

DANGERS OF LINKED CREDIT ON FISHERFOLK : A STUDY IN KANYA KUMARI DISTRICT.

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ABSTRACT

Linked Credit is a mode of lending that force the borrowers to sell their produces only to the creditors and to work under them until the debt is paid back. In short, it is a lending system that enslaves and engulfs the poor. Fisherfolk who remain at the lower ebb of social ladder and whose work is seasonal, unpredictable and perishable in nature are forced into linked credit. This paper is an attempt to analyze what are the factors that lead the fisherfolk to this enslaving system and how this linked credit system enslaves and engulfs the life of the fisherfolk, perpetuating them in abject poverty even after 60 years of planned development. Results from 253 samples indicate that irrespective of the crafts they own, an average sample respondent's economic position reported to be low and they face cash deficit position leading them to the trap called linked credit. This paper presents number of recommendations for policy interventions so as to tackle this danger and to uplift the economic conditions of the fisherfolk who contributes 1.4 Per cent to the Gross Domestic Product (GDP) of Indian economy.

I. INTRODUCTION

India is endowed with great natural and human resources that it is marching towards being a superpower in the world by 2020. The GDP of our country is rapidly increasing even after the global recession and is estimated to be around 8.5 per cent for the fiscal year 2011. However, India has approximately 400 million people living below or close to the poverty line (Khare, 2009) and the gap is widening further. What is the reason for this continuing abject poverty and paradox? Where is the problem? One of the major reasons is that the policies and programmes of the Government do not effectively cater to the rural poor who form the major population of the Indian society. The nationalization of banks, for example, in 1969 and in 1980 caters to the needs of the urban population than the rural population.

A recent research conducted by the Rural Finance Access (RFAS) has found that nearly 87 per cent of the poor households were without access to any formal credit and about 70.4 per cent of the poor did not even have any deposit account. (Thakur,2009). As a consequence, when economic

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emergencies of any kind arise, the rural poor have no choice but to approach informal credit agencies like moneylenders/traders for immediate loan, paying exorbitant interest rates. Linked credit is one such system. Linked credit is a mode of lending that force the borrowers to sell their produces only to the creditors and to work under them until the debt is paid back. In short, it is a lending system that enslaves and engulfs the poor. Fisherfolk who remain at the lower ebb of social ladder and whose work is seasonal and unpredictable become logical victims of this linked credit system in the absence of other formal credit systems.

Problem of the study

The Government of Tamilnadu and India have created a number of welfares schemes in view of uplifting the fisherfolk. However, the living conditions of the inhabitants of the coastal area remain unaltered even after 60 years of planned development and the debt index of the fisherfolk seems to be on the increase. One of the major reasons for this continuing abject poverty of the fisherfolk seems to be lack of organized moneylending system. The season nature of employment, unstable and unpredictable income and also the perishable nature of their produce (fish) makes the fisherfolk to suffer even to meet their daily needs on many occasions. In the context of not having regularized, formal, legal and healthy money lending system, they are exploited of their hard earned labour by the moneylenders and traders. This paper, in line with many other similar studies (Murickan.1983, Eugene.1990, Pramanik.1993, Pazhani.1997, 2001, 2008 & 2009, Bisoyi.2005, Santana.2007, (and Korakandy. 2008), aims at exploring the dangers of exploited money lending system called linked credit in the life of fisherfolk.

Profile of the study area

Kanyakumari District is situated in the southern extremity of the Indian Peninsula. It has a coastline of 71.5 kms: East coast is of 11.5 kms (Arockiapuram to Periakadu) and West coast is of 60 kms (Rajakkamangalam to Neerodi) with 1,86,876 fisherfolk population in the year 2008-09. There are 47 marine fishing villages with one active fishing harbour, three major fish landing centers and 42 minor fish landing centers. The major landings of marine fishes are Sardine, Mackerels, Cuttle fishes, White baits, Ribbon fish, Seer fish and Rock perches.

