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Part Three

FEBRUARY 1991



NATIONAL SYMPOSIUM ON RESEARCH AND DEVELOPMENT IN MARINE FISHERIES

MANDAPAM CAMP

16-18 September 1987

Papers Presented
Sessions V, VI & VII

CENTRAL MARINE FISHERIES RESEARCH INSTITUTE
(Indian Council of Agricultural Research)
P. B. No. 2704, E. R. G. Road, Cochin-682 031, India

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ROLE OF NABARD IN FINANCING MARINE FISHERIES PROJECTS

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ABSTRACT

National Bank for Agriculture and Rural Development is the apex organisation dealing with the policy, planning and operational matters relating to credit for development of agriculture and allied sectors including marine fisheries. NABARD has been playing a significant role in promoting marine fisheries development as a refinancing agency as well as developmental agency through conducting training programmes, supporting innovative type of schemes and funding research projects. NABARD has been extending refinance assistance to schemes for acquiring fishing vessels, mariculture and for building infrastructural facilities. The experiences of NABARD in implementing various fisheries schemes is discussed in this paper. The significant features of the pilot credit project implemented in Orissa with BOBP assistance are highlighted. With view to increasing the participation of financial institutions in the process of marine fisheries development, suggestions are made to improve flow of credit to marine fisheries.

INTRODUCTION

Marine Fisheries is an important economic activity in the Indian economy. The development of villages in the coastal belt is closely linked to the fishing and its ancillary industries. The Indian Exclusive Economic Zone with an estimated potential of 4.5 million tonnes of harvestable fish holds great promise as a complementary source of protein food for the growing population as well as for augmenting export earnings of the country. Marine fisheries provides large scale employment to the economically weaker sections and plays a significant role in the overall improvement of the socio-economic conditions of rural population in the coastal belt. Special emphasis has, therefore, been given to development of marine fisheries under successive Five Year Plans. As a result, the marine fish production in the country increased from 5.34 lakh tonnes in 1951 to 17.71 lakh tonnes in 1985. The earnings from export of marine products also increased from mere Rs.3.3 crores to Rs.400 crores during this period.

The first four Five Year Plans gave special importance to mechanisation of fishing vessels for increasing fish production. Initially, mechanisation programme was mainly for trawlers. Later, it was extended to gill-netters and purse-seine boats. Introduction of deep-sea vessels during the Fourth Plan period ushered in the era of industrial crafts has been attempted to

increase the efficiency of the traditional fishing vessels. The financial assistance for these programmes was initially provided by Central and State Governments as subsidy and soft loan. As the technologies became popular, the Government withdrew its support and the industry was supported by commercial and cooperative banks with refinance assistance from Agriculture Refinance Corporation (ARC). Having recognised the need for long-term investment credit in marine fisheries, the erstwhile ARC (later renamed as Agriculture Refinance & Development Corporation) included fisheries under its refinance programmes. The first scheme for marine fisheries was sanctioned by ARC in 1969 through the District Central Cooperative Bank in Karnataka. Since then, this organisation has been playing a significant role in promoting marine fisheries activities as a refinancing and development agency.

OBJECTIVES OF NABARD

The National Bank for Agriculture and Rural Development (NABARD) was established in 1982 as an apex organisation to deal with all aspects relating to policy, planning and operational matters in the field of credit for agriculture and allied activities. The functions of erstwhile ARDC were taken over by NABARD in addition to the functions of Agricultural Credit Department and Rural planning and Credit Cell of Reserve Bank of India. The main activities of NABARD include pro-

viding refinance to banks for promoting various developmental activities in rural areas, strengthening the various institutions to ensure an effective credit delivery system and coordinating the activities of all the institutions engaged in rural development. In marine fisheries, the main objective of NABARD is to provide institutional finance to marine fishing industry so as to increase the overall fish production on a sustained basis and to improve the socio-economic conditions of the fishermen community.

ROLE OF NABARD

NABARD provides refinance assistance to long-term credit for acquiring fishing vessels as well as for building up infrastructural facilities. NABARD has so far sanctioned 1700 schemes in fisheries with a total financial assistance of Rs. 212 crores. Majority of these schemes are for mechanised fishing vessels. The schemes are generally formulated by banks in consultation with developmental agencies. To facilitate formulation of schemes on proper lines, NABARD has circulated detailed guidelines to all the banks. NABARD also takes initiative in identifying new technologies evolved by Research Institutes and formulating suitable bankable schemes for implementation by banks.

Schemes are appraised in detail by NABARD for its economic and financial viability. Wherever necessary, field studies are also conducted to assess the technical feasibility and economic viability of the schemes. NABARD gives special emphasis to monitoring of schemes to ensure proper implementation. Evaluation of schemes implemented by banks is also conducted to assess the impact of implementation. The findings of such studies provide valuable data for refining the schemes.

As an apex organisation, NABARD has been issuing policy guidelines to commercial and co-operative banks to ensure proper credit flow to various activities and regions in the country. Due importance is given to remove regional imbalances and to check over-exploitation of resources. For instance, introduction of mechanised vessels is being encouraged by NABARD in Andhra Pradesh, Orissa and West Bengal while restrictions have been imposed on financing for small size trawlers and purse-seiners in Karnataka.

