authorities of Kudumbashree programme and bank officials.

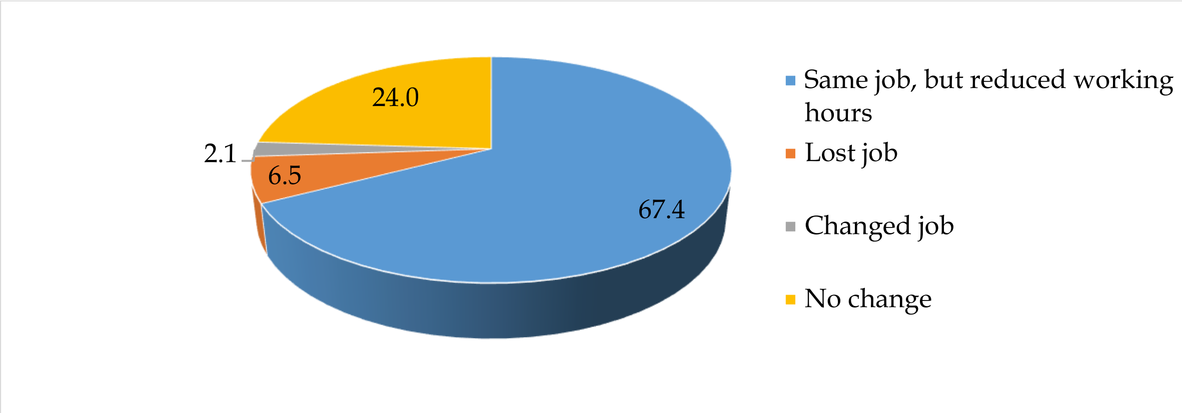
3. Change in the Employment Status

On March 23rd 2020, the Central Government announced complete lockdown across the country to contain the COVID spread. Before the imposition of lockdown, of 762 adult individuals (18+) residing in the sample households, 51 per cent were working. A large majority of them were engaged in casual labour. Few of them were running their own business/farming.

Figure 1 depicts the change in the employment status of adult individuals (in the sample households) who were working before the lockdown, due to the pandemic. The proportion of adults who suffered a complete loss of a job is relatively low (7%).

free of cost per month for a family, while pink card holders/priority card households are entitled to 5 kilograms of food grains at Rs. 2 per kg per each family member per month. Blue and white are non-priority card holders. Blue card holders are provided subsidised food grains by the State Government (2kg rice at Rs. 4 per kg per person for a month), while white card holders could purchase fixed quantity of food grains from ration shops at designated price

Figure 1: Change in Employment Status of Adult Individuals in the Sample Households (In Per Cent)



Base: Number of adults who were earning before lockdown = 387
Source: Primary survey

The extent to which the current pandemic could shatter a family's prospects is evident from the story of Hari, a 27 year old ITI graduate (Box 1).

Box 1: COVID-19 and the Consequent Job Loss

Hari was offered a job in a networking company in Maharashtra with a salary of Rs. 18,000, six months before the lockdown. To arrange for his travel and other initial expenses, Jayachandran, Hari's father had sold off his cow and pledged some gold. However, the spread of COVID-19 and consequent job loss suffered by Hari have sabotaged their hopes. The family had to borrow from Kudubmbashree to meet Hari's travel expense back to Kerala. Now the family is wholly dependent upon the earnings of Jayachandran who gets daily wage works now and then. Hari is also planning to go for daily wage works since no other alternative is available. In this bleak economic situation, he is no more confident about getting a job related to his training.

However, statistics on job loss do not entirely reveal the actual employment picture of rural poor households, since a majority of them are working either as daily wage manual labourers or casual employees. More than two-thirds of the people (67.4%) who were earning before complete lockdown experienced a reduction in the number of workdays (excluding those who lost jobs) leading to an income loss. Almost half of the individuals (46.4%) who experienced a reduced number of working days did not get any work in the previous week of the survey.

Some people voluntarily withdrew from the labour market due to the fear of COVID-19 infection as in Raghavan, an 80 year old man (Box 2).

Box 2: Voluntary Withdrawal from Labour Market in Fear of COVID-19 Infection

Raghavan used to work as an agricultural labourer before the imposition of lockdown. His 67 year old wife Janaki used to go for works under the employment guarantee scheme. Even after lifting off the lockdown, Raghavan decided not to go for work since he is aware of the severity of COVID-19 among the elderly population. Janaki is also not going since the state government has decided not to involve people above 65 years in employment guarantee works as a precautionary measure. Both of them are surviving presently on the welfare pension and the ration distributed by the Government.

Although very few, there are instances where individuals changed their work during this period or newly entered the labour market to overcome the financial constraints imposed by the pandemic. For instance, Sasi used to go for catering work for marriages and other events till the lockdown. Not getting catering orders due to COVID-19 related restrictions, he has taken up mason work. Same is the case with Radhika, a 54 years old woman and the sole breadwinner of her family consisting of her aged parents. She was a cook in a nearby private school canteen before the virus outbreak. As the schools continue to remain closed, she is going for employment guarantee work to survive. Pre COVID-19, Sajan was working in a hotel in Qatar. His three member family in Kerala was sustaining only on his income. Citing poor business, the hotel sacked him along with some other employees. Losing the job, he was forced to return home and presently going for daily wage manual labour. With no other option left to fulfil the debt repayment obligations and daily needs of the family, his 57 year old mother Raji also started going for employment guarantee scheme for the first time.

