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## The role of Self Help Groups on coastal indebtedness in marine fisheries sector – a case study from Kerala, south India

V. P. VIPINKUMAR, SHYAM S. SALIM, K. N. PUSHKARAN, N. K. HARSHAN,  
K. P. SALINI AND P. V. SUNIL

*Central Marine Fisheries Research Institute, P. B. No. 1603, Kochi - 682 018, Kerala, India*

*e-mail: vipincmfri@gmail.com*

### ABSTRACT

The Self Help Groups (SHGs) mobilised in marine fisheries sector play pivotal role in reducing the indebtedness among marine fisherfolk. An effort is made in the present paper to assess the extent of indebtedness among marine fisherfolk in various sectors and to assess the role of SHGs on coastal rural indebtedness. The study was carried out in northern, central and southern coastal belts of Kerala State. Situational analysis was done through Participatory Learning and Action (PLA) in the selected locations in the above mentioned zones of Kerala and the sample respondents were selected from mechanised, motorised, traditional, secondary, tertiary and mariculture sectors. Data were collected through personal interview from members of 12 selected SHGs and nonmembers in these sectors comprising a total of 600 respondents. The level of indebtedness of members of SHGs was less compared to the nonmembers. Even if indebtedness was more in certain cases, the repayment capacity was found to be significantly improved in SHGs. There is an extreme necessity of strengthening the SHG ventures in the traditional, secondary and tertiary sectors in the state. It was also found that the SHGs ranked better in most of the major attributes in the perception of stakeholders. A comparative assessment of the sources of credit, the purposes of credit and the utilisation pattern of loans in the state also was undertaken to draw valid conclusions. Successful microfinance ventures documented can be used as a practical manual for mobilising SHGs in any key areas on a sustainable basis.

Keywords: Credit, Indebtedness, Microfinance, Repayment, Self Help Groups

### Introduction

In Indian marine fisheries sector, the extent of indebtedness is quite notable throughout the coastal belts. The Self Help Groups/microfinance institutions mobilised in marine fisheries sector do play a vital role in reducing the vicious circle of indebtedness among marine fisherfolk. A real quantifiable assessment on the indebtedness level has not so far been attempted among marine fisherfolk, except a couple of studies on credit distribution undertaken by the Central Marine Fisheries Research Institute (CMFRI), Kochi. Finance plays a crucial role in accelerating any business activity/economic development and fisheries sector is not an exception. The economic activities of the fishing villages mainly depend upon the availability of credit at reasonable cost to enhance production and income. The quantum of indebtedness at a reasonable level of interest sourced out from the organised sector is definitely an indicator of development, since availability of finances boosts up the economic activity and capital formation in a region. Mobilised group ventures in the country, comprising Self Help Group (SHG), Microfinance Institution (MFI), Farmer Entrepreneurial Group (FEG), Bharat Kisan Centre (BKC), *Swayam Sahayak Sangh* (SSS), *Ayalkoottam* (AK) etc., perform an appropriate micro-enterprise with microfinance as essential component ensuring sustainable

development. Whatever may be the connotation, the essence is a mobilised group venture with a productive economic activity initiated by thrift deposits and sustained by an appropriate micro-enterprise either independently or by the intervention of an external agency where microfinance is the basis.

In Kerala State, there are 187 fish landing centres and 222 marine fishing villages having 1,18,937 fishermen families with a population of 6,10,165, out of which 98% belong to traditional fishermen (CMFRI, 2010). The average numbers of families in a village are 536, with 2,748 persons per village. Women form 49% of the population with 966 females per 1000 male. There are 65,459 (55%) families below poverty line. With regard to education, 73% of fisherfolk are educated with different levels of education. There are 1,45,396 active fishermen of whom 1,30,922 are fulltime fishermen, 10,582 part-time and the rest engaged in fish seed collection. Regarding the indebtedness in fisheries sector, the extent of indebtedness and the average outstanding debt per indebted households are comparatively less among fishermen as per the figures of institutional sources, but the affairs of the fisherfolk is really grim as they are virtually gripped in the hands of non-institutional agencies, namely the money lenders and traders for which legitimate data sources do not exist. Fisherfolk are attracted to the non-institutional

agencies on account of simple procedures and timeliness in availing finance. They depend on the non-institutional sources mainly for meeting their operational expenses. Since majority of the money lenders in fisheries sector are middlemen cum traders, who offer credit on the guarantee of selling of fish to them, often exploit fishermen by offering less price for produce.

