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CREDIT FACILITIES FOR THE DEVELOPMENT  
OF SMALL-SCALE FISHERIES OF INDIA

by

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Abstract

Credit facilities in the form of loans and subsidies for the development of small-scale fisheries of India are extended by the central and state governments through their development projects, Fisheries Cooperative Societies and special programmes such as Integrated Rural Development, Small Farmers Development Agency and Fish Farmers Development Agency. Besides, various financial institutes, agriculture development banks and commercial banks also provide credit and loan facilities. Nevertheless, in many cases, the slow pace of development of the small-scale fisheries, despite its national importance, has been attributed to inadequate finance and credit facilities available to this sector. Where such a facility is available, it is frequently not utilized due to the fishermen's ignorance of the existing opportunities and hesitation to approach the financial institutes; the financial institutes are frequently unaware of the resources and potentials available in the field, and the services and organizations through which financial facilities are provided are often poorly managed. There is a need for a functional credit and loan system which considers the prevailing socio-economic conditions of the fishermen. This system must be linked to technology, to production systems and to output price in order to stimulate growth and development in this sector.

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## 1. INTRODUCTION

Next to the availability of adequate resources and suitable technology for exploitation and utilization of these resources, financing is still the major requirement for sustained development and expansion of any sector. Small-scale fisheries in India contribute significantly to the production of protein, and occupy an important place in the economy of the country. Although improvements have been made in produce production, preservation, processing, transportation and distribution, this sector has largely remained poorly developed. There are many problems: inefficient gears and crafts employed by the fishermen, poor technology resulting in small catches, the conservative nature of fishermen and their low socio-economic status, middlemen exploitation, and inadequate infrastructure and communications facilities. However, poor financial flow has often been pointed to as the most important factor retarding the growth of this sector. The various sources of credit available to small-scale fisheries in India, and the constraints encountered in using and managing them, are discussed in this paper.

## 2. CREDIT FLOW

Credit facilities to the small-scale fisheries projects and to the needs of the sector are available mainly through (a) government schemes, (b) financial agencies specially instituted for the purpose, (c) commercial banks, (d) fisheries cooperative societies and (e) special programmes.

### Government schemes

Central as well as state governments are extending financial assistance with liberal subsidies and credits through their developmental schemes. The central government assists the small-scale fisheries or the welfare schemes of small fishermen or the fishing villages through the centrally sponsored schemes which are implemented by the state governments. These include schemes such as construction of roads, protected water supply for the fishing villages and landing facilities. Under the state government programmes, various items of production means housing, ice plants and cold storages, fish transport vehicles and fish farming materials are eligible for financial assistance with subsidies and loans. The rates of these subsidies and loans and their distribution patterns, however, vary from state to state (Table 1).

### Financial institutes

In order to promote and develop small-scale industries, and provide them with an adequate flow of finance, several financial institutes have been set up in the country. (Small-scale industries are defined as an industrial undertaking when there is an affidavit from the owner or party, or a certificate from the credit institute that the investment in plant and machinery does not exceed 0.75 million rupees.) The National Small-Scale

Industries Development Corporation was established in 1955. Under this programme, Small-Scale Industrial Finance Institutes and National Small Industries Cooperative Limited, have been initiated, the former providing technical assistance and advice, and the latter providing finance to procure machinery and equipment, and for hire purchasing. It also assists in marketing the produce and obtaining government services. Under the state sector, Directorate of Industries, State Small Industries Development Corporation and State Financial Corporations have been constituted to assist the small-scale industries. The State Financial Corporation offers credits repayable within 5 to 7 years, at an interest rate varying from 1.5 to 2% over the State Bank of India advance rates. The Industrial Development Bank of India and the Agricultural Refinance Corporation assist the small-scale fisheries project through state level agencies such as State Financial Corporation, State Industrial Corporation, Commercial Banks and Cooperative Banks by refinancing the loans at concessional rate of interest.