4. Change in Household Income

This section explores the change in the total earnings of rural poor families in the sample at the time of the survey compared to the pre-lockdown days.

Table 2: Extent of Reduction in Household Income due to COVID-19 by Social Category

Extent of Income Reduction	Proportion of Households (%)		
	SC/ST	Others	Overall
Complete loss of income	17.9	17.8	17.8
Income loss of 50% or more (but not completely lost)	50.0	46.7	47.8
Income loss of less than 50%	5.1	4.6	4.8
Income reduced, but could not specify the magnitude	20.5	15.8	17.4
No change	6.4	15.1	12.2
Total	100.0	100.0	100.0

Base: Total number of households surveyed = 230

Source: Primary survey

During the period, the income contraction was so hard on rural poor in Kerala such that 18 per cent of the sample households reported a complete loss of income and another 48 per cent suffered an income loss of 50 per cent or more. Only 12 per cent of the sample households did not report a drop in income due to the pandemic (Table 2).

Indicating a harsher effect of the pandemic on socially vulnerable sections, a higher proportion of SC/ST households suffered a reduction in income compared to others.

5. Coping up Strategies

How do the poor households endure a crisis is a critical area worth exploring. Literature suggests that to manage the unexpected financial shocks; such households rely on various coping up strategies such as working extra hours, newly entering into the labour market, resorting to borrowing, selling valuable items, reducing consumption expenditure, etc.

(Schicks, 2014; and Collins et al., 2009). However, as we have seen above, the pandemic period presented a peculiar scenario, where these households could not find even regular employment, let alone additional work.

Table 3 presents the various strategies followed by the rural poor households in Kerala to survive the crisis. Nearly half of the sample households cut down their food expenditure, and 17 per cent deferred their health necessities to overcome the financial difficulties. Since the ration and food kits distributed by the government ensured the basic food requirement for everyone, the reduced food expenditure was majorly in terms of a change in the consumption pattern such as restricted purchase of non-veg, milk, etc. The disproportionate impact of the pandemic on different social groups is also evident as the proportion of SC/ST households forced to reduce the food expenditure and depend on borrowing during this period is higher than the corresponding proportion among other households.

Table 3: Coping up Strategies adopted by the Rural Poor Households

Coping up Strategies	Proportion of Households (%)		
	SC/ST	Others	Total
Reduced food expenditure	51.3	45.4	47.4
Reduced health expenditure	15.4	18.4	17.4
Sold items	6.4	5.9	6.1
Availed loan	76.9	69.7	72.2

Base: Total number of households surveyed = 230;
Multiple responses;
Source: Primary survey

Although only 6 per cent of households had reportedly sold something valuable (mostly gold) to cater their money requirements, the severity in which the COVID-19 affected the already vulnerable sections is revealed by their experiences. As COVID-19 related restrictions on social functions and public events continue, Shafeeque, a 37 year old stage decorator and the sole bread winner of a four member family experienced a grave financial crunch. The family spends about Rs—800 a week towards medicines. As there was no other option, he sold his Omni van, which was being used for transporting materials for stage decoration. Ramani also had a similar story to tell. Once the online classes started for her children, she had to sell her goat, a significant source of the family's subsistence, to buy a TV at home. *"We can manage somehow. I don't want my children to suffer in their studies due to our financial difficulties. If they study well, I can buy more goats"* – she sighed.

It emerges from Table 3 that, taking loan was the primary coping up strategy adopted by these families irrespective of their social categories. Nearly three-fourths of the households have resorted to borrowing, between the lockdown period and the day of the survey. As borrowing plays a prominent role in the daily life of the poor households, the next section attempts to understand in detail the nature and pattern of indebtedness experienced by such households in the COVID months.

6. Analysis of Indebtedness

As described in the section on methodology, a sub sample of study undertaken by CSES in 2018 was used in the present study. The central thrust of the 2018 study was to understand the indebtedness scenario of rural poor households in Kerala during a normal period. This section intents to explore and contrast the findings of the previous study with the nature and magnitude of indebtedness suffered by the rural poor households in a crisis time, which is the current pandemic. However, it needs to be kept in mind that the figures in these two studies are not strictly comparable. In the 2018 study, data on all the households' outstanding loans were collected. In the present study, only the loans taken by the sample households since the beginning of the lockdown are considered (not all their outstanding loans).

This section is further divided into five sub-sections. Section 6.1 estimates the additional debt burden created by the rural poor households during the pandemic months. Section 6.2 examines the credit sources depended by these families during the current crisis. Section 6.3 attempts to understand the kind of security they provided to access loans. Section 6.4 discusses the differences in households' credit choices inside and outside the Kudumbashree network, and Section 6.5 presents the nature of loans availed by the rural poor families for debt servicing.

6.1. Debt Burden

This section aims to assess the additional debt burden incurred by the rural poor households since the lockdown. As per the estimate, the average amount of debt newly created by these households during the pandemic days is Rs. 40,667. The average number of newly taken loans per household is 1.3 (Table 4). Although no difference exists between the average number of loans taken by SC/ST and other social categories, average loan amount borrowed by the social groups other than SC/ST is more than double that of SC/ST category. As noted in the 2018 study, this could indicate the lower accessibility of socially vulnerable groups towards high value loans.

