

BAY OF BENGAL NEWS



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**BANK
CREDIT FOR
FISHERFOLK:
ORISSA
SETS AN
EXAMPLE**



BANK CREDIT FOR FISHERFOLK: ORISSA SETS AN EXAMPLE

Orissa is embarking on a new experience in bank lending for artisanal marine fisherfolk. A comprehensive lending scheme has been drawn up on the basis of systematically compiled technical and economic data covering fishing technology, fisherfolk and fishing villages. The progress of the project is described here by BOBP's extension training specialist.

by Uwe Tietze

Q : Is this the first time in Orissa that banks have extended credit to fisherfolk? What was the outcome of earlier experiences?

A : Artisanal marine fisherfolk in Orissa have so far been financed in a small way by commercial banks under two schemes — the Government of India's Integrated Rural Development Programme (IRDP) and the Orissa Fisheries Department's ATMF (Assistance to Traditional Marine Fishermen). Both schemes aim only at the poorer fisherfolk; those who do not own any assets

such as craft or gear, and those whose income is below Rs. 3,000 per year. Full assistance in terms of subsidy, margin money etc., is given to these fisherfolk.

Unlike in agriculture, the unproductive group without any assets is only marginal in artisanal marine fisheries. The majority of fisherfolk households own one or more of a variety of craft and gear. Their cost, earning potential and period of operation vary widely. These households are at present deprived of the benefits of institutional finance — apart from

cooperative finance which has its own problems — and have to depend on the informal credit market with its high interest rates.

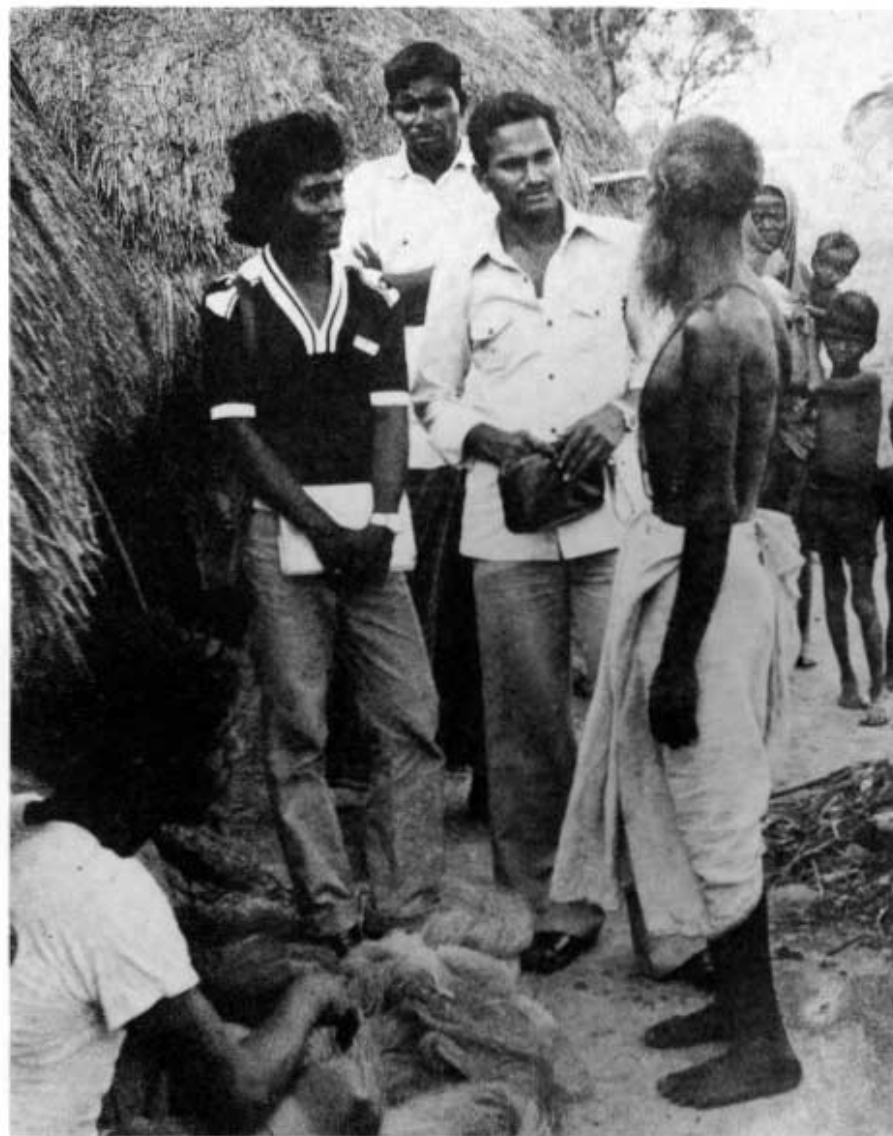
The bypassing of artisanal marine fisheries is also reflected by the fact that even NABARD (National Bank for Agriculture and Rural Development), the top "mother bank" for the rural sector, has no scheme for artisanal marine fisheries though it does refinance — besides agricultural loans — inland fisheries and aquaculture.