#### Commercial banks

For small-scale fisheries schemes, the Commercial Banks generally provide credit facilities to the tune of 75% of the total cost of the project. The State Bank of India introduced a scheme entitled "Liberalized Credit Scheme" in 1956, under which assistance is provided to those sectors which have prospects of development and for those commodities which are in short supply. The credit is given against the pledge of machineries, equipment, etc. Both short-term loan (mainly for lands and buildings) and medium-term loans repayable over a period of 7 to 10 years at an interest rate linked up with State Bank advance rate, are available. Recently, the State Bank of India introduced "Agriculture Development Banks" which provide credits at differential rates of interest. Similarly, the Syndicate Bank instituted "Farmers Cooperative Schemes" to assist the small farmers. The credits under the scheme are available on a group guarantee system.

#### Fisheries cooperative societies

The Fisheries Cooperative Societies, numbering over 4 240 in the inland fisheries sector, 2 750 in the marine fisheries sector form an important institutional agency established for assisting the small-scale fisheries and small farmers in their professional activities as well as for improving the socio-economic conditions. While some of the cooperatives function as non-credit societies assisting the fishermen in the procurement and distribution of fishing equipment and materials, others provide credits often linked with marketing.

The financial resource of the societies include the capital base provided by the State Government, working capital raised from the financial institutes and the membership fee. The percentage share contribution of the State Governments vary from state to state and from society to society and depends on the requirement and activities of the societies and the allocated budget for the purpose. The credits and subsidies offered by the societies

depend on the pattern approved by the State Governments or the lending institutes.

### Special programmes

With the increasing awareness of the need for accelerated development of the rural sector and with the government policy of encouraging rural development schemes, several special programmes have been drawn up in recent years to assist the low income group in the rural areas. The schemes which are of particular interest to small-scale fisheries under this programme are (a) the Fish Farmers Development Agency, (b) the Small Farmers Development Agency, and (c) Integrated Rural Development Programme.

The Fish Farmers Development Agency was introduced as a centrally sponsored scheme by the Government of India during the Fifth Five Year Plan period for promoting intensive freshwater and brackishwater fish culture. It functions as an autonomous body coordinating the role and functions of the various Government Departments, Financing Institutes and the fish farmers in an integrated manner. The Agency provides subsidies offered by the Government under the project and arranges credit from the Financial Institutes.

The Small Farmers Development Agency was established mainly for accelerating the development of agriculture and livestock. At present there are over 60 small farmers development agencies in the country. Under the scheme, 25 per cent of the cost of the project is given as subsidy and the balance as credit arranged through the Cooperative, or Commercial Banks in the case of small farmers who own land between 2.6 and 5 acres. The subsidy rate is 33.33 per cent of the cost of the project for the marginal farmers possessing land less than 2.5 acres. The Small Farmers Development Agency has now diversified its activity to include fisheries projects.

The Integrated Rural Development Programme was started early 1979 and it covers 2 000 Community Development Blocks in the country. The main objective of this programme is to improve the economy of the weaker sections of the society, namely, small and marginal farmers, rural artisans, agriculture labourers, landless labourers, persons belonging to scheduled castes and scheduled tribes. Individual benefits and subsidies available under the scheme are similar to those provided to the Small Farmers Development Agency.

### 3. REASONS FOR SCARCE FLOW OF FINANCE AND UTILIZATION OF CREDITS

The main reasons for the scarce flow of finance and utilization of credit facilities are (a) ignorance of the opportunities and sources of finance available as well as the hesitation to approach the Financial Institutes on the part of the fishermen; (b) lack of information on the part of the Financial Institutes about the resource and potentials of small-scale fisheries, and consequently, on the needs of investment to be made in the field; (c) poor management of services and institutes providing the credits

and (d) ineffective coordination among the institutes responsible for processing and sanctioning of credits. Since the majority of the fishermen are illiterate, they are not aware of the various opportunities existing and the schemes drawn up to assist their occupational improvement. Those who come to know about it, often show reluctance to approach the financial institutes, partly due to their conservative nature and partly on account of their inability to meet the various requirements such as project reports and sureties prescribed by the credit agencies. This aspect could be improved only through practical non-formal education and extension programmes. A discussion with the financial agencies would reveal that lack of interest to invest in fisheries projects is mainly due to the absence of information on the resources and its potential, technologies existing and proven data on economics of operation, however this situation has eased to a great extent with several demonstrations carried out on capture and culture fisheries in recent years showing their techno-economic feasibilities. It has been pointed out that poor performance of a large number of Cooperative Societies in our country is mainly due to inefficient management, vested interests of members and rising debts. Certain projects like prawn or fish farming necessitate approval of different organizations such as State Revenue Department or the Port Department which deals with water resources, the Fisheries Department that scrutinizes the schemes and Financial Institutes that provide the loans. However, ineffective coordination among these Departments often results in long delays in final approval of the scheme and even failure of the project. It has, therefore, become imperative that effective management, coordination and better services must be ensured for utilization of the credit facilities by the small-scale fisheries sector.

