

Influence of Credit Rationing on Child Labour in Poor Households in Sri Lanka: Special Reference to Hulandawa Estate in Matara District

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Introduction

Children's participation in the labour force is endlessly varied and infinitely volatile, responding to changing market and social conditions. Credit rationing and child labour which are common to the poor community, this study is conducted influence of credit rationing on child labour in poor Household in Sri Lanka in case of the laborer community in Hulandawa estate.

Problem Statement

The Child Activity Survey (CAS) (2008/09) reveals that 12.9 % of the child population in Sri Lanka is engaged in some form of work like, buying and selling business, production of goods & services, self-employment activities that could be termed economic activity. It includes children who are involved in some form of economic activity while also attending school or not. This study is conducted on the influence of credit rationing on child labour in poor Household in Sri Lanka in case of the laborer community in Hulandawa estate people.

Objectives:

This study addresses the following specific objectives.

1. To identify the factors influencing the credit rationing.
2. To identify which factor is highly influence on credit rationing.
3. To provide the suggestions to reduce the child labour working in Hulandawa Estate.

Literature Review

Sri Lanka is one of the middle income countries in the world and suffers from poverty which continues to be an economic problem. According to the World Bank (WB) data Sri Lanka has recorded the lowest number of persons suffering from severe levels of poverty among the South Asian countries. The data released by the Department of Census and Statistics (DCS) for 2012/13 indicated that the poverty headcount ratio (6.7%) which is the percentage of population earning below US \$1.25 a day (PPP) in Sri Lanka declined from a 14% in 2002 to a 7% in 2007 and increased 8.9% in 2009/10 and decreased 6.7% to 2012/13 in all the sectors such as urban, rural and estate. Among those sectors a higher poverty headcount ratio can be observed in the estate population. Both poverty constraints and income opportunities play important roles in the decision to send children to school or to work (Cockburn 2001). Cockburn find that work and school conflict largely but not entirely. Expected returns to schooling are greater than to child work. Income may also encourage schooling and reduce

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child work by reducing household credit constraints. Moreover, returns to schooling may also increase with household income, through social capital or other employment advantages (Cockburn 2001). Level of education and unemployment of Parents is the most important factors in determining children's education (Bastos and Machado). According to their study, children whose parents have low levels of education and children whose parents are both unemployed can be affected their educational level also. Most of these working children help their families at home, on family farms or in family businesses (Edmonds 2007). This works depend on age, household size, number of siblings and in general, poverty (Ilahi 2001). According to Ilahi the costs of schooling can influence not just the demand for children's education, but also the time children allocate to house work and outside labor. This study has shown that consumption poverty is the main cause of child work and that when the inability of the labour market to provide jobs when the child labour needs emerges in the household, land availability generates the work opportunities. Sickness and disease of adults also cause to child labor (Ilahi 2001).

Jaffee and Modigliani (1969) define credit rationing as a situation in which there is an excess demand for commercial loans at the prevailing commercial loan rate. Credit is an essential instrument for improving the welfare of the poor directly and for enhancing productive capacity through financing investment by the poor in their human and physical capital (Okurut et al. 2004; Ghosh et al. 1999). According to Okurut et al. (2004) as a result of constrained access to formal credit, the poor rely almost exclusively on the informal financial sector. Although households apply for credit lenders determine how much credit is allocated to them, based on their perception of the household's creditworthiness. This often results in credit rationing that occurs when loan demand exceeds supply, and some borrowers receive no loans or less than the amount applied for at the prevailing market interest rates (Okurut et al. 2004). Under credit rationing situation where the poor community is unable to find a way to escape from their financial difficulties, a tendency of using the child labor can be expected (Jafareyet al. 1999).

Methodology

Conceptual Frame Work

Based on the problem statement, the researcher has formulated the following conceptual framework from the literature survey.