Another disadvantage of the present IRDP mechanism is the complex system for identifying loan recipients (through the block development office) and the even more complex system for selecting suppliers (through the purchase committees). In both cases, intervention by local politicians and middlemen prolongs the loan process. Criteria other than that of productive loan utilization influence the appraisal of applicants. Result : Loan recipients are neither able nor willing to repay the loans, and banks become reluctant to extend further loans.

There is another practice under existing loan schemes which hits not merely the fisherfolk, the loan recipients, but also eventually the banks themselves. This is the fact that the fisherfolk do not play an active role in getting a loan. They do not approach a bank by their own decision and intention; they have to wait until they are selected by officers or committees. Thereafter they are called "beneficiaries" and are expected to be thankful to those responsible for selecting them, by selling their produce at a low price or by voting for a certain party during the next elections. Subsequently they regard the loan as a benefit that does not need to be repaid.

Thus previous experience concerning utilization and repayment of loans disbursed under IRDP has not been

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Many field trips were made to collect factual data on Orissa fisherfolk — technical and socio-economic — before the credit scheme got under way.

A Letter from the Publisher

For decades now, one of the most debated issues in small-scale fisheries development has been — cooperatives. This of course stems from their nearly total failure — in function as well as in operation. During the debate one does get to hear about a couple of successful cooperatives. They are the exceptions that prove the rule of failure.

Why do cooperatives fail? The BOBP workshop on "Social Feasibility in Small-Scale Fisheries Development" held in 1979, agreed on the reasons — imposition from above; domination by a few; exploitative leadership; corruption; infiltration by outsiders; political interference; complex and confusing legislation; and dependence on subsidies. The picture hasn't changed during the past four years and one cannot help observing that cooperatives might be as serious an issue as that of the middlemen.

The workshop also identified the reasons for successes in cooperatives — mass participation; strong and devoted leadership; multipurpose character; need for realizing common interests; homogeneity; and contributions by members. These criteria are probably valid eternally — but are they attainable? The experience says no!

Despite the dismal record, most governments continue to support cooperatives. A healthy sign is that financing institutions are becoming increasingly reluctant to go along with the high losses. However, some external agencies promote and actively support cooperatives, perhaps because of positive experiences with cooperatives back home. Unfortunately such experiences are not "transplantable" in conditions that are totally different.

Could there be something peculiar about small-scale fisheries and their operators? Let's look at a kattumaram fisherman. He spends perhaps 200 nights a year in the open sea on a few logs constantly drenched by water. It is difficult to imagine a more uncomfortable working platform. He has no protection except his own individual skill and stamina.

COOPERATIVES

Furthermore, he is a hunter who competes with others for the kill. The competition extends to marketing aspects as well; he has to return to base within a certain time and preferably before others do, to get a better price for his catch. "Outsiders" may feel that the obvious solution for many of his problems is the cooperative — but is he mentally prepared for it? The typical fisherman is an individualist, not a team player. It is a well documented fact that fishermen in general are lazy ashore and irresponsible with money, often spending a lot of it on alcohol. Perhaps this is the relief valve easing the tension of work at sea. Such a disposition hardly helps in running a successful cooperative.

These thoughts are from a lay psychologist — experts are most welcome to comment!

What should we do instead of supporting the present type of cooperatives? There is certainly a need for some form of organisation at the village level, since it would be impossible for authorities to establish direct contacts with each family or individual.

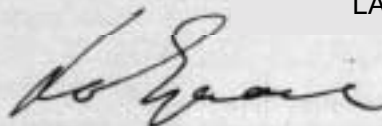
— Perhaps fisher-women cooperatives offer a way out. Many fisherwomen manage their households — why can't they collectively serve as a channel for development effort?

