

Marketing Research for Value Chain in Fisheries



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Chapter 11

Market linked microfinance and coastal indebtedness in the co-management paradigm of Indian marine fisheries sector

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Introduction

In the marine fisheries sector, a considerable extent of rural indebtedness is observable throughout the Indian coastal belts. The market linked Micro Finance Institutions (MFI) and Self Help Groups (SHG) mobilised, play a vital role in breaking the vicious circle of indebtedness among fisherfolk. It is an unequivocal proposition that the word development means the upliftment in the standard of living of the poorest of the poor in the society. Self Help Groups and market linked microfinance institutions can play a vital role for the fisheries sector development. Ensuring participation of fisherfolk especially women, in the planning and implementation of various coastal sector development programmes which is inevitable for co-management in the sector is important.

The extent and quantum of credit availability at a reasonable level of interest sourced out from the organised sector is an indicator of development since availability of finances boosts up the economic activity and capital formation in a region. The extent of indebtedness and the average outstanding debt per households from institutional sources are comparatively less among fishermen, but this can be attributed to their availing credit from non-institutional agencies, namely the money lenders and traders for which authentic data do not exist. Fisherfolk are attracted to the non-institutional agencies on account of simple procedures and timeliness in availing finance and for operational expenses, which ultimately make them enter the debt trap and vicious circle of indebtedness. This communication assesses the extent of indebtedness among marine fisherfolk in mechanized, motorized and traditional sectors and looks at microfinance on rural indebtedness as well as the role of credit agencies in providing credit, the credit utilization pattern as well as repayment behaviour of marine fisherfolk.

Mammoo (2004) in a study on income, indebtedness and savings among fisherfolk of Udayapur and Gopalpur of Odisha under BOBP Programme said that fishing communities know two distinct credit sources: the traditional/informal and the institutional/formal. Traditional sources include moneylenders, middlemen, fish traders, boat owners, shopkeepers and pawn brokers. Institutional sources are mainly banks and cooperatives. Khan et al. (2005) in a case study undertaken on fisheries sector indebtedness in Baluchistan and Sindh of Pakistan, observed an empirical link between poverty and indebtedness and the mean debt to income ratio in low income group of fisherfolk was 3:4. Yunus (1999), the pioneer of microfinance projects in Bangladesh said the microfinance system enabled thousands of people by offering poor people loans, some fear it could lead to over-indebtedness, but microfinance has benefited the wider economy. Dynamics of twelve women's Self Help Groups in Marine fisheries sector of Malabar area of Kerala was studied and a strategy for mobilisation of an effective Self Help Group was developed by Vipinkumar (2007). Sathiadhas (2009) has conducted micro level socio economic studies on indebtedness in selected fishing villages in different maritime states in India. Jayaraman (2005) undertook the performance analysis of fisherwomen Self Help Groups in Tamil Nadu and reported



that women SHGs played a substantial role in alleviating poverty and indebtedness in fisheries sector. Tripathi and Sharma (2007) conducted impact assessment of SHG-Bank Linkage Programme on Financial Behaviour of Rural Poor in Raebareli District in Uttar Pradesh to address the issue of sustainable development of the rural poor through SHG-Bank linkage using participatory approach. The livelihood analysis encompasses all the strategies and assets that individuals and households use to earn a living of which, micro finance plays a vital role. (CBCRM Resource Center (2003); Arciaga et al, (2002); Ashby (2003), NSSO (2003), Ministry of Finance (2007) and CED (2008) brought out the reports of indebtedness level in the Indian agricultural sector. Kudumbashree (2010) of Kerala state has spent Rs 121.88 crores for microfinance enterprises for women empowerment. In this context, the MFIs/SHGs of fisherfolk do have a pivotal role in reducing the indebtedness in the marine fisheries sector.

Relevance of market linked microfinance

Linkage with market is important requisite for any microfinance enterprise. According to Reuters, the gross loan portfolio of India's microfinance sector accounts for more than 7 percent of the sector's worldwide loan portfolio size. As much as 30 percent of the world's microfinance borrowers are in India. While the average size of a microfinance loan is \$522.8 globally, the average loan size in India is only about a fourth of that at \$144. India is the largest microfinance market in the world, with some 120 million homes with no access to financial services, estimates CRISIL Research. MFIs are mostly concentrated in India's southern states, serving about 70 million people. The microfinance market has grown at an average annual rate of nearly 80 percent over the last three years.

