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Role of credit for the upliftment of the fisheries sector

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Abstract

Fisheries sector occupies a very important place in the socio-economic development of the country. It has been recognized as a powerful income and employment generator as it stimulates growth of a number of subsidiary industries and is a source of cheap and nutritious food besides being a foreign exchange earner. Credit is needed not only for investment in fishing craft and gear, fish ponds, fish handling, processing and marketing facilities and services, but also or even more for the smooth day-to-day capture, culture, handling, processing and distribution of fish. The improvement of the socio-economic role of women in fishing communities, too, needs strong credit support. Thus, 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.

Keywords: Fisheries, craft, gear, marine products, credit

Introduction

Historically, fishing has been a major source of livelihood for coastal and inland fishing communities as well as a source of healthy food for humanity at large. In India, fisheries and aquaculture are vibrant economic activities, and has been one of the fastest growing food production systems during the last three decades. Their significance and contribution towards agricultural (4.47 percent GDP) and fisheries (0.78 per cent GDP), livelihood and nutritional security, employment generation (14.5 million people) and foreign exchange earnings (over Rs.16,597 crores) (SOFIA, 2014) [2].

Fishing has always been considered as a primary livelihood option since ancient times, for the habitants of the coastal belt in India, stretching along 8129 kms. In India fishing sector is a principal source of livelihood for a large section of the economically underprivileged of the country, especially in the rural coastal population (Mahesh V Joshy, 1996) [6]. Fisherfolk are engaged in fishing around the clock, even day and night, in deep sea fishing to meet their basic needs (P.G. Vhankade, 2011) [10]. Despite of their sincere hard work, their income is very low and disproportionate because of using non-mechanized crafts. Their income also depends on the games of seasons and vagaries of nature (J. Fredrick, 2011) [4]. The infrastructural facilities like health facility, clean drinking water, electricity and education are inadequate among the rural coastal fishing communities. Most of the fishermen lack fishing assets like boats and nets of their own. Because of the poor and pathetic condition of fisherfolk, banks are also not ready to provide credit to the fisherfolk because they do not have any collateral security. In the absence of proper support that they get from institutional credit, the fisherfolk's only option is the informal credit system for which the fishermen have to pay an exorbitant interest (K.G. Karmakar, 1999) [5]. Fish is the cheapest and easily digestible animal protein and is obtained from natural sources from time ancient times for consumption. However, due to over exploitation and pollution, the availability of fish in natural waters has declined considerably, forcing scientists to adopt various methods to increase its production. Fish farming in controlled or semi controlled or under artificial conditions has become the easier way of increasing the fish production and its availability for consumption. Farmers can easily take up fish culture in village ponds, tanks or any new water body and thus can improve their financial position substantially. This also creates employment for both skilled and unskilled youths. The more considerable and substantial contribution of fisheries worldwide is the supply of highly nutritious animal protein for human consumption and the employment and income generation in often-remote coastal areas.

The main challenges facing fisheries development in the country have been in assessment of fishery resources and their potential in terms of fish production, development of sustainable technologies for fin and shell fish culture, yield optimization, harvest and post-harvest operations and landing and berthing facilities for fishing vessels, augmenting export of marine products, generating employment and improving welfare of fishermen and their socio-economic status.

Background and Status of Artisanal Fisheries and Rural Finance in India

Fishermen are the backbone of Indian fisheries industry. They come from weaker section of the society; they are economically, politically, educationally and socially backward (Misra, 2001) [7]. Artisanal marine fishing still accounts for a major portion of India's total marine fish production, while the number of mechanized boats has been steadily increasing. A wide variety of fishing methods is employed - both active and passive in the exploitation of pelagic and demersal resources, although still limited to the inshore ranges of the continental shelf. The fishing equipment, natural fibres and materials have been replaced by synthetic ones wherever technically feasible and economically viable. In order to compensate the financial needs of the growing fishing economy, a system of informal credit has been developed. This system, however, has a number of disadvantages for fisherfolk because of high interest rates and exploitative terms and conditions regarding the disposal of fish. Apart from this, informal credit sources are limited and unequally distributed, leading to regional shortcomings and disparities. The informal credit delivery system, however, has some important advantages, such as quick delivery and flexible loan conditions.

A multi-agency approach having aim to provide a variety of options to rural people and to ensure the efficiency of credit institutions by building competition for each other. At the same time a large bank branch expansion programme was launched in rural areas. Regional rural banks have been sponsored by nationalized commercial banks to reach the far flung areas. Simultaneously the cooperative credit structure has been developed. Apart from the adoption of a multi-purpose approach, new institutions and agencies were created to channel rural credit. Agencies such as the Block Development Office, the Small Farmer Development Agency and the District Rural Development Agency and programmes such as the Integrated Rural Development Programme and the Economic Rehabilitation of the Rural Poor, were introduced to provide the necessary institutional arrangements to in order achieve the above-mentioned targets.