Objectives

The general objective of this paper is to analyze the reasons for linked credit and its implications on the life of fisherfolk in Kanayakumari District. The specific objectives are

- to analyze the credit requirements of the sample respondents;
- to find out the sources of borrowing of the sample respondents;
- to discuss the extent of linked credit among the sample respondents ; and
- to study the impact of the linked credit on the economic conditions of the sample respondents

II. METHODOLOGY

This study is based on both primary and secondary data. Primary data was collected from 253 sample respondents from 6 coastal villages namely Arockiapuram, Kanyakumari, Colachel, Kodimunai, Enayamputhanthurai, and Vallavillai. The sample size is determined with the help of Marine Fisheries Census 2005 and 10 per cent of the universe in the respective villages was taken on the basis of simple random sampling techniques. The sample is categorized as Member fishermen (MFM) (82 out of 253) , Non-member fishermen (NMFM) (64 out of 253), Member boat union (MBU) (17 out of 253) and Fishing Labour (FL) (90 out of 253). Secondary data was collected from journals, unpublished thesis, Marine Fisheries Census Report and records of Assistant Director of Fisheries (Regional), Nagercoil.

III. DATA AND DISCUSSION

Since the nature of fishing industry is seasonal, unpredictable and the products are perishable in nature the fisherfolk are unable to cope with investment, production, and consumption expenditure. Their expenses exceed their income and are left with cash-deficit position most of the time. The following table lucidly explains that irrespective of the crafts they own, the sample respondent is faced with cash-deficit position.

Table - 1
CRAFT-WISE ESTIMATES OF CREDIT REQUIREMENT
(Per annum)

Sl. No	Particulars	Category of craft			
		MFM	NMFM	MBU	FL
1	Production expenditure	2,33,600	2,35,000	18,60,000	-
2	Consumption Expenditure	1,21,175	1,17,500	2,34,200	93,400
3	Net Informal Credit	57,500	1,57,200	17,66,000	97,250
	Total Expenses (A)	4,12,275	5,09,700	38,60,200	1,90,650
	Total Income (B)	3,71,600	3,63,000	24,02,000	78,400
	Cash deficit Position (A-B)	40675	146700	1458200	112250

Source: Survey data

The income of fisherfolk is influenced by factors like: availability of fish, fish-famine, number of fishing days, number of crews engaged in fishing, bad weather, cyclones commission taken by the traders on the total produce, source of borrowings, and rate of interest. It is evident from Table 1 that out of 253 sample respondents, 194 (76.68 percent) respondents have an income ranging from Rs.35,000/- to 1,00,000/- per annum. However, this is insufficient to meet their expenditures of investment, production and consumption. Hence, they are left with cash deficiency of MFM: Rs.40, 675, NMFM: Rs.1, 46,700, MBU: Rs.14, 58,200 and FL: Rs. 1, 12,250. Thus, the seasonal and unstable nature of fishing income makes the economic conditions of fishermen as fragile and leads them into debts. In the context of cash deficiency, they are forced to step into the doors of informal lending agencies than the formal ones as the fishing assets are not considered to be security to be pledged in the formal sector. The following table further explains other factors such as the village and source-wise credit utilized by the sample respondents in the wider context of linked credits.

Table - 2
VILLAGE-WISE AND SOURCE-WISE CREDIT UTILISED BY
SAMPLE RESPONDENTS

S. No	Village	Nationalized Banks	Private Banks	F.T	F.S	C.O	Others	Total
1	Arockiapuram	5,20,000	70,000	15,90,000	62,000	-	6,52,000	2894000 (14.25)
2	Kanyakumari	7,60,000	-	26,00,000	47,000	75,000	4,35,000	3917000 (19.28)
3	Colachel	6,78,000	2,60,000	16,20,000	38,500	90,000	9,03,000	3589500 (17.67)
4	Kodimurai	4,95,000	1,50,000	19,25,000	33,000	80,000	7,87,000	3470000 (17.08)
5	Enayam Puthenthurai	6,63,000	98,000	21,25,000	29,000	50,000	6,17,000	3582000 (17.63)
6	Vallavilai	5,75,000	27,000	17,25,000	38,000	55,000	4,42,000	2862000 (14.09)
	Total	36,91,000 (18.17)	6,05,000 (2.98)	11585000 (57.03)	2,47,500 (1.22)	3,50,000 (1.72)	38,36,000 (18.18)	2,03,14,500 (100.00)