The three distinct phases of MFI_SHG and their critical features are described as follows:

Group Initiation / Formation Phase (0 to 4 Months)

- The major steps in this phase should include the initial visit to the location, rapport building, awareness creation, identification of women fisherfolk, conduct of meetings, documentation of deliberations, action plans for arranging raw materials for the fishery based and diversified micro enterprises and the selection of 'leader of fisherwomen'.

Building up / Stabilization Phase (4 to 15 Months)

- This phase must involve regular fortnightly meetings, maintenance of documents, scheduled implementation of action plan, procurement of inputs based on procurement plan as per production plan prepared based on market demand, market synchronized production planning, intensive training to carry out activities of production, credit and marketing aspects and changing the leaders of SHG after one year so that periodic rotation gives the other potential leaders a chance to lead.

Self Helping Phase (15 to 36 Months)

- The main steps to be included in this phase are the development of a fortnightly action



programme, meetings for sharing experiences, refinement, and improvement and problem solving for the activities under the responsibilities of the leaders, The extension personnel's role will be limited to that of a facilitator, gradually reducing their presence at meetings. Active leaders will give way to new leaders after a two year term; inter-SHG contacts and healthy competition will be encouraged, favorable group atmosphere, empathy and interpersonal trust for significant achievements of SHG will be encouraged.

The fisheries Self Help Groups have to focus attention on joint efforts co-operatively for finding out suitable micro enterprises, which can assure a constant income for the fisherfolk, based on locally available resources for poverty eradication.

Meaning of a micro enterprise

A micro enterprise is an activity which requires less capital, less manpower, local raw materials and local market. It is an individual enterprise whether known or unknown. (Vedachalam, 1998). In fisheries sector, for the upliftment of fisherfolk below the poverty line, some successful micro enterprises developed based on the location specific resource availability and experience and some alternate avocations and subsidiary entrepreneurial ventures successfully being undertaken by Microfinance Institutions in coastal sectors and allied areas as include:

Value-added fish producing units, fish culture, horticulture based units, ornamental fish culture, mussel culture, edible oyster culture, clam collection etc. are very important. The units set up were dependent on the resource availability also.

The suitability of the enterprise varies from situation to situation. The essential features for the success of a viable micro enterprise are :

1. The availability of sufficient quantity of raw materials locally.
2. The identified enterprise is known or easy to learn and practice.
3. The cost of production must be low.
4. The products must be of very good quality.
5. The availability of market for the products.

The important financial organizations giving financial assistance to SHGs' are Khadi Village Industries Board, Department of Commerce & Industry, Jawahar Rozgar Yojana, Women Industrial Cooperative Societies, Kerala State Social Welfare Advisory Board, Kerala Financial Corporation, National bank of Agriculture and Rural Development, District Rural Development Agency, Other Non Government Organizations, Kudumbasree ayalkoottam groups etc. The success of these micro-enterprises essentially depends on market potential and market linkage as the basic requisite. The economic viability of the micro-enterprise also depends on the market accessibility and market linkage and Group marketing was one of the excellent practices



of these Self Help Groups determining the success and achievements.

Any mobilized group venture with a productive economic activity initiated by thrift deposits and sustained by an appropriate micro-enterprise either independently or by the intervention of an external agency was considered as MFI for this study. This included SHGs also which finished the gestation period of 36 months with an economic activity initiated through thrift deposits and sustained by an appropriate micro-enterprise promoted by micro-finance either independently or by the intervention of an external agency like NGOs, private micro financial firms, banks etc. The dynamics of credit utilisation pattern, repayment behaviour and extent of debt redemption of the members of these MFIs were assessed and the important dimensions contributing to their effectiveness were identified and thereby the present prospects and the constraints faced by MFIs in marine fisheries sector were documented. Data were gathered through personal interview with the pre-tested and standardized data collecting protocol from members of 12 selected MFIs in each state and non-members in marine fisheries sector comprising of 600 respondents from each state (Grand total 4800) to assess their impact on indebtedness level, supply of credit and empowerment. Success cases of MFIs on entrepreneurial capacity building which played a significant role in the poverty alleviation and debt redemption were also documented and the whole results were brought out as the ICT module which is a compilation of interactive multimedia cyber extension package consisting of video clippings, 2 D and 3 D animation movies, audio records, still picture gallery, ICT based presentations and synergies and outlines represented by full text of the 'e-book' on microfinance on coastal indebtedness.

