

REPAYMENT OF INSTITUTIONAL CREDIT BY FISHERMEN

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Credit is an important input to rural development. Rural development programmes with their major emphasis on poverty alleviation help rural community in creating productive assets. This is achieved through loan and subsidy schemes. In spite of easy rural advances, the problems of non-repayment of institutional credit by farmers and rural artisans become a serious cause of concern for the banking institutions. According to Patnaik and Misra (1989) studies conducted on default of agricultural credit reveal that 50% of the cases are wilful defaulters. It was also observed that the incidence of default was higher among large farmers than in small farmers.

The committee on Agricultural Lending by Commercial Banks identified the following reasons for poor recovery. In the supply side, lack of effective supervision and follow up, defective appraisal and improper selection of borrowers and on the demand side borrowers behavior, misutilization

and diversion of funds, insufficient incremental income and absence of relief measures were major reasons. (Kulkshetra, 1989). Growing delinquency is a threat to the entire system of rural credit (Gadgil, 1986).

Fishermen constitute an important segment in rural population in the country. A sample survey conducted by the Department of Fisheries, Kerala(1990) showed that 33.2% of the households in marine sector had borrowed a total sum of Rs. 1450.5 lakhs from one source or the other, major portion contributed by the banks. The main purpose was purchase of fishing implements, such as craft and gear.

In order to examine the credit utilization and repayment behavior of fishermen a study was conducted in selected fishing villages in Ernakulam District of Kerala.

METHODOLOGY

A sample of 100 fishermen who had availed loans from commercial banks was selected at random for the

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study. Information on repayment, reasons for default, factors helping and hindering repayment as well as differential characteristics of repayers and defaulters and source preference was collected through interviews using a structured schedule. Information was also collected from personal and documented sources in the banks and coastal blocks.

FINDINGS

Of the total number of beneficiaries identified for IRDP for the period 1985-88 the percentage of fishermen was 22.17 in Palluruthy and 22.57 in Vypeen of the total 24.3% of loans in

Palluruthy and 27.4% in Vypeen was available for fisheries. Majority of the beneficiaries for fisheries loans were fishermen. Others identified for fisheries loans constituted about 3 to 6%.

As per IRDP norms only 25% of the loans are given for primary sector including fishery, dairy and livestock rearing.

As seen from Table 1 seventy two per cent of fishermen availing credit had education only between standard I-IV. Out of 3 persons who studied up to X only one had passed. About five per cent did not have any education.

Table 1 Distribution of sample fishermen by age and education

Age group	I-V	VI-VIII	IX-X	X	No Education	Total
19-24	3	2	-	-	-	5
25-35	21	9	3	1	3	37
36-40	15	4	1	2	-	22
41-45	9	-	-	-	-	9
46-50	5	-	-	-	-	5
50	19	1	-	-	2	22
Total	72	16	4	3	5	100

Purpose for which the loan was taken are given Table 2.

Table 2 gives the distribution of fishermen by amount and purpose for which the loan was taken. Eighty seven per cent of the loans were between Rs. 1000-5000 and the main purpose was purchase of craft or gear or both. Amounts exceeding 10,000 were issued for purchase of motorised units or

related equipment and the fishermen under this category were members of some group. Some of the fishermen had availed loans of two purposes simultaneously, such as for craft and gear separately or craft and gear together and housing or repair of implements, thus total number of loans availed by the sampled fishermen was 132. Twenty per cent of the loan was under IRDP.

Table 2. Distribution of sample by amount and purpose for which the loan was taken

Amount Rs.	Craft	Gear	Craft & gear	Repair	Other fishery related	Fishery unrelated	Total
1000	1	9	1	3	1	-	15
1000-2000	14	5	5	4	1	1	30
2000-3000	1	5	22	-	-	1	29
3000-4000	1	3	12	1	-	3	19
4000-5000	-	5	7	1	-	4	17
5000-6000	-	1	3	-	-	3	7
6000-7000	-	-	1	-	-	-	1
7000-8000	-	-	2	-	-	-	2
10,000	-	1	1	-	-	-	2
1,00,000 and above	-	1	9	-	-	-	10

Repayment behavior

Thirty one respondents were repaying the loan in some manner, only 13% were repaying regularly as

per schedule. Table 3 shows the distribution of respondents by age and repayment behavior.

Table 3. Age and repayment behaviour of fishermen

Age (years)	No. of fishermen availing loan	No. of Repayers	No. of defaulters
18-35	42	20	22
36-40	36	8	28
41-45	-	-	-
46-50	-	-	-
51	22	3	19

It is seen that fishermen of 18-35 years age group showed better repayment behavior and a Chi Square analysis of the data indicated that repayment behavior was dependent on age.