Source: Survey data

Figures in Parentheses indicate percentage to the total

F.T-Fish Traders, F.S- Fishermen Sangam, C.O-Craft owners

It is clearly evident from Table 2 that the domination of money lenders cum traders (57.03 per cent) in financing the fishermen community is higher even after six decades of planned economy. The contributions of formal agencies are very meagre in the development of fisheries economy as the study signifies that the sample respondents derived funds from the banks to the tune of 21.15 per cent (Nationalized banks;18.17 percent and Private banks;2.98 per cent) while the informal agencies lend up to 78.85 per cent of the total borrowings. It is due to easy accessibility, security relaxation, distance of the banks, cumbersome procedures of the banks and the indifferent attitude of the bank staff. Another shocking factor is that out of 47 coastal villages in the district, only 8 coastal villages have banking facilities as per the Annual Credit Plan of 2010. The following table clearly depicts the above statement.

Table-3
Banking Facilities

S. No	Name of the villages	Public sector	Private Sector	Total
1	Kanyakumari	3	-	3
2	Colachel	3	2	5
3	Enayam Puthenthurai	1	-	1
4	Thoothoor	2	-	2
5	Kesvan Puthenthurai	1	-	1
6	Rajakkamangalam	1	-	1
7	Muttom	-	1	1
8	Enayam	1	-	1
	Total	12	3	15

Source: Annual Credit Plan, Kanyakumari District, TamilNadu, Pp-13-17.

Table 3 shows that out of 47 coastal villages in Kanyakumari District, only 8 coastal villages have 15 branches in its jurisdiction. The major players of public sectors are Indian Bank in 5 villages, State Bank of Travancore in 4 villages and State Bank of India, Canara Bank and Indian Overseas Bank in one village each. The private sector banks are Tamilnadu Mercantile Bank in 2 villages and Pandiyan Grama Bank in one village. It is evident that the nationalization of banks in 1969 and 1980 did not cater to the rural poor.

Again, in the study area concern, out of 6 sample villages, 3 villages have banking facilities namely Kanyakumari, Colachel and Enayam Puthenthurai with 9 branches. In such villages, the formal credit is higher than non-banking villages proving one of the basic reasons - lack of formal lending agencies - for the fisherfolk to get entrapped in linked credits. However, even in these villages, the fisherfolk who do not have security-pledges like gold or land automatically seek the money lenders as the banks do not consider loans without security pledges. Ironically, their fishing assets are not considered as security-pledges. If this is the case of 8 villages where there is formal lending agencies one can imagine the situation in other 39 villages without any formal lending agencies. Linked credit becomes the sole surviving method even though people knew it to be a slow poison.

The following table pictures succinctly this tragedy of enslaving indebtedness. Out of 253 borrower fishermen households, 204 (80.63 percent) have availed labour linked and market linked credit while only 49 of them (19.37 per cent) have not availed this exploitive loan but managed with other forms of non-exploitative loans from sources like friends, relatives and NGOs.

Table- 4
DISTRIBUTION OF BORROWER FISHERMEN ON THE BASIS OF
EXTENT OF INDEBTEDNESS

Indebtedness	Category of crafts				
	MFM	NMFM	MBU	FL	Total
Up to 50,000	48	9	-	16	73
50,001-1,00,000	20	18	-	20	58
1,00,001-1,50,000	14	25	-	5	44
1,50,001-2,00,000	-	9	-	-	9
2,00,001-2,50,000	-	3	-	-	3
2,50,001 and above	-	-	17	-	17
	82	64	17	41	204