— Perhaps one should work through the traditional village system to gradually achieve change rather than try a revolutionary approach with a high risk of failure.

— Perhaps one should encourage private entrepreneurship with a fair share for all participants in the venture? The article on pages 20-23 about the jewfish export industry in Cox's Bazar, Bangladesh may illustrate this point.

— Perhaps one should put more effort into educational programmes of the non-formal type to build a base for future cooperative action in fishing communities.

LARS O. ENCVALL

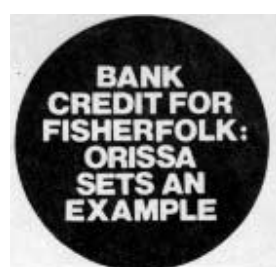


BAY OF BENGAL NEWS is a quarterly publication of the Bay of Bengal Programme (BOBP).

The BOBP is a regional fisheries programme executed by the Food and Agriculture Organisation of the United Nations (FAO) and funded by the Swedish International Development Authority (SIDA) and the United Nations Development Programme (UNDP). It covers countries bordering the Bay of Bengal.

The BOBP's main aims are to develop, demonstrate and promote appropriate technologies and methodologies to improve the conditions of small-scale fisherfolk, and to assess and monitor fishery resources.

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encouraging; this has also been the case with agricultural loans in general. There are a couple of exceptions — such as a State Bank of India branch in Ganjam district and two branches of Balasore Gramya Bank — reasons being proper appraisal of loanees and active follow-up after loan disbursement. The experience with finance under the ATMF, which involves only officers of the fisheries department, has been better than that with IRDP finance because of better appraisal of applicants, timely disbursement of loans and better follow-up.

Q: *How did the present BOBP credit project begin and how did it evolve?*

A: It was during late 1979 that the then Director of Fisheries in Orissa requested BOBP training for a group of newly appointed marine fisheries extension officers. Soon after, an orientation tour of Sri Lankan fisheries was organized for them, with theoretical and practical instruction in craft and gear. In 1981 an in-service training programme covering three modules or subjects — credit, community development, and craft & gear — was drawn up for the officers. The June 1982 *Bay of Bengal News* details the methodology of the in-service training. Each module included a residential course, a pilot project, a final workshop.

The residential course on credit was held in April 1982. The pilot project of this module was a credit scheme for fisherfolk. That scheme expanded in size and scope and eventually took its present form.

The April 1982 course was attended by bankers, extension officers, social workers, members of voluntary agencies and Government officials. In the year that followed, a good deal of preliminary work was done. Discussions were initiated among a spectrum of agencies. A costs and earnings analysis was carried out. A credit flow strategy was devised, credit application formats were developed, technical documentation on Orissa fisheries was prepared,

and a manual on "Inclusion of small-scale marine fisheries in short-term and term lending at coastal bank branches in Orissa," was published and distributed. In June 1983, a well-attended seminar in Bhubaneswar discussed an action plan for credit disbursements. Applications from fisherfolk were formally accepted from July. Disbursement of credit began in September.

Q: *How much credit has been disbursed so far?*

A: The first year of a 3-year credit scheme has come to an end. 316 marine fisherfolk households from 16 villages in the state's four coastal districts have received goods worth about Rs. 11 lakhs. 17 branches of six nationalized banks — State Bank of India, United Commercial Bank, Canara Bank and rural (gramya) banks of Balasore, Cuttack & Puri districts — are active partners in the scheme.

Q: *What is the thrust of the BOBP credit project? What is the strategy? How is it different from previous credit projects?*

A: We are trying to examine whether banks can replace informal finance by money lenders and middlemen. The answer depends not so much on or whether subsidies are available to fisherfolk and whether subsidized interest rates can be provided to them. It depends more on the following criteria

- ready availability of credit for individuals
- simple formats and procedures
- short period between application and disbursement
- direct contact between bank and customer and mutual trust between the two
- multi-purpose nature of credit
- flexible repayment schedules.

To achieve these goals, the technical competence of banks in small-scale marine fisheries — particularly of the branches operating in coastal areas — has to be strengthened. Cooperation between banks and extension officers has to be built up. All this is essential so that banks can provide funds

- in appropriate amounts
- to appropriate people
- on short notice at the appropriate time

- on appropriate repayment conditions.