Number of fishermen who had availed loans and were not in actual possession of the assets for which the loan was availed, are given in Table

Table 4. No. of fishermen not in possession of asset

Purpose for which loan was taken	No. of respondents not in possession of asset.
Craft	3
Gear	6
Craft & Gear	9
Repair of craft and gear	6
Housing and other	3
	27

This may suggest the extent of misutilization and diversion of the loan amount. These respondents were continuing fishing as wage earners. It was also observed that fishermen who had availed loans for small fishing units had later joined larger groups.

Characteristics of repayers

Honesty, punctuality, utilization of funds for productive purpose to

Table 5. Factors helping and hindering repayment

Factors	Repayers(%)	Factors	Defaulters(%)
Honesty and punctuality	47	Insufficient incremental income	71
Interested in availing more credit	29	Difficulty in maintaining the repayment schedule	62
Fear of losing the mortgaged property	20	Lack of other sources of income	58
Do not have other debts	6	Ignorance about details of schemes under which credit was availed	23
Follow up by bank officials	4	Otherwise indebted	5
Sufficient income	4	Willful default	4
Income from other sources	-	Influence of political or local leaders	4

improve income and the desire to avail more loans to expand the assets were found to be the important characteristics of the respondent which prompted repayment.

Factors helping and hindering repayment

The different factors helping and hindering repayment are given in Table 5.

Honesty and punctuality, need for social recognition and fear of losing the mortgaged asset were the factors which were considered as important by the repayers. Lack of incremental income from fishing, lack of other sources of income and difficulty in maintaining the repayment schedule due to seasonality and uncertainty of income were attributed to default. Only five per cent was found to be wilful defaulters which had perhaps resulted from the feeling that the loans under different schemes will be written off by the government.

Reasons for default

Insufficient incremental income from fishing and lack of other income sources, diversion of funds to tide over the lean seasons, underemployment as

fishing labourer and lack of initiative in some cases were reported to be the reasons hindering repayment. It was difficult within the scope of the study of identify wilful defaulters. However in the artisanal sector of marine fisheries the wilful defaulters appear to be comparatively very less.

Differential characteristic of payers and defaulters

The differential characteristics of the payers and defaulters in relation to credit repayment, namely information source utilization, political affiliation, fisheries development awareness, credit orientation, economic motivation, scientific orientation, knowledge about the bank, attitude towards the bank and risk orientation did not vary significantly. (Table. 6)

Table 6. Differential characteristics of payers and defaulters (Max. Score-5)

Characteristics	Payers (Mean scores)	Defaulters (Mean scores)
Information source Utilization	1.66	1.59
Political affiliation	1.42	1.37
Fisheries development awareness	1.55	1.53
Credit orientation	2.37	2.48
Economic motivation	3.60	3.58
Scientific orientation	3.91	3.88
Knowledge about bank	2.45	2.41
Attitude towards bank	3.46	3.36
Risk orientation	3.4	3.25

Source preference

Among the sources of organised and unorganised credit, bank was proffered by all respondents mainly because of easy instalment and interest rates. Group loan schemes were also preferred by fishermen. Fishermen had

shown keen interest for Co-operative credit. But the Co-operative movement in the fisheries sector could not take off as envisaged and many societies are defunct. However, programme of Matsyafed was showing encouraging results.

SUMMARY AND CONCLUSION

The study on the credit repayment behavior of fishermen showed high incidence of delinquency. The reasons for default were insufficient incremental income and lack of other sources of income combined with uncertainty, underemployment and irregularity of production characteristics of fishing occupation. A further analysis of the sociopsychological factors involved in credit repayment the characteristics did not vary much among the repayers and defaulters indicating uniformly low scores. It was the sense of honesty and punctuality that helped repayment. The high level of delinquency may be attributed to the low educational status. It was also observed that the fishermen took loans from different sources such as bank, money lenders, middlemen, friends and neighbors simultaneously. The loans from non-institutional sources bear very high rates of interest and hence preference is given for repayment of the same, resulting in default of the institutional loans. The policy of the government towards writing-off loans was also attributed for default in some cases. The major source of rural business credit in the artisanal sector of maine fisheries is still constituted by informal market consisting of money lenders, boat owners and fish traders, which contributed to the perpetual indebtedness of fishermen community.

Fisheries forms the third important primary sector in agricultural next to farm and livestock groups capable of

contributing substantially for the GNP of our country. Hence some lending policies for fisheries should be formulated by Banks keeping in view of its special features.

The remedial measures may include the following.

1. ^{Encouraged} ~~Exangement~~ of group loans, as fishermen as group are observed to be better repayers.
2. Training of fishermen n improved fishing methods thus helping them increasing income.
3. Inculcating the habits of thrift among the fishing community.
4. Increasing the general awareness about the opportunities in fishing industry as well as the role of individual fishermen in it.

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