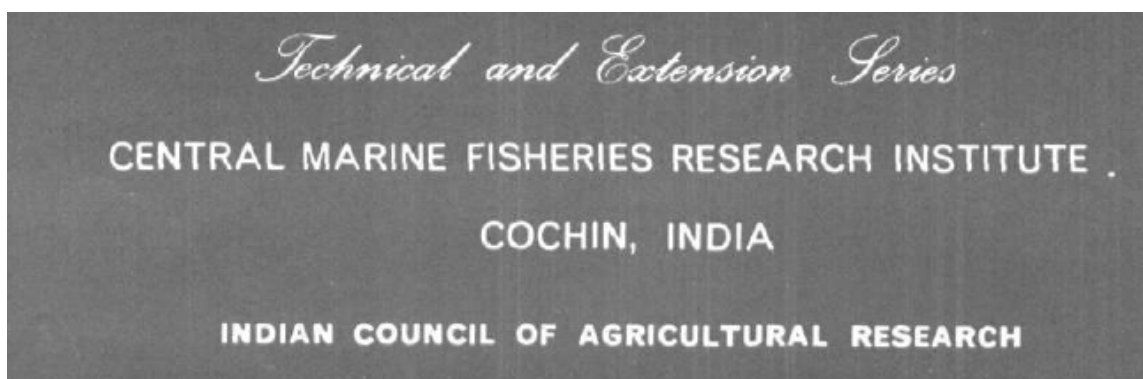


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INDEBTEDNESS AND UTILISATION OF FISHERIES CREDIT IN SAKTHIKULANGARA AND NEENDAKARA, KERALA — A CASE STUDY

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Majority of the fishermen of our coastal villages continue to be poor even though higher income has been generated among them by way of modernisation of fishing crafts and gears, mechanisation of indigenous boats and introduction of synthetic nets. The credit facilities that have been extended to them under the successive Five Year Plans steadily increased. However this has not resulted in any significant improvement in the standard of living of the majority of fishermen who continue to be in debt and in the grip of money lenders. In this context, it was felt desirable to carry out case studies regarding the state of indebtedness of fishermen and utilization of finance given to them in order to find out the maladies and suggest remedial measures in respect of credit facilities extended to them.

Sakthikulangara and Neendakara are two important fishing villages in Quilon district of Kerala state. Fishermen form majority of the population in these two villages where, in recent years, with the introduction of mechanised boats, there has been a great advance in the fisheries sector. This has led to the development of infrastructure facilities in this area like establishment of ice factories, cold storage plants and workshops for the repair of mechanised boats. The investment made here in this sector is far higher than in most of the other fishing centres and hence credit plays a vital role in their economy. Most of the fishermen in Sakthikulangara are engaged in mechanised fishing while in Neendakara it is otherwise, non-mechanised fishing being dominant. As the quantum of credit requirements and pattern of utilization differ between these two places, they were selected for the present studies. An account about the indebtedness of fishermen of this area during fifties and sixties was given by Asari T.R.T. and M.D. Menon in 1963. A detailed study of the socio-economic development that has taken place in this area is given in *Marine Fisheries Information Service No. 29, 1981* by Sathiadhas and Venkataraman. The present account dealing with the state of indebtedness is in continuation of the earlier studies carried out.

The objectives of this study are: (i) to find out the extent of indebtedness among the fishermen of Neendakara and Sakthikulangara (ii) to assess the role of Institutional and non-Institutional credit agencies in providing finance to the fishermen of this area and (iii)

to examine the utilization of credit by fishermen of different income groups and compare the percentage contribution of their annual income towards payment of interest.

All the fishermen households of Neendakara and Sakthikulangara have been included in this investigation. A questionnaire was formulated to collect relevant information keeping in view the main objectives of this study. Before the actual data collection, pretesting of the questionnaire was done and it was suitably modified. Data were collected during March-May 1980 by visiting the houses and interviewing the heads of the families. The annual income mentioned in this study is the net income of the households from their respective occupations and other assets.

