

A Study on the Availability and Utilisation of Microcredit in the Traditional Fisheries Sector of Kerala, India

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Abstract

Microcredit from microfinance institutions is increasingly common in India and is used for activities from simple thrift to credit support for income generating activities. In coastal fishing communities, a large number of microfinance initiatives are active. Two major sources are Government schemes through fishermen's cooperative societies and others through non-government organisations. These have made credit accessible to people in fishing communities, especially fisherwomen. Many microfinance schemes provide credit to develop microenterprises but the funds instead have been used for household needs and only minimal tangible productive assets were created. Through household surveys, the present paper examines how microcredit is used by fisherwomen and fishermen in Kerala, India. It explores if the availability of microcredit has brought about any changes in livelihood options, household income and expenditure, social status and decision making among the fisher population, especially fisherwomen.

Introduction

Institutions and instruments of microfinance are increasingly common and are providing access to credit for vulnerable and disadvantaged groups such as resource poor fisher households in the traditional fisheries sector of countries like India (Tietze and Villareal, 2003). The ADB (2000) defines microfinance as “the provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance to poor and low-income households and their micro-enterprises”. While credit remains the main service available to the rural population through microfinance schemes, the schemes are slowly diversifying their services into savings and other products. Credit continues to be popular as this is the most deficient resource in rural areas. According to the Reserve Bank of India (RBI, 2011), microfinance is a tool for economic development with the objective to reduce poverty.

The ownership and governance structures have been used to classify microfinance institutions (MFIs) (Mahajan and Nagasri, 1999; Haq et al. 2008). In India, formal financial institutions such as banks or State cooperatives operate microfinance through various schemes, either through specialised subsidiaries or through cooperatives or other agencies. A second common type of institution is the non-government organisation (NGO) run MFI, in which NGOs operate and manage the operations of microfinance regulated by guidelines of the Reserve Bank

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of India (RBI, 2011). In both types of MFI schemes, credit is largely channeled through Self Help Groups (SHGs).

Materials and Methods

The present study was carried out from August 2010 to January 2011 in Ernakulam and Tiruvananthapuram districts of the state of Kerala, India. Ernakulam is in central Kerala while Tiruvananthapuram is the southern-most district of the state. Fishing is important in both districts. In 2005, 14,399 fishermen were active in the marine sector of Ernakulam district; and in Tiruvananthapuram the number was 47,428. The fisher populations (all persons in the fishing communities) were 0.077 million and 0.18 million respectively (<http://www.fisheries.kerala.gov.in/prof-dist.pdf>).

For the study, MFI's were selected taking into account their operational mechanisms and governance structures, and selecting Government and non-government MFIs. The respondents then selected broadly also fell into two groups depending on the MFI they took credit from, i.e., microcredit from Government MFIs (Govt_MF) operated by fishermen's cooperative societies and microcredit from NGO-operated schemes (NGO_MF). Respondents from each of the two types of MFIs were selected to examine whether there were differences in the terms of microcredit and its utilisation.

The tools for data collection included focus group discussions with beneficiaries followed by collection of information from 130 respondents, 105 fisherwomen and 25 fishermen through a structured questionnaire (NABARD, 2002; ADB, 2007, Gopal et al. 2010). All the respondents were from the traditional fisheries sector. The sample comprised more fisherwomen than fishermen because we observed that 85% of the beneficiaries who took credit from the various microfinance schemes in the coastal areas were fisherwomen.

Results

Socio-demographic profile

The average age of respondents in both the Govt_MF and the NGO_MF was around 40 years (Table 1). Among the beneficiaries, 33% of respondents completed middle school, 21% completed primary school and 16% achieved secondary education; 10% were illiterate.

The average family size of the respondents' households was 4.7 and 78% of the respondents lived in nuclear families. This high rate of nuclear families indicates that families are becoming smaller and the joint family system is breaking down. All the respondents were married.

Table 1. Socio-economic particulars of respondents.

	Govt_MF Men	Govt_MF Women	NGO_MF Men	NGO_MF Women	Total All
Age (years)	41.9	43.8	46.7	44.7	44.3
Education (%)					
Illiterate	9	12	7	6	10
Can read and write	9	8	29	16	12
Primary	9	25	7	22	21
Middle	73	33	29	22	33
Secondary	0.00	15	7	28	16
Collegiate	0.00	7	21	6	8
Family type (%)					
Nuclear	82	88	57	66	78
Joint	18	12	43	34	22

Potable water and toilets are major problems in coastal areas (Kurien and Antonyto, 2000) but in this study we found that 92% of the respondents had access to these.