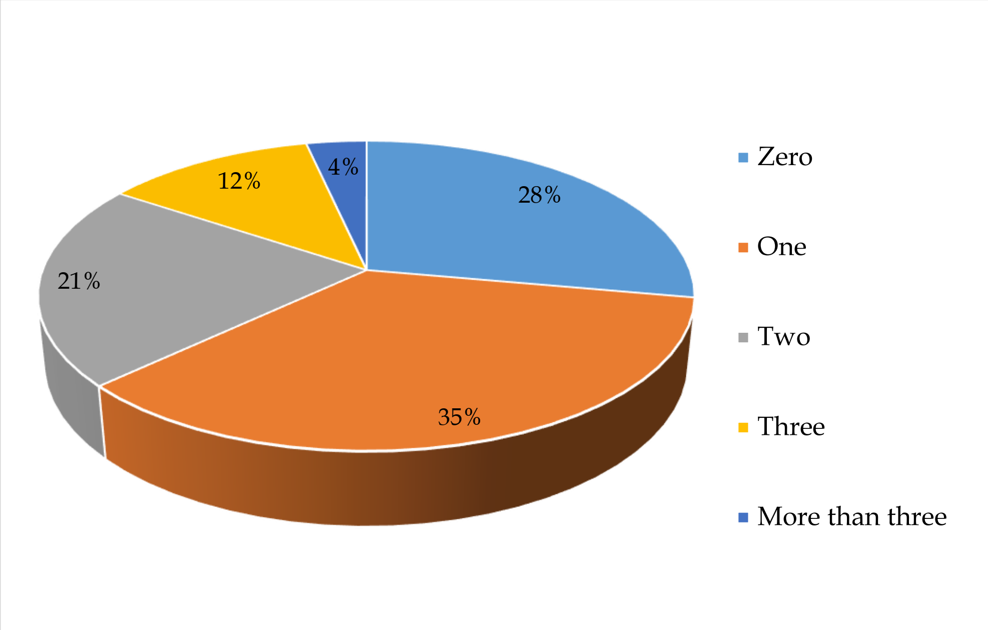
Table 4: Average Amount of Debt and Average Number of Loans per Household

Debt Burden	SC/ST	Others	Overall
Average amount of loan (Rs.)	23683.1	49382.2	40666.9
Average number of loans	1.3	1.3	1.3

Base: Total number of households surveyed = 230
Source: Primary survey

It is also significant to note that 37 per cent of the sample households had taken multiple loans since the beginning of the lockdown (Figure 2).

Figure 2: Distribution of Households by Number of Loans



Base: Total number of households surveyed = 230
Source: Primary survey

6.2. Sources of Credit

This section explores the nature of credit sources depended by the sample households during the pandemic. Both formal and informal sources were relied on by households to seek loan. For the purpose of analysis, credit sources are categorised into three: 'individual' borrowings from formal sources (commercial banks, cooperative financial institutions and Non-Banking Financial Companies [NBFCs]); 'individual' borrowings from informal sources (moneylenders, friends and relatives); 'group' borrowings from formal sources (Kudumbashree, Self Help Groups [SHGs], Micro Finance Institutions [MFIs]).

Table 5 reveals a comparatively higher dependence of the sample households on group loans from formal sources compared to other credit sources during the COVID-19 crisis. On the contrary, in the 2018 study, more households reported outstanding individual loans from formal sources than other credit sources. The reduced dependence on individual loans from formal sources during the pandemic days might have occurred due to two main reasons. Firstly, the purpose for which loans are availed can be different in these two different settings. The 2018 study had observed that a significant proportion of households utilised individual loans from formal sources either for house renovation/construction or to spend on social functions such as marriages. These families depended on informal loans majorly to meet day to day expenses or to cover the unexpected expenses. Unlike the normal times, the pandemic days do not offer much scope to spend on a house renovation or social functions. With the lack of job availability and shrunken income, most of them might have borrowed for meeting daily needs which reduced their dependence on individual borrowings from formal sources. Secondly, with the complicated formalities and long loan processing time, individual loans from banks and financial cooperatives could be a less preferred choice for rural poor households at the time of an emergency.

Table 5: Dependence on Different Loans during COVID-19 Days

Type of Credit Sources	Proportion of Households (%)			
	2020 Study			2018 Study
	SC/ST	Others	Total	Total
Individual loans from formal sources	**43.3**	**42.5**	**42.8**	**78.6**
Commercial bank	3.3	15.1	10.8	27.7
Primary cooperative	26.7	20.8	22.9	47.5
District Cooperative Bank	1.7	3.8	3.0	4.8
Non-Banking Financial Corporation/ Small Finance Bank	11.7	5.7	9.6	22.5
Group loans from formal sources	**56.7**	**61.3**	**59.6**	**68.3**
Kudumbashree	56.7	57.5	57.2	57.4
Other self-help groups	3.3	2.8	3.0	9.2
Private MFI	--	7.5	5.4	25.2
Loans from informal sources	**48.3**	**49.1**	**48.8**	**56.1**
Moneylenders	11.7	12.3	12.0	19.1
Friends & relatives	38.3	39.6	39.2	32.1