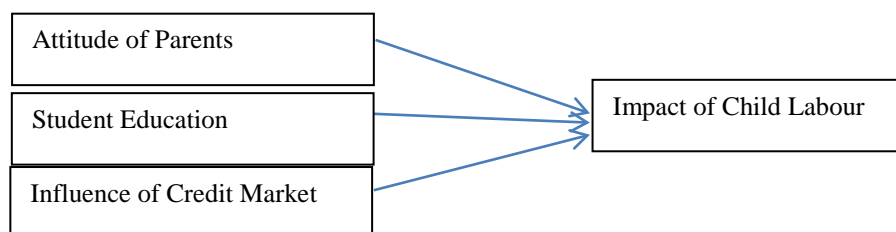


Figure-1 Conceptual Framework

Operationalization

Table 1: Operationalization

Dimensions	Indicators	Measurement
Attitude of Parents	Family status Household's income Employment opportunities	Questionnaire
Student Education	School Attendance Level of Education Activity Status	Questionnaire
Influence of Credit Market	Formal Credit Market Informal Credit Market	Questionnaire

Source: Develop for research purpose

Sample

About 70 households living in this estate, among them 50 households were selected as convenient sampling method. Altogether 155 children were selected from those household at the research area.

Method of Data Evaluation

Univariate analysis has been used for the purpose of data evaluation. Questionnaire prepared based on the five point likert scales. Such as strongly disagree-1/ disagree-2/Neutral-3/ Agree-4/ strongly agree-5

Table 2: Decision Rule Describe the Evaluation Part of the Data.

Range	Decisional rule
$1 \leq X < 2.5$	Low level impact of child labour
$2.5 \leq X < 3.5$	Moderate Level impact of child labour
$3.5 \leq X \leq 5.0$	High Level impact of child labour

Results and Discussion

Descriptive Analysis

Table 3: Summary of Research Variables

Variable	Mean	Standard Deviation
Attitude of Parents	3.00	0.35
Student Education	2.70	0.36
Influence of Credit Market	3.56	0.97

Source: Survey data

All the variables are moderately support the system. Attitudes of parents, parents educations were limited to primary education. Most of household's include income category Rs.10001-15000,as a percentage of 50% and 28% household's include income category Rs.15001-20000. That household's children also earn considerable amount of income from engaging economic activities while attending or not attending school and that cause to the increase in income of that households. Out of 155 children 132 children engage in some form of economic activities because of their household's financial difficulties. Apart from their estate work, their children have used to do some other labor jobs as well. Considering the student's education also moderate level, estimated child populations, 90% are in 6-18 age level. Out of total child population 132 children are not attending school based on the following reasons such as financial difficulties (70%), their unwillingness to study/ weakness in education (12%), and disability or illness (14%) as the main causes for not attending school. Influence of credit market variable moderately support to the system. People in this community have a tendency to obtain credit when their income is not enough for their expenditure. They access credit via both formal and informal financial market for their consumption purpose. Considering the usage of credit market, the less amount of household used formal credit market for their credit needs. They consider it as a costly and a troublesome process. Collateral requirements, certification of proper income source and payment installments on time highly affect

when they obtaining credit from formal credit markets.

Conclusion and Recommendations

Children are the future of a nation. Skills and knowledge of them affect the economy of the country in long terms. Child labor deprives their childhood, their dignity, and that is harmful to physical and mental development. The lack of adequate education because of child labour for children is part of what allows for the vicious cycle of poverty to continue, since in the future those children become unskilled workers (Edmonds 2007).

Financial market can support by providing credit facility with considering minimum requirements and under less interest rates. Education is a crucial component of any effective effort to eliminate child labour. There are should be awareness programs for children on health, education, etc. through the schools and self-awareness programs for children on protection According to the law in Sri Lanka, providing education up to 14 years that is junior level of the secondary education is compulsory. There is a need for increasing the enrolment of estate children in Ordinary Level (O/L) classes and introducing Advance Level (A/L) teaching in schools and upgrading facilities to increase O/L and A/L pass rates.

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