Mammoo (2004) observed that fishing communities rely on two distinct credit sources *viz.*, the traditional/informal and the institutional/formal. Traditional sources include moneylenders, middlemen, fish traders, boat owners, shopkeepers and pawn brokers. Institutional sources are mainly banks and cooperatives. Within the informal credit system, there are professional moneylenders, who do not ask what the loan is meant for, and the fish traders, who lend money to secure fish supplies. Khan *et al.* (2005) observed an empirical link between poverty and indebtedness, with the estimated mean debt to income ratio in low income group of fisherfolk being 3.4. For middle income group and high income group, it was 1.46 and 0.38 respectively. The absence of policies, limited occupational choices and the exploitation from the middlemen cum traders have locked them into a cycle of debt dependence and their livelihoods extremely precarious.

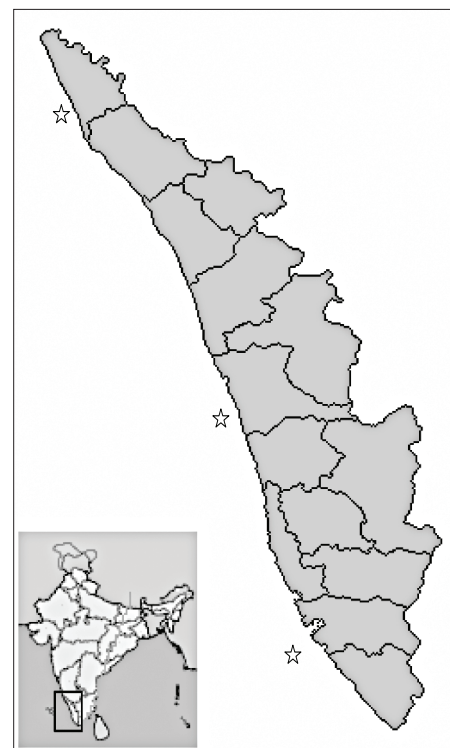
The microfinance system enabled thousands of people by offering loans to poor people and though some fear that it could lead to over-indebtedness. It has benefited the wider economy. Yunus (1999) pointed out that while microfinance in India has lots of growth potential, regulatory changes are required and an independent regulator needs to be set up to monitor the cases of abuse. A few studies on the impact of microfinance organizations on rural indebtedness in fisheries sector were conducted in the international level by Fisheries Co-management Case Study from the Gambia (Njie and Mikkola, 2001). Vipinkumar (2007) studied the dynamics of twelve women's Self Help Groups in marine fisheries sector of Malabar area of Kerala and developed a strategy for mobilisation of an effective SHG. Sathiadhas *et al.* (1994) conducted a couple of micro-level socio-economic studies on indebtedness in selected fishing villages in different maritime states in India. Jayaraman (2005) undertook the performance analysis of fisherwomen SHGs in Tamil Nadu for the National Bank for Agricultural and Rural Development (NABARD) and reported women SHGs played a substantial role in alleviating poverty and indebtedness in fisheries sector. Bhairav (2006) reported that there is incontrovertible evidence that rising agricultural debts are forcing farmers to commit suicide, severely affecting Indian Agriculture. Mohanty (2007) observed that the per household debt for agricultural labourers in India has increased by 80% between the last two Rural Labour Enquiries (RLE) of 1993-94 and 1999-2000. Tripathi and Sharma (2007) specifically attempted to evaluate the impact of micro-credit through SHG-Bank linkage on the financial behaviour of rural poor in the Raebareli District of Uttar Pradesh.

The livelihood analysis encompasses all the strategies and assets that individuals and households use to earn a living of which microfinance plays a vital role (CBCRM Resource Center, 2003; Arciaga *et al.*, 2002; Ashby, 2003). NSSO (2003), Ministry of Finance (2007) and CED (2008) brought out the

reports of indebtedness level in the Indian agricultural sector. Kudumbashree (2010) of Kerala state has spent ₹121.88 crores for microfinance enterprises for women empowerment. In this context, the SHGs of fisherfolk do have a pivotal role in reducing the indebtedness in the marine fisheries sector. The major objectives of the study were to assess the extent of rural indebtedness and the role of various agencies in providing credit, the credit utilisation pattern and repayment behaviour in marine fisheries sector and also to study the impact of selected SHGs on rural indebtedness, supply of credit and empowerment of marine fisherfolk.

## Materials and methods

Situational analysis was done through Participatory Learning and Action (PLA) in selected potential maritime locations in Kerala. The study was undertaken with 600 samples drawn from northern, central and southern parts of Kerala state represented mainly by three districts *viz.*, Kasargod, Ernakulam and Kollam. The map showing the locale of the study is presented in (Fig.1) and the sampling distribution categorising the mechanised, motorised, traditional, secondary and tertiary sectors is presented in Table 1. Data were collected from 4 SHGs from each district comprising of 12 SHGs, 240 SHG members and 360 nonmembers from the 3 districts forming a total of 600 respondents. The respondents were personally interviewed with a pre-tested structured interview schedule which formed the sample of the study. The selected SHGs, location and major micro-enterprise are presented in Table 2.