To fulfill the first, third and fourth requirements, we prepared a comprehensive artisanal marine fisheries scheme which includes 20 different craft-gear combinations. It gives technical specifications of each craft and gear with details of lifespan, period, area, mode of operation and sharing system. It lists capital costs, expected earnings, repayment schedules. The scale of finance of the scheme ranges from Rs. 215 for headload retail fish marketing to Rs. 8,000 for a large displacement boat.

To meet the second requirement, loans for the appropriate people, two special forms — a "village profile" and an "activity form" — were devised with the help of a consultant, Mr. K C Nayak, Regional Manager of the State Bank of India. The forms were field-tested in coastal villages and then finalized.

Q: *What were the various goods financed by the bank loans?*

A: Mainly different types of craft and gear used by the fisherfolk such as

- three types of non-motorized displacement fishing boats
- three types of large-mesh gillnets
- five types of medium and small-mesh gillnets
- five types of encircling nets and inshore seines
- a set bagnet
- two types of kattumarams.

Also financed were two small-scale retail fish marketing schemes (bicycle and head load).

Q: *So the banks had a good deal of technical and economic data to work with. What were the procedures followed by the banks to select loan recipients and disburse loans?*

A: The following procedures were followed, in sequence.

1. Identification of areas and loanees
2. Filling in of application forms by applicants.
3. Scrutiny of applications and appraisal.
4. Sanctioning of loans.
5. Documentation/preparation of documents such as hypothecation form and promissory note
6. Opening of loan accounts.



A happy day for several fisherfolk, when banks disbursed credit in the form of cycles (above left) for retail fish marketing, or boats or nets (above right) for fishing operations. Below: At a credit disbursement function – fisheries and banking officials along with their new clients, the fisherfolk.



7. Issue of order by banks for supply of nets and supply/construction of boats and other equipment.
8. Supervision of construction and delivery of boats, nets etc. (Disbursement of loan).

During steps 1 and 3, the newly developed village profile and activity form were used.

Q: *Can you elaborate on the "village profile" and the "activity form"? What kind of information did they contain? Who filled in these forms for the fisherfolk?*

A: The village profile and the activity form were designed to give the bank all the data they needed about loan applicants, their environment, their financial status. These forms were usually filled in by the extension officers, because most of the fishermen are illiterate.

The village profile, when correctly filled in, is a comprehensive fact sheet of the village. It contains ethnographic data; sociocultural data on such factors as religion, the major castes, literacy rate, village festivals etc; the village infrastructure (such as transport, water and power facilities); the craft and gear used; preservation and processing facilities; annual fish catch; the type of traders who market the species; the secondary occupations of the fisherfolk.

The application/activity form contains details the craft, gear and other assets already owned by the applicant, the purpose of the loan, the amount

of the loans and the number of instalments in which it will be repaid; the way the new requisites being bought will be used, size and composition of family, health of the family, monthly consumption expenditure.

Bank officers and fisheries extension officers make joint field visits to check on all this data, and also to establish better contacts with the fisherfolk.

Q: *The most impressive aspect of the project seems to be the active involvement by a number of people – bank officers, extension officers, government officials, others. Could you elaborate on this aspect? How were you able to generate so much enthusiasm?*

A: The enthusiasm was generated by bringing people from various organizations and levels together and exp"ing them through field visits to common experiences. Besides two seminars in April '82 and June '83 for which participants were drawn from all over Orissa, various regional workshops and meetings were held to impart fisheries knowledge to bank staff and banking knowledge to fisheries officers. Problems were discussed, experiences were shared, opinions were exchanged. In this process, individual bank personnel and fisheries officers developed a lot of initiative. Finally, the



stimulating role of the consultant engaged by BOBP, Mr. Nayak, has to be mentioned. Mr. Nayak had 'years back' personally trained and guided many of the bankers participating in the pilot project. His experience in getting things done smoothly, diplomatically and with good humour, helped create a relaxed atmosphere.

Q: *How was the loan disbursement organised?*

A: At the time of loan disbursement, functions were held in the village and the rationale behind the credit scheme was explained. It was stressed that the loans had to be repaid, and that further loans depended on repayment of previous loans. Fisherfolk took part in selecting the supplier (of the gear or the cycles). Whenever the banks disbursed loans in a village, the fisherfolk were encouraged to open savings accounts. The promotion of savings aimed not only at linking savings to credit entitlements, reducing the banks' administrative cost per loan and increasing the credit potential of the bank, but also at creating an atmosphere of trust between the bank and fisherfolk.

