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Study finds unhealthy financial practices in fisheries sector

'Credit transactions dominated by informal moneylenders'

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Financial inclusion in the fisheries sector is dismal with credit transactions being largely dominated by informal moneylenders, says a recent study by the Central Marine Fisheries Research Institute.

The study, published in the international journal *Marine Policy*, found that despite the presence of prominent cooperative financial institutions, the existing situation in the fisheries sector forced fishermen to borrow money from private financial players to meet their operational costs.

Borrowing from informal sources is preferred as it in-

volves easy procedures compared to institutional sources. The informal sector also offers flexible repayment options based on fish catch. As a result, fisherfolk were bound to repay the loan with high interest rates even up to 160% in some cases, to end up as victims of financial exploitation, found the study.

Multiple sources

"Generally, fishermen take loan for their investment requirements from multiple sources that include informal players such as auctioneer-middlemen, third-party shareholders and private moneylenders; and formal sources such as Matsyafed societies, cooperative banks,

commercial banks and non-banking financial entities," said the CMFRI study.

The auctioneer-middlemen were found to be the most common source for loans for the fishermen, with about 69% of sample vessels having availed market-linked loans from them. The loans are disbursed on condition that future catch using the vessels are marketed through the lender for a commission that ranged between 5% to 10% of value of the catch.

Matsyafed societies catered to financial needs of about 60% of the sample vessels, while the coverage of other formal sources was below 20%.