In order to familiarise officials of banks and development agencies with the latest technolo-

gies, scheme formulation and appraisal, NABARD has been conducting training programmes. With the persistent efforts of NABARD, several banks in the country have been able to build up technical manpower to formulate and implement fisheries schemes. NABARD has also been supporting research projects by sanctioning grants from its Research and Development Funds. Research projects aimed at evolving improved technologies having immediate application in the industry are given preference. NABARD has so far sanctioned two research projects in marine sector, one for developing ferro-cement catamaran and another for modernising fishing vessels in the south-east coast. Research Institutions, Governments as well as private organisations engaged in applied research are eligible for availing of research grants from NABARD

TYPES OF SCHEMES

NABARD has sanctioned schemes for almost all types of activities in marine fisheries involving medium and long term investments. The different types of mechanised vessels financed by NABARD are stern trawlers (30-36 feet length), out-rigger trawlers (52-54 feet length), deep sea trawlers (23 m length) and tuna vessels (53 m length). NABARD has, however, recently taken a policy decision not to refinance for deep-sea vessels costing more than Rs.30 lakh (i.e. below 23 m size). The recently established ICICI is expected to provide finance for deep-sea fishing vessels. In traditional sector, the credit requirement is mainly of medium term nature for acquiring country crafts and for acquiring/ replacing the nets. The common types of country crafts that have been refinanced are Catamaran, dug-out canoe and plank-built boats. In recent years, schemes have also been sanctioned for mechanisation of country crafts through installation of in-board and out-board engines.

Refinance has also been sanctioned to schemes for ice-plants, cold storage, freezing plants, fish-meal plant, auction-hall, workshop, transportation and marketing. Financing for such infrastructural facilities is generally considered only if it forms part of an integrated scheme involving production, processing and marketing. NABARD has sanctioned two such major integrated projects in Gujarat and Andhra Pradesh with assistance from world Bank to the extent of US \$ 73 millions.

An innovative type of scheme sanctioned by

NABARD is for culture of pearl oysters. This scheme has been sanctioned to a joint sector company in Tamil Nadu. This is perhaps the first commercial venture in mariculture in the country.

TERMS AND CONDITIONS OF REFINANCE

Commercial banks, Regional Rural Banks, Land Development Banks and Cooperative Banks are eligible for availing refinance from NABARD. The ultimate borrowers could be individuals, group of fishermen, cooperative societies, partnership firms or registered companies. The extent of refinance sanctioned to banks under fisheries schemes varies from 80 to 90% of the bank loan. The repayment period is generally fixed taking into account the economic life of assets, surplus income generated and the repaying capacity of the borrower. Initial grace period is also allowed wherever necessary. NABARD allows special concession to small farmers by way of lower interest rate, longer repayment period and lower margin money. Minimum margin money prescribed by NABARD for small farmers and other category of farmers is 5% and 15% of the total project cost respectively. Subsidy amount available, if any, is also permitted to be treated as margin money. At the prevailing rates of interest, NABARD charges 8.5% and 10.0% interest to banks in respect of refinance from farmers and other category of farmers respectively and banks in turn are allowed to charge 10% and 12.5% to respective category of borrowers.

EXPERIENCE OF NABARD IN IMPLEMENTING SCHEMES

NABARD has been extending refinance to diverse activities in marine fisheries through private and cooperative sector. Apart from well established technologies, NABARD is willing to support any innovative scheme backed up by sound technology.

Notwithstanding the commitment of NABARD and financing banks in supporting marine fisheries, it is observed that the share of marine fisheries in the total disbursements of banks is declining over the past 5-6 years. The marine fish production has also been stagnating since 1983. Some of the factors responsible for this trend are:

1. Limited scope for introducing new vessels in in-shore waters as there is already saturation of fishing vessels in this area;

2. High investment cost of medium and large sized vessels. The fishermen as well as technocrats are unable to contribute even 15% of the project cost as margin money for obtaining bank loans;

3. Lack of appropriate indigenous technology for diversified purpose of fishing;

4. Lack of suitable infrastructural facilities for supporting expansion of off-shore and deep-sea fishing fleet. All the existing larger vessels have been concentrating at Vishakapatnam fishing harbour.

One of the major problems faced by financial institutions in marine fisheries sector is the high overdue position of bank loans in some regions. It is difficult to assign any one particular reason for this as the situation has been built up as a result of interaction of various factors including willful default by some entrepreneurs. Following are some of the factors brought out by NABARD during its follow-up studies in various States.

1. Increasing operational cost due to escalation in fuel cost and wages for labourers. The cost of diesel has increased by over 200% during the last 8 years. The wholesale price index of diesel oil has increased from 213.0 in 1977 and 433.1 in 1985. As against the earlier system of fixed wages, the crew are now demanding a share of catch as wages which in some States is as high as 30% of catch besides allowance for food during fishing days. Though this system of wage payment has an in-built incentive for bringing more catch, the marginal return to the owner gets reduced. The cost of fuel and labour wages together account for about 70% of the operational cost of mechanised fishing vessels. This has sharply eroded the profit margin of the boat owners. However, it is significant to note that the vessels operated by owners themselves have earned better profit than those managed by non-fishermen owners.