The Reserve Bank of India, as the central bank, has regularly financed agriculture since the first Five Year Plan. Refinance for agricultural loans has been provided from 1960s, by a special branch of the Reserve Bank of India called as the Agricultural Refinance and Development Corporation. The range of activities and benefits applicable for refinance has gradually been extended beyond agriculture and covers a variety of rural activities. The corporation itself became active in drawing up projects for rural development. During the early 1980s the Agricultural Refinance and Development Corporation was converted into a separate bank known as the National Bank for Agriculture and Rural Development (NABARD) to remortgage entire credit packages for agriculture, rural and village industries. Till recently, however, growth processes in rural credit excluded artisanal

marine fisherfolk. The traditional cooperative system was not successful among fisherfolk, nor did it emerge as a viable form of organization. The Commercial banks were having very few exceptions as they do not have the required expertise and also had no focus on artisanal fishing. The reasons for this include the remote location of fishing villages and the low social status of fisherfolk and fishing compared to agriculture.

Banks

Banks finance both capture and culture fisheries. They provide advance for the purpose of purchasing crafts and gears, motorisation of crafts, construction of ponds and hatcheries etc. Fisheries financing are classified under the broad division of agriculture and allied activities that is classified as priority sector lending.

NABARD is the institutional agency at the national level which undertakes refinancing all agricultural and allied activities.

Types of direct finance

- a) Short-term loans: for fishery related activities
- b) Medium and long term loans: Development of fisheries in all its aspects starting from fish catching to stage of export, financing of equipment necessary for deep sea fishing, rehabilitation of tanks (fresh water fishing), fish breeding etc.

Margin money

The margin money ranges from 5-25 per cent of the project cost which varies and depends upon the category of the borrowers i.e. 5 per cent for small farmers, 10 per cent for medium farmers, 15 per cent for large farmers and 25 per cent for others.

Security

The loans are given on the basis of security of movable or immovable properties or on the standing crop.

Repayment period

Repayment period is fixed and is evaluated by the useful life of the asset created and the repaying capacity of the borrower. In case of fisheries it varies from 4 -10 years.

Refinance assistance by NABARD

NABARD supports the fisheries sector mainly by way of refinancing activities. The National Bank's (NABARD) rural development programmes has been working to combat poverty through their credit and development functions. NABARD's refinance to credit institutions rose from 703 crore In 1982-83 to Rs. 6683 crore in 16 2001-02. (Ayappan, 2004) [1]. The eligible agencies for refinancing assistance are: Commercial Banks, Regional Rural Banks, Co-operative Banks, Co-operative Agricultural and Rural Development Banks, Primary Urban Co-operative Banks, Self Help Groups and Governments.

NABARD refinance constitutes 28 per cent of the total ground level credit flow to agriculture and allied activities. During 2008-09, NABARD has introduced a product/scheme for supporting small scale Activity Based Groups (ABG) in which capacity building, production/investment credit and market related support have been extended. The scheme focuses on formation and working of groups engaged in same economic activities such as farmers, fishermen, handloom weavers etc to improve their efficiency of production and get higher profits from the market. The scheme operates both on

grant and loan modes, where loans would cover investment activities and working capital needs of groups (NABARD, 2009) [8]. The refinance assistance to fisheries sector by NABARD is very low and only accounts for 0.3 per cent of the total refinance disbursed (Table 1). It is observed that fisheries refinance from the past years has been fluctuating widely with highest refinance recorded in 2008-09 which constitutes about 0.7 per cent of the total refinance.

Table 1: Refinance assistance to fisheries sector in India

Year	Fisheries sector (Rs. Crore)	Total Refinance (Rs. Crore)
2001-02	36.35 (0.5%)	6682.91
2002-03	34.73 (0.5%)	7418.7
2003-04	23.25 (0.3%)	7605.2
2004-05	25.63 (0.3%)	8577.4
2005-06	38.49 (0.4%)	8622.3
2006-07	38.30 (0.4%)	8795.02
2007-08	25.45 (0.3%)	9046.27
2008-09	77.15 (0.7%)	10535.2
2009-10	56.62 (0.5%)	12009.0