Extent of Indebtedness

Out of 429 families in Neendakara 263 (61 per cent) are in debt and out of 1,209 families in Sakthikulangara, 770 (64 per cent) are in debt. The total debt incurred by the fishermen families of Neendakara and Sakthikulangara worked out to 17.5 and 229.2 lakhs respectively. The average outstanding debt per indebted household in Neendakara and Sakthikulangara worked out to be Rs. 6,671 and Rs. 29,766 respectively.

Supply of Fisheries Finance

The availability of credit is an essential requirement to the people of this area engaged in fishing and fishery related activities for the purchase of mechanised and non-mechanised crafts, engines for boats, transport vehicles (ordinary as well as refrigerated/insulated vans), setting up of processing units of various types such as cold storages and ice plants, construction of godowns, peeling sheds, boat building yards and establishment of service and repair centres. The sources of finance are commercial banks, Kerala Financial Corporation, money lenders and co-operative societies. Of these, Kerala Financial Corporation and commercial banks play a leading role for the supply of credit in this area. Money lenders also form an important source of credit for the fishermen. But the role of co-operative societies in extending credit to fishermen is quite limited. The details of extending credit by different agencies in the aggregate outstanding cash dues of fishermen at Neendakara and Sakthikulangara are given in Table 1.

Money lenders come foremost in respect of the quantum of credit supplied to the fishermen of Neendakara (46 per cent) while commercial banks stand first in this respect in Sakthikulangara (57 per cent). In Neendakara money lenders are followed by banks in respect of supply of credit with 31 per cent, Kerala Financial Corporation with 18 per cent, and the co-operative societies with 3 per cent. Regarding Sakthikulangara, next to banks, 28 per cent of credit is supplied by Kerala Financial Corporation and only 1 per cent by the co-operative societies. The contribution of others such as friends and relatives comes to 2 per cent in Neendakara and 1 per cent in Sakthikulangara.

Role of Credit Agencies

The supply of credit has two important though interdependent dimensions namely the cost or price of credit and the quantity or amount of supply at that price. To the weaker section of the society the credit market is also of dualistic structure composed of formal and informal markets. The fishermen, in many cases, find it difficult to obtain credit from the formal capital market as they are unable to fulfil the conditions imposed by it before extending credit facilities.

Table 2 indicated the extent of credit supplied by different agencies to fishermen households of various income groups at Neendakara and Sakthikulangara. Money lenders are the major source of finance to the lower income group (Rs. 2,500 and below per annum) in both the places, 61 to 72 per cent of the credit needs of this group being met by them. However it is seen that commercial banks have extended higher credit facilities to the fishermen of Sakthikulangara, 30 per cent and 26 per cent respectively when compared with that of the fishermen of Neendakara (4 per cent and 16 per cent respectively) of the lower income group (Fig. 1). In Neendakara the money lenders dominate even in the middle income groups (Rs. 2,500 - 10,000), whereas in Sakthikulangara substantial amount is advanced by the commercial banks to this category though the role played by money lenders is still significant. In Neendakara also the credit facilities extended by commercial banks to the fishermen belonging to middle income group is of a higher order (19 per cent and 37 per cent) compared to what has been observed in respect of lower income groups at this place. More than 87 per cent of the amount advanced by the commercial banks are for the purchase of mechanised boats, a loan of Rs. 90,000 being advanced for the purchase of a single boat. It may be seen that fishermen of Neendakara belonging to the higher income groups (Rs. 10,000 and above), whose number is very limited did not resort to money lenders for their

credit needs as the same was met by the commercial banks (30 per cent) and Kerala Financial Corporation (70 per cent). However in Sakthikulangara, a good percentage of the credit is supplied by money lenders in addition to what has been obtained from banks and Kerala Financial Corporation. A significant feature noted is that the Kerala Financial Corporation supplied credit only to those who earn more than Rs. 5,000 per annum. This can be attributed to two factors, one being the fishermen having an income of Rs. 5,000 and above go in more for higher investments mostly for purchase of crafts and gears for which preference is given and the other being these fishermen are in a better position to fulfil the terms and conditions laid by the Kerala Financial Corporation.