2. Marine fish landings are characterised by wide fluctuations from season to season and year to year. Since the annual instalment of loan of mechanised vessels is substantial, one year of poor catch would add to the loan burden to such an extent that the fishermen generally find it difficult to clear the instalments over the subsequent years. Irrespective of the number of days of fishing and the income realised, fishermen have to pay the premium on insurance of vessel and loan. This adds on to the overdue burden. However, NABARD has been allowing

fairly longer repayment period to offset the lower income during some seasons.

3. There was unregulated increase of fishing vessels in certain localised areas leading to reduction in catch per unit effort. Consequently, the vessels could not earn surplus income to the extent envisaged while formulating schemes.

4. There was no proper follow-up action and supervision of fishing vessels at landing centres. Banks were not having adequate supervisory staff to monitor the fish catch and income of individual boats.

5. Recovery of loan from groups of fishermen and cooperative societies were by and large unsatisfactory due to lack of understanding among partners, poor management of cooperative societies and lack of involvement and accountability on the part of the members of the societies.

6. Marketing tie-up arrangement envisaged in cooperative sector did not work satisfactorily. Middlemen were still found to play a major role in providing informal credit to fishermen for the working capital requirement and controlling the marketing of catch.

7. There was general lack of saving habit among the fishermen. Income during good season was either spent lavishly or diverted for other purposes. Consequently, fishermen had to resort to borrowing from middlemen during the lean season to tide over the situation.

In this connection it is worth mentioning the experience of bankers in Orissa in implementing a pilot Credit Project for financing traditional fishermen launched with the active cooperation of Bay of Bengal Project and the State Fisheries Department. The recovery of bank loan was as high as 90% under this project. Flexible nature of scheme to suit the requirement of individual fisherman, proper identification of borrowers, timely release of loan and intensive monitoring by the officials of fisheries department and banks were largely responsible for the success of this project. This approach deserves to be repeated in other maritime States also.

SUGGESTIONS

Financial institutions like NABARD and other banks can play a vital role in promoting marine fisheries through credit support. The perspective lending programme drawn up by NABARD for next few years envisages financing for medium-size trawlers, long liners, beach landing crafts, FRP boats, mechanisation of traditional crafts and

building up infrastructural facilities. Financing for culture of seaweed, edible oysters, mussels etc. would also be considered. However, in order to facilitate formulation of suitable schemes for these ventures and to ensure its successful implementation, the following suggestions may be considered by research organisations and developmental agencies.

1. Comprehensive data on fisheries resource in the off-shore and deep-sea regions of the Exclusive Economic Zone should be collected. FSI may consider taking up intensive survey by employing different types of vessels in selected region so as to generate adequate data regarding the economics of exploiting resources in that region.

2. The research institutions should come out with specific recommendations regarding the advisable limit of fishing efforts in a particular area and/or particular varieties of fishes. Banks can accordingly plan their lending programmes and contribute towards checking over-exploitation of fish stock.

3. At present, almost all the medium and large size trawlers in the country are operating in the northern Bay of Bengal with Visakhapatnam as base. Other fishing harbours on the east coast at Roychowk, Madras and Dhamra have failed to attract the entrepreneurs. Government should take immediate steps to provide necessary facilities at these harbours. Additional fisheries harbours should also be developed on the east coast and west coast to cater to the medium and large size vessels.

4. A major constraint in promoting tuna fishing is the lack of proper infrastructural facilities for preserving tuna under conditions acceptable for export market. Only tuna stored at -40°C is accepted in Japanese market. Therefore, there is need to fabricate frozen storages and Tuna vessels having temperature below -40°C in the fishhold.

5. In order to improve the economic viability of deep-sea fishing vessels, suitable market should be created for low priced fishes. These fishes could perhaps be converted into appropriate value added products.

6. In order to reduce the operational cost of mechanised vessels, Government may consider providing excise duty exemption on HSD used by all types of fishing vessels. Similarly marine diesel engines may be exempted from excise duty as is being done for agricultural pumphsets.

Priority should be given for designing fuel saving devices for installation on small as well as large size vessels.

7. There is a need to develop a specialised marine fisheries extension net-work in the State Fisheries Departments. Besides other extension work, this network can assist the bankers in identifying suitable beneficiaries, in ensuring proper utilisation of loan, and in timely recovery of the bank loan. A beginning in this direction has already been made by the Department of Fisheries in Orissa State.

Since resource is becoming a constraint

for several State Government in promoting various developmental programmes, it would be desirable to give importance for "Development Through Credit" by involving financial institutions in the development programmes. NABARD as an apex institution has been playing a significant role in Fisheries Development of the country but now with greater awareness all around a concerted effort among the research organisations, developmental agencies and financial institutions will go a long way in achieving the targets as envisaged under the Planned Programmes.