Base: For 2020 study: Number of households that availed loans since the lockdown = 166; for 2018 study: Total number of households with loan = 476;
Multiple responses;
Source: Primary survey

Kudumbashree emerged as the mosly depended credit source for rural poor households during the present crisis. Interestingly the proportion of indebted households depended on Kudumbashree for loans is same for both periods (in the 2020 study and the 2018 study), which is 57 per cent. The proportion of sample households relied on district cooperative banks, non-banking financial corporations, private microfinance institutions, and self-help groups other than Kudumbashree is less than 10 per cent during the current pandemic. The data also reveal the lesser importance of private moneylenders in the financial portfolio of rural poor households in Kerala. Only 12 per cent of the sample households had reportedly borrowed from moneylenders since the lockdown.

A notable difference observed from the 2018 study is the increased dependence on interpersonal loans (loans from friends and relatives) by the rural poor households during this pandemic. In 2018 study, a lower proportion of households had outstanding loans from friends or relatives than Primary cooperatives. However, in the pandemic months, nearly 40 per cent of the sample households have borrowed from their acquaintances, while only 23 per cent borrowed from cooperative societies. Generally being an interest-free arrangement, in the pandemic days, inter-personal loans evolved into diverse forms from purchasing essentials from local shops on credit to taking advance from the workplace as narrated in Box 3.

Box 3: Receiving Advance on the Promise of Repaying with Labour

Narayani, a 47 year old daily wage manual labourer, is living alone at her home, in Karadka, Kasaragod district. In the initial days of complete lockdown, she struggled to get sufficient food. She had to borrow even rice from her neighbours. The special ration distributed by the government was a great relief for her in the later stages. Not getting enough work despite the withdrawal of lockdown and due to the containment zone restrictions, she had borrowed some money from a family where she usually goes for work. She availed the loan on the promise of repaying the amount with her manual labour, the commitment which she values highly.

Moreover, Table 5 reveals the disparities in the choice of credit sources by different social groups. The proportion of households borrowed from Kudumbashree, other self-help groups, moneylenders, friends, and relatives is almost the same between SC/ST and other social categories. However, SC/ST families' dependence on commercial banks and private MFIs is relatively low compared to other social groups during the pandemic months. Meanwhile, compared to other social groups, a higher proportion of SC/ST families have borrowed from Primary cooperatives and non-banking financial institutions during the period.

6.3. Types of Security

The requirement to furnish collateral to avail loans has been identified as an important factor affecting household credit decisions and credit accessibility (Basu, 2005; Rajeev, Vani, & Bhattacharjee, 2011; and Chandio et al., 2017). The 2018 study recognised four methods adopted by the lenders to secure their loans: First, the backing of loans by corresponding material collateral, which gives the lenders sanction to recover their debt through the proceeds from the sale of collateral. i.e., there is a direct backing of debts by assets. Second, securing loans by the guarantee of an external person, i.e., the assurance given by a third party that, in the event of a default by the borrower, he/she will pay back the loan. Here, lenders are entitled to claim the assets of the guarantor if there is a default. Therefore, there is an indirect backing of debt by the assets. Third, backing the debts by group liability, i.e., the members of one group are responsible for each other’s debt, and the peer pressure acts as the security for the lenders. Fourth, the lenders extending loans without demanding any security requirements. Loans given by the moneylenders mostly belong to this category. In such situations, the lenders ensure the loan recovery and reduce the default risk through the power or domination they enjoy over the borrowers.

Table 6 shows that only one-fourth of the loans taken by the sample households during the pandemic months were backed by material collateral. Among the material collateral, gold emerged as the most prominent liquid asset in the financial portfolio of rural poor households in Kerala. Reinforcing the significance of gold loans and group loans in the financial management of rural poor in Kerala, these two categories constitute two-thirds of the total loans taken by the sample households since the lockdown. Simple documentation and speedy disbursal could be the reasons which encouraged this group to rely more on such loans in an emergency.

Table 6: Type of Security Used to Avail Loans during the Pandemic

Type of Security	Proportion of Loans (%)
Material collateral	
Gold	25.0
Land	1.4
Vehicle	0.7
Personal guarantee	4.7
Group pressure	40.9
No security	27.4
Total	100.0

Base: Total number of loans taken since the lockdown= 296

Source: Primary survey

6.4. Survival of Families outside the Kudumbashree Network

As discussed earlier in this study, Kudumbashree plays a pivotal role in the lives of rural poor households as an easily accessible credit source. Besides, being the largest network of poor women in Kerala, Kudumbashree serves as an important platform to reach out to the vulnerable households; therefore, the programme is increasingly being recognised as a prominent crisis management mechanism by the state government. Like 2018 Kerala floods, in this pandemic period, the state government announced a special loan scheme to be distributed through Kudumbashree to assist the financially vulnerable households in withstanding the crisis (Box 2).