The interest rate charged by money lenders in Neendakara is in the range of 24 to 60 per cent and in Sakthikulangara 24 to 48 per cent. For more than 60 per cent of the loan advanced by money lenders, the interest charged is 36 per cent. The rate of interest charged by the commercial banks ranges from 11.5 per cent to 15 per cent. The rate of interest charged by the co-operative societies ranges from 12 per cent to 18 per cent and the Kerala Financial Corporation charges 11.5 per cent.

In addition to the professional money lenders, some boat owners also give loan to their crew apart from wages paid to them. Of the loan received by the lower income group from the money lenders as much as 80 per cent comes from boat owners and the rest from professional money lenders. The loan amount ranges from Rs. 1,000 to Rs. 3,000 depending upon the talent and experience of the workers and this is given on condition that he would work for him at least for an year. The boat owners used to charge interest of only 12 per cent for the loan and this lower rate of interest is compensated by paying comparatively lesser wages. The workers are bound to repay the whole loan with interest whenever they want to leave the concerned boat. In effect the majority of workers availing this facility are forced to continue their work under the same boat owner even if the working conditions are not satisfactory.

There are also some boat owners who took loans from the agents of processing plants on the condition that they would be giving prawns and other exportable items only to them. The agents recovered part of the loan when buying the catch at price fixed by them.

Demand for Credit

The utilization of credit for different purposes by the fishermen of Neendakara and Sakthikulangara is

given in Table 3. The loans taken for purchase and repairing of crafts and gears, purchase of land and gold ornaments, construction and maintenance of house buildings and working capital for business are considered for investment purposes. The amount taken for household expenditure during the lean season, expenditure on social and religious functions, medical treatment and for expenses on miscellaneous items are considered for consumption purposes.

It is observed that in Neendakara 62 per cent of the loan is utilised for investment as against 90 per cent in Sakthikulangara. In Sakthikulangara the bulk of the loan (79 per cent) is being utilised for the purchase of crafts and gears as against only 31 per cent in Neendakara. 18 per cent of the loans in Neendakara and 8 per cent in Sakthikulangara is used for the purchase of land and gold ornaments and construction and maintenance of house buildings. The amount taken for household expenditure during lean season is as high as 15 per cent in Neendakara as against only 1 per cent in Sakthikulangara. For social and religious functions 12 per cent and 7 per cent of the loan is utilised by the fishermen of former and latter respectively. While the people of Neendakara spent as much as 6 per cent of the loan towards medical expenditure, the people of Sakthikulangara only 1 per cent towards the same.

Consumption and Investment

Proportion of credit requirement for consumption and investment purposes by various income groups is given in Table 4. It is seen, in both the villages that lower the income, higher is the loan amount spent for consumption purposes and vice-versa. In Neendakara fishermen belonging to the lower income group (Rs. 2,500 and below) spent 9.5 per cent of the loans received towards investment purposes whereas in Sakthikulangara the same is 24 per cent. However in the middle income group (Rs. 2,500 - 10,000) the investment expenditure is more or less of the same order in both the places. In both the places in the higher income group (above Rs. 10,000) the diversion of credit towards consumption purposes is mainly towards social functions especially marriage.

Indebtedness, Income and Interest

The average debt, annual income and the amount to be paid as interest annually per household in different income groups are worked out and presented in Table 5 for Neendakara and Sakthikulangara.

It is seen that in both these places the average debt is more in the middle and higher income groups. This could be attributed to their going for higher

investments in mechanised boats and for infrastructure facilities. The average debt in general, was found to be higher than their average annual income with a few exceptions for all the income groups.

A significant feature noted was that out of 166 families not in debt in Neendakara 31 per cent of them come from lower and 69 per cent from middle income groups. In Sakthikulangara out of 439 families not in debt 29 per cent come in lower, 69 per cent in middle and only 2 per cent in higher income groups. The lower and middle income groups are also paying greater interest rates than the higher income groups. The overall interest rates paid by the fishermen belonging to lower income groups are 24 and 26 per cent, middle income groups 20 and 18 per cent and higher income groups 12 and 14 per cent in Neendakara and Sakthikulangara respectively. The lower and middle income groups paying higher rate of interest due to their greater dependence on money lenders as compared to higher income groups who mostly depend on Institutional credit.