Source: Annual report NABARD various years

In case of marine fisheries, both capture and culture fisheries are given assistance. In capture fisheries; traditional boats, motorisation of traditional crafts, mechanised fishing vessels and deep-sea fishing are given assistance. In case of culture fisheries; assistance is provided for mariculture in coastal waters and open sea culture in cages. In inland capture

fisheries, various crafts and gears for fishing in reservoirs/rivers are eligible for refinance. In case of culture fisheries, the schemes are composite fish culture, fish seed hatchery, culture of air breathing fishes, tilapia culture, culture of trout, integrated fish culture, sewage fed fisheries, ornamental fish breeding, fresh water prawn hatchery and monoculture/polyculture of freshwater prawn & fish. Under brackish water fisheries, shrimp farming in traditional systems and hatchery, culture of finfishes, culture of pearl oyster, edible oyster and mussels are eligible for refinance assistance. Assistance is also provided to auxiliary activities like establishment of ice plants, feed mill, cold storages, and net making units and for processing and value addition. Apart from the schemes mentioned above, activities like mud crab fattening, surimi production, chitosan preparation, paddy cum fish culture and establishment of IQF processing unit are supported by refinance assistance. Refinance assistance is also provided for research and development activities related to fisheries.

In fisheries sector, NABARD provided indirect assistance to 22765 mechanised fishing vessels, 75019 other vessels, financed 5371 ha of brackish water aquaculture and 417000 ha of fresh water aquaculture as on 31st March 2009. Refinance is provided by NABARD to different financial institutions providing fisheries finance. Among the various institutional service providers providing fisheries finance, commercial banks are the leading with a refinance assistance from NABARD to the extent of Rs. 3271 lakh.

Table 2: Refinance by NABARD to various agencies for fisheries financing

Financing Agency	2007-08 (Rs. Lakh)	2009-2010 (Rs. Lakh)
KSCARD Bank Ltd.	753	865
Commercial Banks	812	3271
State Coop. Banks	607	453
Regional Rural Banks	373	873
Total	2545	5462

Co-Operatives

Cooperatives are one of the oldest and most important ancient socio-economic organizations in the world. During the long history, the cooperative movement has proved itself to be stable, competitive and popular among people and fulfilled the needs of its members and society (Misra, 2001) [7].

The fishery co-operative movement in India began in 1913 when the first fishermen's society was organised under the name of 'Karla Machhimar (Fishermen) Co-operative Society' in Maharashtra. In 1946, the Cooperative Planning Committee recommended that the stable assistance for fishing industry should be given through cooperative credit society (Vhankade P.G., 2011) [10]. Primary societies may be organized at the village level and horizontally or vertically and they may be linked up with federated bodies at certain regional or district level federated co-operatives. In India, there are about 11847 primary fishermen co-operative societies. The district level co-operatives are further affiliated to the state level federation. There are 108 central societies in the country. The primary/district co-operative societies, in which fisher folk are members/beneficiaries, operate their own schemes which will result in their ultimate benefit.

Special Programmes

Several special programmes have been started up by the government for encouraging development schemes 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 (FFDA), (b) the Small Farmers Development Agency, and (c) Integrated Rural Development Programme (P. Vedavyasa Rao, 1980) [9].

Major Issues in Fisheries Credit

There is very limited access to both formal and informal credit system among the enterprising, laboring and low income fishermen; Lack of viable and profitable aquaculture projects and the attendant risks (e.g. weather aberrations; business and financial risks; market risks); Provision of credit is limited to fishermen by the rural financial institutions; marginal fishermen are not on the demand side. Marginal fishermen are not considered credit worthy mainly because: (1) they lack physical and livelihood assets, including land that can be used as collateral; (2) they do not possess expertise in technology; (3) they tend to be more individualistic, are not functionally organized and (4) they do not have good credit history. Also the banks do not have a reliable database of their financial details and capacity to pay.

Reasons for the Failure of Credit Schemes

From the past few years only some artisanal fisherfolk have been included in credit schemes under rural development

programmes. The results of these programmes have not always been encouraging, particularly in case of recovery of loan is concerned. Common reasons for the failure of credit schemes are:

- Lack of proper coordination between the various agencies (uncoordinated multi-agency approach), which results in delays, there is lack of monitoring and supervision, and items supplied to the borrowers are poor in quality;
- The inflexible uniformity of credit programmes, and
- Social welfare character and lack of participation of target groups.

Conclusion

The main challenges that are being faced in fisheries development in our country have been in the assessment of natural fishery resources and their potential in terms of fish production, development of sustainable technologies for culture of fin and shell fish, yield optimization, harvest and post-harvest operations and methods of generating employment and improving welfare of fishermen and their socio-economic status. These all challenges can be somehow overcome by means of credit facilities and for that reason extension agencies play very important role. By the use of extension agencies the farmers should be made aware of the various credit schemes and they also should be provided with appropriate credit schemes that fits to their needs which in turn would result in the better culture practices.

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