Q: *What problems did you face in implementing the scheme? Was progress as fast as you desired? How were the problems overcome?*

A: The first major problem is to convince banks to accept marine fisherfolk as regular clients rather than as beneficiaries under a social welfare scheme. This is perhaps related to the fact that marine fishing is considered a low-caste occupation; marine fisherfolk do not look like usual bank customers. This problem has yet to be overcome: there are examples of fishermen having to pay several visits to a bank just to open a savings account or to repay their monthly instalment.

The second problem was that bankers doubted the economic viability of loans to fisherfolk. This was partly solved when bank officials saw the size of the fish landings at the shore and the amount of cash that changed hands. This problem will be further reduced if the loan repayment record continues to be good.

Another difficulty: whenever something new is introduced in a bank

Twenty new schools for children of marine fisherfolk have come up in four coastal districts of Orissa, under a pilot project executed jointly by the SCERT*, UNICEF, the Orissa Directorate of Fisheries and the BOBP.

The schools are using lessons and materials for a two-year non-formal curriculum for children aged between nine and 14. The lessons are meant to teach the children literacy, numeracy and concepts of basic science. While the curriculum will relate to the culture and occupation of marine fisherfolk, it has been so designed that children who wish to switch to regular school at the end of two years can do so.

Curriculum lessons are being developed by BOBP through a consultant, Ms. Namita Ray, in cooperation with the Directorate of Fisheries and the SCERT, and with funding from UNICEF.

"The response of fisherfolk in sending their children to these schools (known actually as "pilot centres for non-formal education") has been excellent so far," says BOBP staffer Dr. Uwe Tietze. "Twenty to 30 children are attending each centre." He adds: "The project is within the framework of the Government of India's national programme on "Comprehensive access to primary education."

* State Council for Educational Research and Training.

Fisherfolk children go to school



the decision-making process at the bank headquarters involves quite a few departments and officers. Nobody wants to commit himself until he is sure that others will also do so. However, this attitude should be expected from banks because they are asked to invest their own funds in an uncertain venture: BOBP does not play any role as guarantor.

Another type of serious problem occurred after the loan disbursement. Local middlemen and local politicians exerted pressure on extension officers and branch

managers to advance loans to their clients/friends without their fulfilling the criteria set up in the scheme. So far the concerned officers have resisted these attempts.