It is observed that 48 per cent of the annual income of a fishermen household of Sakthikulangara is spent for payment of interest while in Neendakara it is 41 per cent. The burden of debt falls more on the middle and lower income groups than on higher income groups. The fishermen of Sakthikulangara despite their higher level of earnings paid a greater percentage of their income towards interest as compared with those of Neendakara as the average indebtedness of the former is higher than that of the latter.

Conclusion

The average annual income of fishermen households in Neendakara worked out to Rs. 3,529 and Rs. 6,420 in Sakthikulangara. 61 per cent of the fishermen households in the former and 64 per cent of the latter are in debt. Total debt incurred by their families amounted to Rs. 17.5 lakhs in Neendakara and 229.2 lakhs in Sakthikulangara. The average outstanding debt per indebted household worked out to Rs. 6,420 in Neendakara and Rs. 29,766 in Sakthikulangara. 41 per cent of the annual income of the fishermen of Neendakara and 48 per cent of Sakthikulangara go for payment of interest for their loans.

Till recent past the fishermen of this area were almost entirely dependent on the money lenders for their credit requirements. Of late Institutional agencies have come into the picture and been advancing loans to the fishermen of this area. However they are able to

Table 1. Loan advanced by different agencies

Source of credit	Amount advanced (Rs.)	
	Neendakara	Sakthikulangara
Money lenders	8,00,150	65,27,550
Banks	5,46,600	1,30,55,330
Co-operative society	52,100	1,69,200
Kerala Financial Corporation	3,25,000	29,31,300
Others	30,600	2,36,600
Total	17,54,450	2,29,19,980

provide only 52 per cent of the credit needs of the fishermen of Neendakara and 68 per cent of Sakthikulangara. The rest of the credit needs are still met by the money lenders at higher rate of interest. This is specially seen in the case of fishermen belonging to the lower income groups. Hence Institutional agencies should play a greater role in meeting the credit requirements of the fishermen of this area with particular reference to the lower income groups. They are unable to avail the credit facilities from Institutional agencies to a greater extent as they are not in a position to fulfil the terms and conditions laid by them for extending loans. Some relaxation in the conditions should be thought of so that they can also avail the facilities to a higher extent.

Differences in the utilisation of loan amounts has been noticed between these two places. While as much as 90 per cent of the credit in Sakthikulangara goes for investment purposes, the same in the case of Neendakara comes to only 63 per cent. This is due to the diversion of more funds by the people of the latter towards consumption purposes. So there is need to motivate the people of Neendakara to go in more for investment purposes. In this regard extension workers have a greater role to play.

The establishment of a Fisheries Bank at Sakthikulangara just in the pattern of Rural Banks of

Table 4. Proportion of utilization of credit for consumption and investment purposes by various income groups.

Income Group	Neendakara		Sakthikulangara	
	Consumption	Investment	Consumption	Investment
1200 & Below	100	—	98	2
1201 - 2500	81	19	54	46
2501 - 5000	40	60	50	50
5001 - 10000	27	73	17	83
10001 - 20000	7	93	3	97
20001 - 30000	—	100	4	96
30001 - 50000	—	—	3	97
Above 50000	—	—	—	100

Agricultural sector will go a long way to eliminate the money lenders and meet the credit requirements of the fishermen in this area. A Fishermen Co-operative Marketing Federation may be started here, which should not only help supplying materials for fishing activities but also help the fishermen in post harvest operations such as handling, processing, storage and marketing. The co-operative societies should be revitalised keeping in view the lower income groups who are the unfortunate prey of the money lenders, by supplying craft and gears to a group of 6 or 7 persons and the recovery be made through easy instalments.