Source: Survey data

It is evident that out of 253 sample respondents, 204 (80.63 per cent) persons have obtained loans from sangams, money lenders cum traders and owner fishermen. The sangam provides loan based on their performance i.e. number of working days and total catch. The loan varies from Rs.40,000/- to Rs. 75,000/-. The crew labourers who are working in the boats have borrowed loans ranging from Rs.25,000/- to Rs.1,00,000/-. It is found that out of 90

fishing Labourers are not trapped into the hands of money lenders, (FL) 41 persons are having labour-linked credit while the other 49 were not trapped into this exploitative system just because they were lucky to have a wealthy relative or friends who can lend loans or more male population in that family who can work and earn. In the absence of such support system, the study finds that, even those 49 fishermen have no choice but to enter into labour-linked credit. NMFMs have obtained loan from Rs.75,000/- to Rs. 1,50,000 while the boat owners have obtained loan from Rs.10,00,000/-to Rs. 25,00,000/-. This loan is borrowed from three to four money lenders - cum - traders and they sell fish to one seller, squid to other seller and prawns to others. So this study reveals that all the craft owners (100 per cent) are trapped into market-linked credit while half of the fishing labourers are trapped into labour linked credit.

Findings and Suggestions

The following could be placed as major reasons that led the fisherfolk into the exploitative linked credit system which in fact perpetuates their abject poverty.

- The income of fisherfolk is seasonal, fluctuating and unstable that they are left with cash-deficiency. Irrespective of crafts they own they all suffer cash-deficiency leading to debts to maintain their expenditure of investment, production and consumption.
- The lack of formal lending agencies - 39 villages out of 47 villages having no banks - force the fisherfolk to approach informal money lending agencies. Further the cumbersome procedural factors and that of security-pledges even in the presence of formal lending agencies force them to have recourse to informal moneylenders.
- The informal and exploitative money lending system is prevalent among the coastal population even after 60 years of planned economy. It is shocking to note that 78.85 per cent lending is by the informal agencies while a meagre 21.15 per cent is by the formal agencies.
- It is frightening to see that 204 (80.63 per cent) persons out of 253 sample respondents have obtained loans through linked credit. It is no wonder then this enslaving and engulfing credit system swallows up their surpluses and they continue to remain in their abject poverty.

From the above findings the following could be placed as possible methods to eradicate linked credit in the lives of the fisherfolk and thus to improve their economic conditions:

- Government of India can set up "National Fisheries Development Bank" (NFDB) that can finance exclusively for the overall development of fisheries sector.
- The Government can insist the banks to open its new branches at least one in every three branches in the rural areas especially in the coastal villages.

- Existing banks must enhance credit possibilities for the fisherfolk with efficiency and fisherfolk friendly policies. Security pledges in particular must be redefined creatively in the context of fisherfolk.
- The Government can offer subsidies to purchase outboard engines, gears, and crafts, through which their burden of cash-deficiency and debt can be reduced.
- In the forthcoming budget plan period (XII Five Year Plan) due importance should be given in fund allocation for the fisherfolk.
- Awareness must be created among the fisherfolk through government and NGOs about the enslaving and engulfing nature of linked credit and the possibilities of formal credit system.
- NGOs must also work on a wider picture of regularizing the spending and saving habits among the fisher folk, so that the borrowing habits can be minimized.
- More studies must be done on linked credit and its dangers in different parts of India and such findings will come handy in eradicating this menace of linked credit.

IV. CONCLUSION

The very nature of fishing sector, which is seasonal and unpredictable leaves a fisherman to be cash-deficient. They are forced into borrowing loans and advances to maintain their investment, production and consumption. In the absence of formal money lending system, and in the presence of cumbersome procedural factors, they fall prey to the informal and exploitative money lending system. It is an irony that the fisherfolk catch fishes but they are caught by money lenders and abject poverty they have to face. It seems that the fisherfolk have no choice than to choose a slow poison food -Linked Credit - and die a day after than to die today without food. Something must be done urgently and the government cannot ignore the pitiable plight of these people. Otherwise Linked Credit System will sweep away both the fisherfolk who contribute 1.4 percent to the GDP and the economic growth continues as ever before.

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