Box 2: Kudumbashree as a Crisis Management Mechanism – Case of Chief Minister's Helping Hand Loan Scheme during the Pandemic

Notable support made available to the poor households during the pandemic was the Chief Minister's Helping Hand Loan Scheme (CMHLS). The state government announced a COVID specific loan scheme implemented through Kudumbashree on April 4, 2020. The scheme envisaged distributing interest-free loans (36 months repayment period and six months moratorium) to Kudumbashree members in financial distress. Depending on the extent of financial loss and the severity of economic hardships of the family, a Kudumbashree member is entitled to get a maximum loan amount of Rs. 20000.[7] As per the official data provided by Kudumbashree, 66 per cent of Kudumbashree members and 78 per cent of Kudumbashree NHGs participated in the scheme.[8]

The beneficial role of CMHLS on the survival strategies of rural poor households is evident from the experience of Nisam, a fisherman residing in Thikkodi, a coastal village in Kozhikode district. The five member family, consisting of Nisam's disabled wife and three children, had no earnings since there were restrictions on fishing in the sea. They do not hold a ration card since they are living in a rented house (Nisam's and his wife's names are in the ration cards of their respective families). Therefore, they could not access benefits such as free ration kits announced by the Government during the pandemic days. The entire family was sustaining only on the disability pension of his wife, Shabnam. In this situation, the interest-free loan she received from Kudumbashree was a great relief for the family as pointed out by Shabnam; *"with the loan amount we could at least manage our food requirements for several days."*

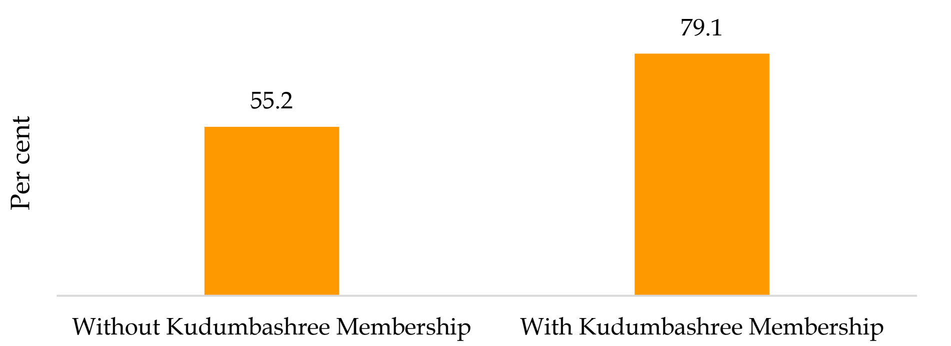
[7] See G.O. No. 736/2020/LSGD dated 4/4/2020

[8] Data source: https://www.kudumbashree.org/monitor-progress/306/1189

The present study observes that a significant number of (58%) of the sample households with Kudumbashree membership has taken at least one loan from Kudumbashree since the lockdown. However, it is critical to note here that, although envisaged as a poverty eradication project for women from Below Poverty Line (BPL) households, 30 per cent of rural poor households are outside Kudumbashree network (CSES, 2018). Deprived of a major source of credit and other benefits, it could be of policy relevance to explore the major credit source choice of poor households outside the Kudumbashree network during the crisis inflicted by the COVID-19 outbreak.

The proportion of households borrowed during the period was higher among those with Kudumbashree membership than those outside the Kudumbashree network (Figure 3). Although the specific reasons contributing to this difference could not be ascertained from the available data, the absence of a cheap and easily accessible credit source from the portfolio choices of those remaining outside Kudumbashree network could be one reason. Further, easy availability of loans might have encouraged those with Kudumbashree membership to take loans, even if they are not in actual need. Being not able to distinguish between necessary and unnecessary loans, we do not know the exact implication of the absence of Kudumbashree on the lives of rural poor. However, the point emerges here that, a significant section of rural poor in Kerala is deprived of a prominent credit source and remains outside of an institutionalised crisis management mechanism. In the face of shrinking employment opportunities and reduced income during the current pandemic, this scenario might have seriously limited the survival strategies open to them.

Figure 3: Proportion of Households Borrowed during the Pandemic



Base: Total number of sample households=230
Source: Primary survey

Table 7 presents the credit source choices of the households inside and outside the Kudumbashree network.

Confirming the prominence of Kudumbashree in the credit choices of this section almost three-fourths of the sample households with Kudumbashree membership (borrowed during the pandemic) had taken a loan from Kudumbashree. For households without Kudumbashree membership reliance on informal sources such as inter-personal loans and moneylenders during the pandemic is much higher than (the difference is almost 18 per cent for inter-personal loans and 12 per cent for loans from moneylenders) those with Kudumbashree membership. Likewise, a higher proportion of households outside the Kudumbashree network borrowed from commercial banks, primary cooperatives and non-banking financial corporations during this period than those having Kudumbashree membership.

Table 7: Credit Sources Depended by Families With and Without Kudumbashree Membership

Type of Credit Sources	Proportion of Households (%)	
	Without Kudumbashree Membership	With Kudumbashree Membership
Friends & relatives	54.1	35.7
Primary cooperative	27.0	21.7
Moneylender	21.6	9.3
Commercial bank	18.9	8.5
NBFC/SFB	13.5	8.5
Private MFI	2.7	6.2
Kudumbashree	0.0	73.6
DCCB	0.0	3.9
SHGs other than Kudumbashree NHGs	0.0	3.9

Base: Number of households borrowed since the lockdown; without Kudumbashree membership= 37; with Kudumbashree membership = 129;
Multiple responses;
Source: Primary survey

6.5. Debt Recycling

Routine financial adjustments define the day to day life of a population that belongs to the lowest economic rung of the society. Therefore, as noted in the 2018 study, debt repayment commitment figured as one of the significant purposes compelling the rural poor households to take a new loan (30 per cent of the sample households in the 2018 study reported that they borrowed to pay off earlier loans). However, it is a matter of grave concern that, even on the wake of a financial breakdown, 30 per cent of the sample households took loan only for debt servicing. Four households sold their gold for loan repayments during the period.