Sakthikulangara is one of the biggest fish landing centres in India and the fishing activities will increase in this area with the coming up of Fisheries Harbour and the expansion of infrastructure facilities in the coming years. On account of these, the credit requirements of the fishermen of this area will increase. In this context, an integrated approach by the various Institutional agencies such as financial and welfare corporations of State, banks and co-operatives for supply of credit to fishermen of this area will go a long way in the growth of the fisheries sector.

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Table 2. Supply of credit by different agencies to fishermen of various income groups

Supply of credit by different agencies (Rs.)													
Income groups (Net income per annum in Rs.)	Money Lenders		Banks		Co-operative Society		Kerala Financial Corporation		Others		Total		
	N	S	N	S	N	S	N	S	N	S	N	S	
1200 & below	4800 (61)	56250 (66)	300 (4)	26050 (30)	700 (9)	—	—	—	—	2050 (26)	3500 (4)	7850 (100)	85800 (100)
1201-2500	137050 (70)	230450 (72)	31250 (16)	84900 (26)	15050 (8)	1000 (—)	—	—	—	12400 (6)	6000 (2)	195750 (100)	322350 (100)
2501-5000	278600 (72)	958350 (54)	72400 (19)	792760 (44)	24650 (6)	11000 (1)	—	—	—	11750 (3)	9900 (1)	387400 (100)	1772010 (100)
5001-10000	379700 (45)	1951000 (35)	332650 (37)	2958600 (54)	11700 (2)	6200 (—)	125000 (15)	544300 (9)	—	4400 (1)	137200 (2)	853450 (100)	5597300 (100)
10001-20000	—	2222500 (26)	10000 (9)	5202120 (61)	—	151000 (2)	100000 (91)	849000 (10)	—	—	80000 (1)	110000 (100)	8504620 (100)
20001-30000	—	588000 (23)	100000 (50)	1576600 (60)	—	—	100000 (50)	442000 (17)	—	—	—	200000 (100)	2606600 (100)
30001-50000	—	421000 (14)	—	1614300 (53)	—	—	—	1011000 (33)	—	—	—	—	3046300 (100)
Above 50000	—	100000 (10)	—	800000 (81)	—	—	—	85000 (9)	—	—	—	—	985000 (100)

Note: 1. "N" denote Neendakara and "S" denote Sakthikulangara.

2. Figures in brackets indicate percentage of credit received by each income group in "N" and "S".

Table 3. Percentage utilization of credit for different purposes

Purpose	Percent utilization of loans	
	Neendakara	Sakthikulangara
I. INVESTMENT		
1) Purchase of crafts and gears	31	79
2) Repairing crafts and gears	6	1
3) Construction and maintenance of house buildings	11	6
4) Purchase of land and gold ornaments	7	2
5) Working capital for business	7	2
II. CONSUMPTION		
1) Household expenditure during lean season	15	1
2) Expenditure on social and religious functions	12	7
3) Medical expenditure	6	1
4) Miscellaneous	5	1

Table 5. Details of household income, indebtedness and interest in Neendakara (N) and Sakthikulangara (S).

Particulars		Income Group (Rs.)							
		1200 below	1201-2500	2501-5000	5001-10000	10001-20000	20001-30000	30001-50000	Above 50000
Total No. of households	N	12	128	206	80	2	2	—	—
	S	62	197	470	299	118	28	30	5
No. of households in debt	N	8	81	109	61	2	2	—	—
	S	34	97	264	202	112	27	29	5
Percentage households in debt	N	67	63	53	86	100	100	—	—
	S	55	49	56	67	95	96	97	100
Average debt of indebted households	N	981	2417	3554	24090	55000	100000	—	—
	S	2524	3323	6712	30755	75934	96541	101543	197000
Average annual income of the indebted household	N	1100	2000	3750	8000	15000	26000	—	—
	S	1150	22200	3800	8500	18570	28340	45300	135000
Annual interest to be paid	N	221	592	885	4700	6350	11750	—	—
	S	713	825	1458	5397	10632	14423	15044	27155
Percentage of interest to be paid from income	N	20	30	24	59	42	45	—	—
	S	62	38	38	63	57	51	33	20