Almost half the respondent households had a television set (Table 2). Educational institutions and health facilities were also accessible. The average monthly household income of the respondents was around US\$213. Respondents gathered information from newspapers, radio and television. Among men, 4% of respondents did not read newspapers and 12% did not watch TV; among women, 61% did not read newspapers. About 73% of women and 56% of men watched TV regularly.

Table 2. Household possessions, access to education and health facilities and income of respondent households.

Household possessions	
Television	51%
Refrigerator	15%
Either Bicycle or Motorcycle	25%
Radio	9%
Distance to education institutions	
Primary school	1 km
Secondary school	2 km
College	10 km
Access to health facilities	
Primary health centres (PHCs)	1.26 km
Hospitals	4.64 km
Average monthly income	
Govt_MF (Men)	US\$469
NGO_MF (Men)	US\$224
Govt_MF(Women)	US\$195
NGO_MF (Women)	US\$161

Reasons for taking Microfinance Credit

Out of the total respondents in the study, 54% in the Govt_MF group and 59% in the NGO_MF group took credit to start up micro-enterprises. Depending on the activity for which credit was taken, the amounts ranged from US\$100-200 (approx.). Other respondents used credit to meet household consumption expenditure, including carrying out household repair work. While 58% of fishermen availed of credit only for starting an enterprise, only 40% of fisherwomen used it for that purpose. Credit from Govt_MF schemes was usually linked to micro-enterprise development but the NGO_MF schemes were more flexible, with the stress being more on prompt repayment rather than on whether it was used for income generating activities

Knowledge about loan and repayment

The respondents' knowledge of the schemes from which they were taking credit was assessed to find out whether they understood the terms of the loan and their associated liabilities. Out of the respondents, only 20% of Govt_MF respondents and 48% of NGO_MF respondents had sufficient knowledge of the schemes, even though such information was provided by the agencies operating the scheme, i.e. the cooperative society or the NGO.

Repayment schedule

One of the advantages of microfinance credit is that repayment options are flexible. The repayment options were daily, weekly or monthly. The average monthly repayment was Rupees 2,559.65 (approximately US\$51). Only 23% of the respondents were regular with their repayments, out of which 66% were women. Men had higher rates of default. Most (85%) of the respondents repaid different amounts for each installment, suggesting that they were making repayments according to their means. Monthly repayments were made by 79% of the respondents and 20% of them repaid weekly. Very few repaid on a daily basis.

Impact on household income and expenditure

The perceived impact of the microcredit on household income was assessed. Of fishermen and fisherwomen, 64% and 39%, respectively, felt that their family income levels had increased as a result of the microfinance supported enterprises. More fisherwomen respondents using Govt_MF schemes (63%) perceived that incomes had increased as a result of employment generated from the small investments made. Only 38% of NGO_MF respondents stated that their incomes had risen. The average monthly earnings from the enterprises were Rupees 3,099.85 (approx. US\$62).

Major household expenditure had increased. Of the respondents, 39% had made some changes such as adding a room, changing the roof or building a toilet. About 83% of the respondents had also added some household items such as a refrigerator and furniture. The increased expenditure at household levels may not have reflected the increase in incomes from enterprises as 42% to 47% of respondents used the credit taken to meet household requirements

including household repairs. Thus, some of the credit may have gone directly to household expenditure.

Change in social status

Of the respondents, 83% felt that their social status had increased as a result of the credit. The majority of the fisherwomen who had started enterprises felt that their status in their community had increased. Another factor that could be linked to social status was the extent of physical mobility. In the present study, 61% of fisherwomen respondents felt that their mobility had increased as they now travelled more outside their villages, while 39% felt that there was no change, or that restrictions had increased (Fig. 1).