## 5. REMARKS

The marine small-scale fisheries of India traditionally practised by the artisanal fishermen with indigenous crafts and gears contributed to about 50 percent of the total marine fish production of the country. Almost the entire inland fish production is realized by this sector. It is well known that many of the coastal fish stocks can be better exploited by simple crafts and gears. Better prices could be realized by following improved methods of handling, preservation, processing and storage techniques, and better marketing facilities. In recent years, considerable technological advances have been made in the country in the field of intensive fish culture in inland waters. Similarly, great strides have been made in coastal aquaculture on prawns, finfishes, mussels, edible oysters, pearl oysters and pearl production, and seaweeds. In all these fields, small fishermen need financial assistance. However, in view of the constraints mentioned above, particularly in consideration of the illiteracy and poor economic standards of fishermen, it is most essential that a simple, but effective credit system be created. While Cooperatives are the best agencies for assisting the fishermen, and channeling the credits, it is necessary that they are established as an effective and functional organization with trained managers and personnel. In view of the peculiar nature of the fishing sector which requires a closely coordinated and integrated approach, it would be worthwhile to consider integrating credit facilities to small-scale fisheries

with a project as in the scheme of Fish Farmers Development Agency. In this way, the credits are not only fully utilized for the development of the sector but the small fishermen/fish farmers get the maximum benefit for betterment of their economy.

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Table 1. Subsidies provided by different states in the fisheries sector\*

Description of item	Gujarat	Maharashtra	Goa	Karnataka <sup>1/</sup>	Kerala	Tamil Nadu	Orissa <sup>2/</sup>	Pondicherry	Lakshadweep
Wooden vessel	7 1/2%	25%	25%	-	25%	-	25%	12 1/2%	25%
Hull	15%	-	25%	-	25%	-	-	-	-
Marine diesel engine	30%	-	10%	50%	-	-	-	12 1/2%	50%
Outboard engine	20%	-	20% (limited to Rs 500)	-	-	-	-	-	-
Nylon twine net	5-12 1/2%	15%	Rs 10 per kg	-	15%	20%	-	-	-
Cotton twine	-	25%	Rs 5 per kg	-	-	-	-	-	-
Hooks	-	25%	-	-	-	-	-	-	-
Swirl for long line	-	-	25%	-	-	-	-	-	-
Coal tar	-	-	-	-	-	20%	-	25%	-
Housing	-	-	-	Rs 400/house	-	75%	-	75%	-
Diesel oil	-	0.07/liter; max. of Rs 300 per annum	0.07/liter; max. of Rs 360/year/boat	-	7.5/l. subject to a limit of Rs 500-1 500	-	-	-	-
Godowns	-	-	25%	25%	-	-	-	50%	-
Ice plant & cold storage	20%	-	-	25% limited to Rs 20 000/plant	-	-	-	-	-
Fish transport vehicle	-	10%	-	25%	-	-	-	-	-
Inland fish training/ fish culture	25%	-	20-331/3%	Rs 20 000	-	-	-	-	-
Export of fish	50/kg for frozen & canned; 15/kg for dried fish	30/kg or 1/3 of the charges	20-331/3%	-	-	-	-	-	-

1/ Karnataka provides 331/3% of subsidy on all fisheries requirements.

2/ Orissa provides 50% subsidy on all fishing equipment. Financial assistance/subsidies/loans are provided on various items/implements required for undertaking fish farming/fish culture by the States of Orissa, Madhya Pradesh, Nagaland, Assam, Meghalaya and Punjab.

\* Source: General Description of Marine Small-Scale Fisheries - India (RAS/74/031 - Working Paper No. 2 (Rev. 1))