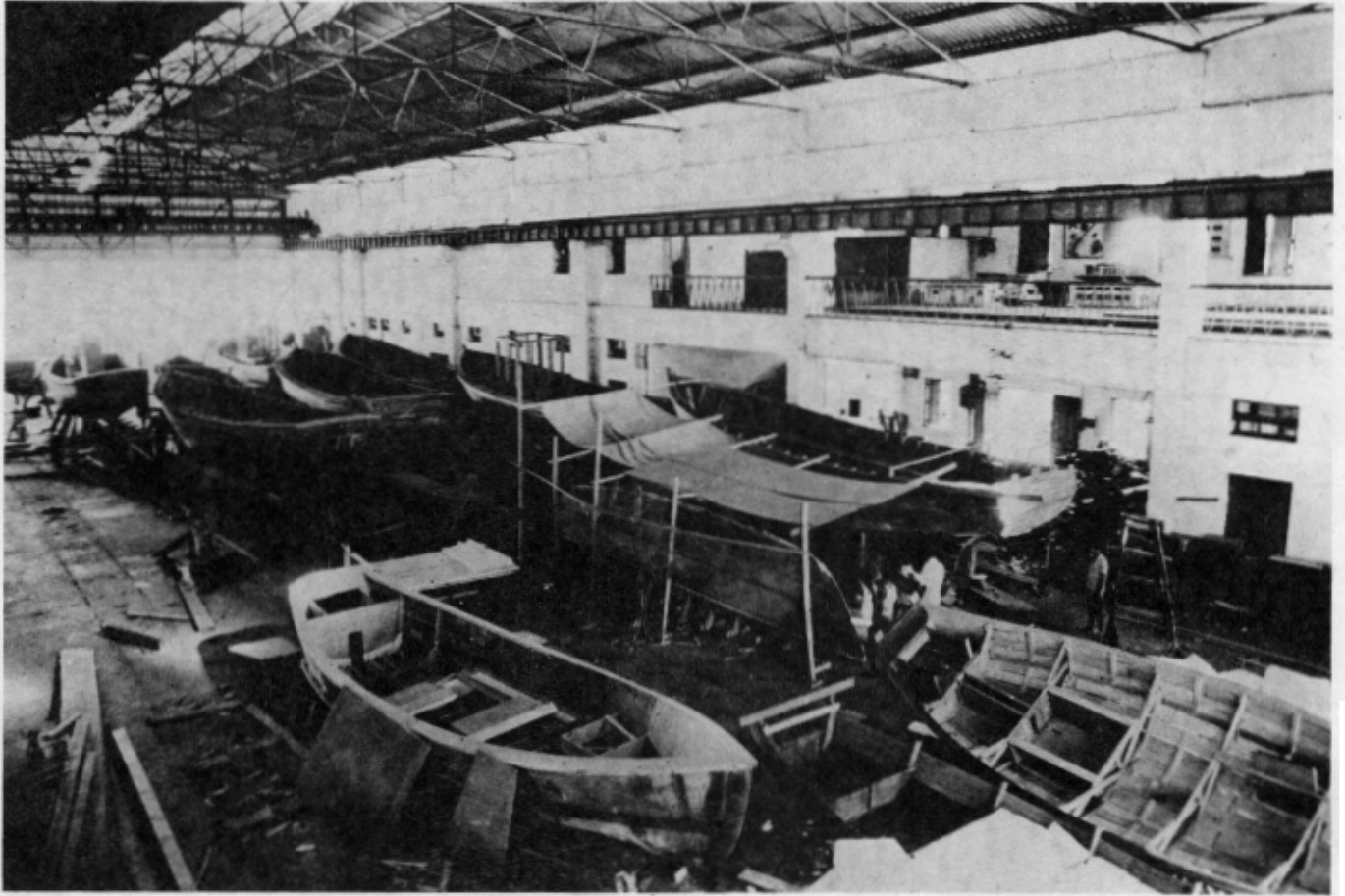
Q: Finally, is the scheme replicable? In other words, can schemes similar to Orissa be organised elsewhere in India and the region?

A: Before replicating the Orissa credit project elsewhere, efforts should focus on stabilizing repayments here and on carrying out a campaign to promote institutional savings. Already a three-year NABARD

scheme is under preparation to give the project a more permanent footing.

Once this is completed, a similar scheme could surely be prepared along the same lines for other coastal states of India, modifying formats and schemes according to local conditions. However, it should be borne in mind that a scheme cannot be easily transplanted. First, coastal banks have to be convinced that a credit project for fisherfolk is worth trying; then their staff must be teamed up with an operating marine fisheries extension service.

glimpses into BOBP projects



Boatbuilding materials in India

BOBP fishing craft specialist R. Ravikumar, who has just done a study of price trends in boatbuilding materials, writes

Don't just glimpse. Take a long hard look. Material prices are soaring.

Do you know that

- The price of good boatbuilding timber logs has doubled to 4500 Rs/m³ since 1980. Finished stock costs as much as 8500/m³.
- The price of marine plywood too has doubled since 1980. A 12 mm sheet costs 130.00 Rs/m² today.
- The price of cement used in ferrocement construction has increased five times to 1500 Rs/tonne.
- The only two materials which have shown marginal increases

since 1980 are fibreglass (FRP) and aluminium, thanks to the reduction of excise duty.

Let us examine what this means in terms of costs, for a 10 metre long gillnetfishing boat, in wood, plywood sheathed with FRP, aluminium and ferrocement built to accepted boatbuilding practice. (See table.)

We should however view this table with some caution as figures for labour cost, overheads and profit are only estimates.

The table also does not consider service life and maintenance costs which are closely related. While aluminium, FRP and ferrocement hulls are impervious to borer attack, damage due to impact and chafe with the quay side and with other

boats is largely dependant on boat care.

Scrap value is another point which was not considered in the table. Among the materials discussed, aluminium is the only one which can fetch upto 40% of the original material cost if sold as scrap.

Fuel saving is very important today not only as a measure of conservation but also due to its influence on running costs. Lighter hulls will need less power and will save more fuel than heavier hulls for the same speed. For gillnet boats engine power can be estimated on the basis of HP per ton of displacement. For trawlers however, engine power is more a function of tow rope pull required. But here too the amount of fuel saved may be considerable with a lighter boat if the free running time to and from the fishing ground is longer than the trawling time.