The results of the study are presented in the tables and figures given below.

Table 1: Level of indebtedness across the sectors of members of MFIs and Non MFIs

Zone	Level of indebtedness in Rupees (Lakhs)					
	Mechanised sector		Motorised sector		Traditional sector	
	Member MFI	Non member MFI	Member MFI	Non member MFI	Member MFI	Non member MFI
South West	0.68	1.95	0.44	1.64	0.50	0.37
South East	0.89	1.09	0.54	0.89	0.50	0.71
North West	0.28	0.40	0.19	0.25	0.12	0.08
North East	1.63	2.05	1.35	1.75	0.21	0.69



Table 2: Level of repayment across the sectors of members of MFIs and Non MFIs

Zone	% of Repayment of loans					
	Mechanised sector		Motorised sector		Traditional sector	
	Member MFI	Non member MFI	Member MFI	Non member MFI	Member MFI	Non member MFI
South West	14.10	26.75	40.52	22.60	32.00	14.00
South East	25.00	19.60	27.50	26.00	20.00	24.50
North West	10.00	12.00	8.00	8.00	12.00	6.00
North East	25.00	23.00	28.00	26.00	22.00	13.50

Table 3: Sources of credit across the states

No	Sources	MH	KNT	KER	TN	AP	OR	WB	GUJ	Total	%
1	Banks	372	386	132	204	94	194	178	84	1644	42.26
2	Co-operatives	22	52	192	38	116	36	42	48	546	14.03
3	Private money lenders	26	26	124	200	126	204	218	248	1172	30.12
4	Friends / Relatives	10	4	2	4	46	38	36	72	212	5.44
5	Fish traders	8	8	6	42	4	8	12	4	92	2.36
6	Boat owners	4	4	2	4	4	6	8	4	36	0.92
7	Shop keepers	4	4	2	4	2	4	10	2	32	0.82
8	Jewel loans	2	6	16	10	64	38	14	6	156	4.05

MH - Maharashtra, KNT - Karnataka, KER - Kerala, TN - Tamil Nadu, AP - Andhra Pradesh, OR - Orissa, WB - West Bengal, GUJ - Gujarat

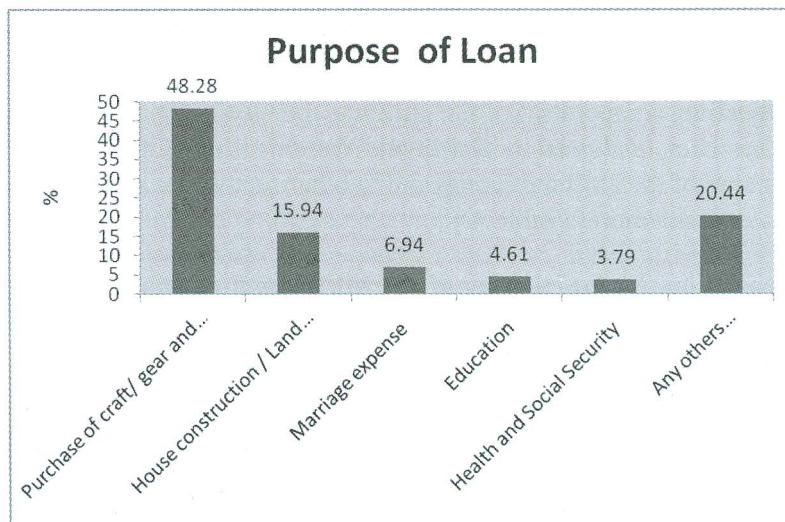


Fig. 1. Purpose of credit across the states

It was observed that more than 50 per cent of loans were used for Non Performing Asset (NPAs) creation other than fishing related items and only 48.3 per cent was used for purchase of craft/ gear and other fishing related equipments & repair. This can be considered an introspection of purposes of credit being utilised in the marine fisheries sector across the maritime states of the country.