Table 8 presents the sources of debt that compelled the surveyed households to borrow since the lockdown, and Table 9 depicts the credit sources these families depended on to repay existing debts. Among the families that availed loans for debt servicing during the pandemic days, 22 per cent borrowed to honour debt repayment commitment towards friends and relatives. Further underscoring the easy accessibility of interpersonal loans for this population group, 39 per cent of the households — that availed loans for debt servicing since the lockdown — reported that they had borrowed from their friends or relatives to repay their older debt. The prominence of loans based on personal relations in the daily life of this group is evident from the words of Thomas:

"I had borrowed some money from my brother-in-law for the house construction. Once the lockdown started, just like me, he was also struggling to meet daily needs. So he asked me whether I could pay him back. Although he did not compel, being aware of his financial difficulties, I felt obligated to give him the money back. Borrowing some amount from one of my friends I repaid him the debt. I am sure I will have to borrow from my brother-in-law again shortly. If he loses trust in me that would completely shut one of my regular credit sources."

Like Thomas, other respondents also acknowledged that they attribute high priority for the repayment of loans from their friends and relatives. They place personal obligations and relations above all factors.

Table 8: Sources of Debt that Compelled the Sample Households to Borrow during the Pandemic

Source	Proportion of Households (%)
Friends & relatives	21.7
Kudumbashree	18.8
Primary cooperative	18.8
Private MFI	17.4
Commercial bank	8.7
NBFC	4.3
Moneylender	2.9
Others	8.7

Base: Number of households borrowed since the lockdown for debt servicing = 69; Multiple responses;
Source: Primary survey

Table 9: Sources Depended by Households since the Lockdown for Debt Servicing

Source	Proportion of Households (%)
Friends & relatives	39.1
PAC	14.5
Private MFI	4.3
Kudumbashree linkage	4.3
Commercial bank	4.3
NBFC	1.4
Kudumbashre thrift	23.2
Moneylenders	11.6
Kudumbashree interest free loan	5.8

Base: Number of households borrowed money since the lockdown for debt servicing = 69
Source: Primary survey

A notable point emerging from the data is that despite the moratorium allowed by the Reserve Bank of India (RBI), 19 per of the households — which borrowed for debt servicing—have availed loans to pay the instalments of Kudumbashree loans, particularly bank-linkage loans. Another 19 per cent has borrowed for the repayment of loans from primary cooperatives. Seventeen per cent of the sample households, which borrowed for debt servicing during the COVID-19 crisis, has borrowed to meet the regular payment obligations of private MFIs.

Some respondents complained that the linkage banks of their Kudumbashree neighbourhood group did not permit them to choose the moratorium option for Kudumbashree loans. However, Kudumbashree district officials reported that a clear direction was sent to all banks from the state government to allow moratorium for Kudumbashree linkage loans if neighbourhood groups prefer to avail it. In their opinion, it could be the majority decision of a neighbourhood group (a minority might have opposed this decision) not to opt for a moratorium, as that would add up the interest amount. The observation raises an important concern; the announced moratorium did not benefit some of those in distress. Although on March 27th, the Reserve Bank of India (RBI)[9] permits[10] the lenders to grant a moratorium on all term loans in the wake of the pandemic, the interest during the moratorium period was not waived.[11] The survey responses suggest that the borrowers were generally worried about adding up of interest during the moratorium period, which prevented many of them from availing the option. Moreover, institutional lenders seemed to take advantage of these worries. Several respondents reported that although not in the tone of compulsion, they received calls from employees of financial institutions who warned them about the adding up of interest if they default the instalment. To avoid such a situation and to prove their trustworthiness, some of them had repaid even by borrowing.

Among the sample households, 14 per cent reported that they faced some form of compulsion or received communication from lenders, including commercial banks, cooperative societies, private MFIs and moneylenders for the timely payment of instalments during the pandemic. However, only one respondent reported severe harassment and threatening from the moneylender during the period. Reji, a daily wage manual labourer borrowed from a moneylender in January for his mother's treatment. During the lockdown, he came to Reji's home and insisted upon the repayment of debt. By selling his mother's gold and making her borrow Rs. 15,000 from private MFI, Reji finally repaid it.

Eight families who had group loans from private MFIs said that the institutions' field staff regularly visited their homes and reminded them about loan repayment. Feeling guilty of being alone in the group postponing regular repayment, Lalitha and Fathima borrowed from moneylenders at a high interest rate to pay the weekly instalment of group loans from MFIs.