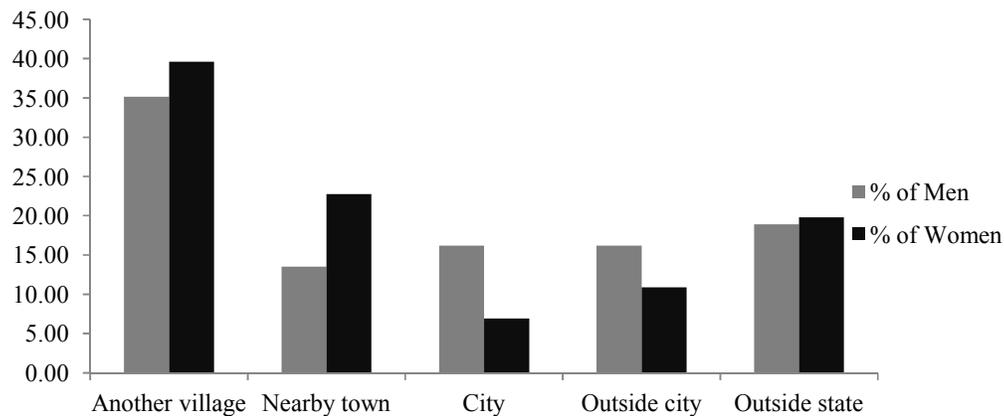


Fig 1. Changes in physical mobility of men and women respondents, as measured by movements outside their native villages.

Impacts on decision making

In this study we examined respondents' impressions of economic decision making with respect to the way the micro-finance credit is used and the decisions regarding its use. Social status is often related to economic independence and the inability to handle finances and make financial decisions are often the reasons for low or secondary social status within the family. In the present study, 33% of Govt_MF respondents and 47% of NGO_MF respondents indicated that the decision to take credit was a joint decision. Similar results were reported for decisions on household purchases such as food, clothing, health, education and marriages of children.

Discussion

This study showed that microcredit, through Government and NGO microfinance schemes, was a good option for meeting the general credit needs of the rural poor. The expansion of microfinance schemes has brought rural households greater access to credit for a number of purposes. In many cases the credit taken has been used to meet household consumption needs rather than invested in income generating activities. The sizes of microfinance loans were small and their use helped smooth household consumption and reduced expenditure uncertainties

(Tietze and Villareal, 2003; ADB, 2007) and thus helped families by “relieving seasonal liquidity crises that visit poor families” (RBI, 2011). Meyers (2002) observed that the poor actually needed access to long term credit rather than one time support and Navajas et al. (2000) pointed out that short term credit worsened the welfare of the poor.

The results of the present study tended to support the view that the availability of microcredit may not result in tangible asset creation to sustain employment and income in rural communities. As observed in the ADB (2007) study in five operational regions in Bangladesh, Philippines and Uzbekistan, the poorest households did not generate enough profit to significantly increase household incomes.

The link between the change in household income and the availability of and accessibility to microcredit may not be direct or simple. Karmakar et al. (2009) observed that in Bangladesh, the income of beneficiaries had actually risen by 2.8% to 12.2%, but other dimensions like training, timeliness of the credit and participation in decision making were important for ensuring long term livelihood security.

In the present study it was observed that the knowledge about credit and repayment provisions among NGO_MF respondents was higher because the NGO_MFIs stressed repayment. Field staff made house visits and collected dues. The repayments by the Govt_MF respondents were largely voluntary and facilitated through a group coordinator of the fishermen’s cooperative society who ensured that regular group meetings of beneficiaries were conducted and appraisal of the repayments and dues was carried out. Lending to SHGs has been effective in enhancing repayment behaviour (Karlan, 2006). The frequency of repayments also tends to be higher for microfinance credit (RBI, 2011) when compared to traditional loans from traditional financial institutions. The flexible options for repayment could be one of the reasons for higher repayment percentages.

Karmakar et al. (2009) found that fisherwomen beneficiaries acquired assets of their own and exercised power in household decision making, thanks to microcredit. This study also revealed that fisherwomen felt that their social status and decision making role within the family had increased. However, other studies showed different results, namely that men tended to decide on resource allocations, and the microfinance initiatives were not always achieving the desired results of women’s empowerment (Kabeer 2001; NABARD, 2002; Swain and Wallentin, 2007).

A possible limitation in the present study was selection bias as all respondents had taken microfinance credit and the study lacked a control group. Also, the recall method was used to elicit information and this can be subjective and the study may have failed to fully isolate the precise impacts of microfinance. Duvendack et al. (2011) in a systematic review of microfinance studies has also pointed this out as a major drawback in most studies.

Credit needs of the rural population tend to be overlapping and credit requirements for employment generation cannot strictly be separated from credit needs for household consumption. Whether credit taken for one purpose is diverted for other requirements can be studied by taking up micro-level studies. Lack of generic tools to measure the impacts, especially to quantify the role microfinance plays in the empowerment of women, is a major constraint. Further studies are required in small scale and traditional fishing communities.

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