Development of ICT Module

As a part of the second objective, an Information Communication Technology (ICT) Module was developed on impact of micro-finance on coastal indebtedness. This is an interactive multimedia cyber extension module on Micro Finance Institutions /Self Help Groups in the marine fisheries sector of Indian coastal belts. Success cases of MFIs on entrepreneurial capacity building which played a significant role in the poverty alleviation and debt redemption were also documented and the whole results were brought out as the ICT module. The ICT module developed was the first of its kind which is a compilation of interactive multimedia cyber extension package consisting of video clippings, 2 D and 3 D animation movies, audio records, still picture gallery, ICT based presentations and synergies and outlines represented by full text of the 'e-book' on micro-finance on coastal indebtedness synchronized with visual effects and entertaining background music. The entire package is made available in a DVD and on clicking the respective component; the viewers can enter the arena of each component of cyber extension package as per their preference. Success stories documented on entrepreneurial capacity building, debt redemption and poverty alleviation in the ICT module can serve as a practical manual/case model for mobilizing MFIs in any key areas for the ecosystem management and sustainable development in the Indian marine fisheries sector.



Appraisal on the functioning of the MFI / Institutional / Non - Institutional credit agencies

As the third objective, an appraisal of the attributes for institutional, non-institutional and micro-finance has been evaluated by Garret and Woodworth ranking and found that MFIs were better in many of the attributes compared to other sectors for all the states holistically when taken into consideration (Table 4).

Table 4: Appraisal on the functioning of the MFI / Institutional / Non - Institutional credit agencies

S.No	Attributes	Institutional		Non Institutional Credit		Micro Finance Institution	
		Score	Rank	Score	Rank	Score	Rank
1	Easy approval process	53.7	II	40	III	57.0	I
2	Diverse areas of funding	46.3	II	43.4	III	62.8	I
3	Eligibility of recipients	62.8	I	50.0	II	37.2	III
4	Maximum loan amount	45.4	II	56.0	I	41.9	III
5	Need for collateral security	55.9	I	51.3	II	41.9	III
6	Provision of longer loans	51.3	II	41.5	III	56.3	I
7	Provision of loan grace periods	52.5	II	42.4	III	55.5	I
8	Easy repayment schedule	52.9	II	40.7	III	54.6	I
9	Low interest rate	56.7	I	42.4	III	46.6	II
10	Stringent for default of payment	44.9	II	59.2	I	44.1	III
11	Hidden cost and concerns	49.5	II	59.0	I	41.4	III



Conclusion

The article focuses on an attempt on the assessment of the extent of indebtedness among marine fisher folk in mechanized, motorized and traditional sectors and the perceived impact assessment of Microfinance Institutions (MFI) on coastal rural indebtedness in the co-management paradigm of Indian marine fisheries sector. An impact assessment of SHG-Bank Linkage Programme on financial behaviour of rural poor in Raebareli district in Uttar Pradesh undertaken by Tripathi and Sharma (2007) to address the issue of sustainable development of the rural poor through SHG-Bank linkage using participatory approach revealed that fishermen are most often trapped under debt to fish traders and they are not able to come out from the trap. Market linked Microfinance Institutions/ Self Help Groups significantly reduced the dependence of fisherfolk on private money lenders and considerably reduced the indebtedness level and increased their repayment capacity. The results of the study are in agreement with impact assessment study of MFIs in Karnataka coastal belts. (Vipinkumar and Swathilekshmi, 2012, Vipinkumar et al, 2013) MFIs considerably assisted the fisherfolk in meeting their expenditure on purchasing of nets, repairing boats and for buying other accessories. It could be observed that the level of indebtedness in MFIs is less compared to non MFIs and the level of indebtedness in non MFIs is almost 3 times of MFIs. At times, even when the indebtedness was high, the repayment capacity of MFIs was found to be more. Banks were found to be the major source of funding followed by private money lenders. Non-institutional credit agencies still hold good across the sectors. NPAs existed to a great extent as loans are being used for non-fisheries activities like asset creation and social obligations. The success of case studies elucidated on entrepreneurial capacity building, debt redemption and poverty alleviation through the ICT module developed as a part of this study in turn can serve as a practical manual for mobilizing market linked Micro Finance ventures and Self Help Groups in any key areas for the efficient ecosystem management and sustainable development in the Indian marine fisheries sector.

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