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[9] See the circular RBI/2019-20/186 (https://m.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=11835)

[10] The circular issued by Reserve Bank did not mandatorily direct the lenders to grant moratorium option to the borrowers; instead merely permitted the financial institutions to grant moratorium. Certain bank officials interviewed as part of this study highlighted the use of the word "permit" in lieu of "direct" in the circular as a shortcoming of the announced moratorium, as it provides sufficient discretionary power for the lenders to decide whether to offer moratorium or not.

[11] A writ petition was filed before the Supreme Court where the debtors seek a full waiver of interest chargeable during the moratorium (Refer Gajendra Sharma v. Union of India for details)

> “Before the lockdown, I never defaulted any payment. Once the lockdown started, I did not have work, and I couldn’t pay. However, I was the only one in the group who was not paying. The MFI staff who comes for weekly collection asked me about my instalment. Although he did not put any pressure, I felt bad for breaking my promise of prompt repayment. I did not want the group to be in trouble because of me. So, I made my husband borrow Rs. 3,000 from a moneylender even though the interest rate was very high.” – Fathima said.

7. Looming Uncertainity

Apart from the financial constraints imposed by the lack of employment opportunities, the pandemic had inflicted additional burden on these families in the form of shortage of public conveyances, non-accessibility to regular health care, digital divide, etc. This section recounts certain experiences of rural poor in Kerala during the pandemic days.

Some of the respondents narrated the difficulties their families faced in accessing healthcare during the pandemic days. For instance, Siji, a resident of Kalanjoor panchayat, Pathanamthitta district had undergone a surgery two months before the lockdown in Trivandrum Medical College. She was advised to visit the hospital every month for monthly checkups. Since no train was available, her follow-ups got interrupted as the family was not in a financial position to hire a private vehicle from home to Trivandrum.

Ramachandran, a 47 year old daily wage worker, has been under treatment of his eyes for the last three years. The eye-hospital is situated in Kasaragod town, more than 20 km from his home. He used to go by bus before the spread of COVID-19. However, with reduced availability of buses, he is now forced to travel by auto, which costs him around Rs. 500 for a visit. To cover these expenses, he borrows from a family with whom he works regularly and repays with his labour. Likewise, Sajida had to postpone the prescribed scanning for her eyes, as there was a considerable delay in obtaining certain medical services at government hospital due to the pandemic. She fears that she will lose her eyesight completely since she had delayed the diagnosis and the treatment.

Some of the respondents reported the challenges their children faced in accessing digital education. It would be relevant to note here that Kerala’s attempts to tide over the disruptions in school children's learning process through virtual classes have been widely acclaimed. At the beginning of the academic year, the state witnessed a massive drive under the aegis of the government and civil society organisations to bridge the digital divide among the children by ensuring their accessibility to television/mobile phone/laptop and internet facilities. However, such endeavours were mostly concentrated in the school education sector. The challenges the students faced in higher education — who are mandated to attend live online classes- often went unnoticed. Ramesh's story, an auto driver, residing in a tribal hamlet of Thirunnelli, Wayanad district make the issue clear. Ramesh has two college going children — one is currently studying in college and the second one just completed 12th standard and awaiting college admission — who have separate online classes at the same time of the day.

"Generally people are not going out these days so that the proceeds from the auto are not sufficient to meet even its maintenance. Therefore, whenever available, I go for painting work too. My elder son has to attend online classes conducted by his college. I pledged my wife's gold to buy him a mobile phone. My daughter will also join college soon. I have to find the money for the initial deposits for her admission. Also, she will need another mobile phone for attending her class since both of them might have classes simultaneously. Additionally, I have to spend extra money for internet connection as well. How am I supposed to manage all these expenses in this current situation?" – He asked.

Some parents of school going children highlighted weak internet signals that hinder their children from attending digital classes smoothly. Some others mentioned the additional recurring expenses in the form of monthly internet charges, which many found difficult to manage due to reduced work availability.

Simon, a fisherman in Cherthala panchayat of Alappuzha district, drew attention to the fisher community's difficulties during the pandemic days. With the spread of COVID-19 and the heavy monsoon, the number of days allowed for going to sea has reduced drastically. Besides, the women in such families, who usually engage in fish selling either on foot or at markets, became almost jobless with the lack of transportation facilities and other COVID related restrictions. Thus, the pandemic scenario had severely affected the earnings of this community.

8. How did Kerala Respond?

The government and civil society's combined efforts to mitigate the pandemic's hardships in Kerala found its place in both national and international media. During the pandemic days, the state government came up with different relief measures to enable the vulnerable sections to withstand the crisis. The government of Kerala's interventions to ensure food security to everyone through community kitchens and public distribution system have been widely acclaimed. It is pertinent to note that Kerala was the first state in the country (perhaps the only state) to implement a universalised free distribution of ration (for both priority and non-priority PDS cards) during the lockdown. Besides the regular provisions, the government distributed free kits (consisting of 17 essential items) worth Rs. 1000 for all during the last several months. The present survey revealed that 98 per cent of the rural poor households had availed the government's free provision kits. For them, these provisions enabled them to overcome their plight. *"Although no money was left with us, we did not go hungry"*- Sangeetha, a 49 year old widow remarked.[12] Apart from the food materials distributed through ration shops, the families having Anganwadi or school going children received extra food kits. Besides, the sample households were benefitted from the financial assistance provided by the government. The poor families not eligible for welfare pension/Welfare Board pension received monthly assistance of Rs. 1,000 from the state government. Financial aid disbursed

[12] The increased dependence of Malayalis on ration shops during the pandemic months was noted in another CSES study published in May 2020 as well. See https://www.csesindia.org/wp-content/uploads/2020/10/Consumption-Behaviour-of-Malayalis-min_reduce.pdf for details

through different Welfare Boards was also a great help to many. Those having Jan Dhan account received a financial backing of Rs. 500 from the Central government as well.

A notable feature of Kerala's COVID response was the significant role of local governments and civil society groups in backing the state government machinery. Several respondents of this study reported having received food and medical aid during the lockdown from the Panchayat. Similarly, 40 per cent of the surveyed families mentioned that they received some form of help —food kits, financial aid, medicines — from political parties, NGOs or other community organisations. In some instances, it was mobile phones/TV/internet connection for school going children for enabling them to attend online classes.

9. Conclusion and Policy Suggestions

The study's central concern has been to understand how COVID-19 impacted the employment, earnings, and household indebtedness of rural poor in Kerala. Revisiting a sub-sample of 230 households through telephonic interviews, selected from a study conducted by CSES in 2018, this report documents how the poor in rural Kerala experienced and endured this unprecedented crisis. Major findings of the research and plausible suggestions to improve poor households' financial situation in rural Kerala are discussed here.

a. Strengthening and increasing opportunities in MGNREGA

Pandemic had been tough on the rural poor in Kerala; adversely affecting their employment. In the study, almost three-fourths of adult individuals employed in the pre-lockdown period either faced a job loss or experienced a reduction in work following the spread of the COVID-19.

Given the volatile employment scenario, it is necessary to make Mahatama Gandhi National Rural Employment Guarantee Act (MGNREGA) adaptable to crises such as the current pandemic. While it is true that MGNREGA is currently operational, several factors limit its scope in the COVID-19 situation. Firstly, there is an exclusion in the participation of those above 65 in the MGNREGA.[13] For Kerala, with a high share of the elderly population, limiting participation in MGNREGA to those below 65 plus age would exclude a significant share of desperate job seekers. Secondly, given the pandemic there should be an effort to include new forms of work under the purview of MGNRGEA; something which could use the labour of elderly in a safe environment, say the making of face maks, sanitiser, for example. Thirdly, there should be an effort to strengthen the implementation of MGNREGA, by not putting a ceiling on 100 days of work. It is also important to identify works suitable to be taken up in the MGNREGA, and provide eligible job seekers employment opportunity. Kannan (2020) also stresses the importance of MGNREGA to address rural distress during the pandemic. Guidelines for implementing MGNREGA should be reviewed to make the programme adaptable during any similar future crisis. Remodelling the scheme by introducing more flexibility in the work choices, number of working days and wage disbursals may help

[13] Initially those above the age of 60 years was excluded from participating in the MGNREGS, which was later relaxed to include those below 65 years.

economically vulnerable sections withstand crisis when they face reduced work opportunities and income loss.

b. Need for Local Initiatives by LGs, Kudumbashree and Cooperatives

A large majority of the sample households experienced a reduction in income due to the pandemic, where nearly one-fifth reported a complete loss of income. Another half reported an income loss of 50 per cent of more. The study results indicate that around three-fourths of the respondent households borrowed during the period to withstand the jobless-income less situation. The average amount of additional debt burden created by the rural poor households since the lockdown is Rs. 40,1667.

In this scenario, there is a need to relook at the options available at the local level to enhance household income. The local government shall devise innovative schemes to boost employment and entrepreneurship, in partnership with Kudumbashree and co-operative institutions. Efforts should also be made to learn and adapt successful models, Palliayakkal Service Co-operative Bank Ltd, to promote the local economy.

c. Expand the cover of Kudumbashree

Kudumbashree served as a crisis management mechanism during the current crisis. However, 30 per cent of the rural poor households are still outside the Kudumbashree network, depriving them of an easily accessible source of credit and other benefits; making them more prone to a financial shock. This disparity was reflected in the credit source choices of rural poor households with and without Kudumbashree membership. The study noted high reliance on money lenders, friends and relatives among families who do not have Kudubmbashree membership compared to those with Kudumbashree membership. The government should take urgent measures to identify and bring vulnerable households into Kudumbashree to enhance social protection.

d. Protecting Poor Households from Unscrupulous Private Financers

A notable point that emerges from the study is that, even on the wake of a financial breakdown, 30 per cent of the sample households took loan only for debt servicing. Responses from the survey and interviews held with the bank officials and Kudumbashree authorities indicate that Reserve Bank's moratorium did not provide relief to those in distress to the extent envisaged. Two main reasons could explain the situation; firstly, confusion over the nature of moratorium—whether it is mandatory or discretionary; secondly, the non-waiver of interest amount during the moratorium period. Several cases of financial institutions not allowing moratorium and pressurising households to repay their loans were noted. Bringing clarity to RBI guidelines on the moratorium, stating stipulation on private financiers to their customers in explicit terms should be made. Facilitating information flow on the moratorium at the local level and providing checks and balances to protect rural households from the harassment of financial institutions would be effective measures to provide relief to rural poor households who are in distress due to the pandemic.

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