☆ Kasargod, Ernakulam and Kollam districts

Fig. 1. Map of Kerala showing the locale of the study

Table 1. Sampling distribution in Kerala

Sector	Total	Non-MFI members	MFI members
Marine capture fisheries	360	230	130
Primary mechanised	120	76	44
Motorised	60	36	24
Traditional	60	40	20
Secondary	60	36	24
Tertiary	60	42	18
Mariculture	240	130	110

Table 2. Selected SHGs, location and micro-enterprise

District	Name of the SHG	Location	Micro-enterprise
Kasargod	Ori unit	Padanna	Bivalve farming
	Padmagiri	Kasaba	Fish processing and value addition
	Vedavyasa	Kottikkulam	Fish drying and value addition
	Kavunchira Kairali	Cheruvathur	Bivalve farming
Ernakulam	Janani	Malippuram	Fish drying, value addition and mussel farming
	Trinity	Vypeen	Fish drying and value addition
	Ambedkar	Kumbalangi	Value addition and allied sector
	Sreekrishna	Narakkal	Fish Processing and value addition
Kollam	Mahatmaji	Dhalavapuram	Bivalve farming
	St. Maries	Malibhagam	Bivalve farming
	Ashtajalarani	Puthan thuruthu	Fish Processing and value addition
	Chavara	Pannakkal thuruthu	Fish Processing and value addition

Locations identified in northern Kerala in Kasargod District covered Kasaba, Cheruvathur, Kottikkulam and Padanna areas. The central Kerala in Ernakulam District covered Malippuram, Njarakkal, Vypeen and Kumbalangi areas and the southern Kerala location in Kollam District covered Dhalavapuram, Malibhagam, Puthanthuruth and Pannakkal thuruthu locations from where 12 SHGs at random were selected for the study. Situational analysis was undertaken through PLA in the above mentioned zones and the marine fisherfolk from the various strata were taken as representative samples by proportionate random sampling method. A detailed study was made through personal interview of the fisherfolk to assess the extent of coastal rural indebtedness and the role of various credit agencies in providing credit, the credit utilisation pattern and repayment behaviour of marine fisherfolk and to document the prospects and constraints with the help of a pre-tested and standardized data collecting protocol. From each SHG, 20 members were personally interviewed with the structured interview schedule to assess the impact of the

selected SHGs on coastal rural indebtedness level, supply of credit and empowerment of marine fisherfolk. The dynamics of credit utilisation pattern, repayment behaviour and extent of debt redemption of the members of these SHGs were assessed and the important dimensions contributing to their effectiveness were identified and thereby the present prospects and the constraints faced by SHGs in marine fisheries sector were documented.

Garrett's ranking technique which provides the change of orders into numerical scores was used to identify and rank the attributes on the functioning of MFIs. The percent position of each rank was converted into scores referring to the table given by Garret and Woodworth (1969).

## Results and discussion

The comparison in the level of indebtedness of SHGs and non-SHGs across sectors is presented in Fig. 2. The average indebtedness of fisheries households in mechanised sector of non-members of SHGs is ₹1.96 lakhs and that of members is ₹0.68 lakhs. In motorised sector, indebtedness of non-members is ₹1.65 lakhs and that of SHG members is ₹0.54 lakhs. But in the traditional sector, members' indebtedness is ₹0.50 lakhs and that of non-members is ₹0.37 lakhs which indicates the necessity of strengthening the SHG ventures in the traditional sector. Per household indebtedness in Kerala is approximately ₹1.01 lakhs and the level of indebtedness is 83%. In general it can be observed that the microfinance played a major role in Kerala fisheries sector in reducing the level of indebtedness among marine fisherfolk. The growth of Self Help Groups and Microfinance Institutions brought out a significant role in the sustainable development in the Kerala fisheries sector. Very many examples of group mobilisation such as *Kudumbasree*, *Ayalkoottam*, Farmer Entrepreneur Group (FEG) etc. can be quoted in this arena in poverty alleviation and redemption of debt.

From Table 3, it can be seen that in many of the attributes, MFIs are much better in performance in majority's perception. This is a clear-cut justification for the superiority of microfinance credit model compared to institutional and non-institutional credit on account of the parameters listed out in the Table 3.

The distribution of respondents in detail based on level of indebtedness in secondary fishing sector, tertiary fishing sector and mariculture sector are presented in Table 4 and it is

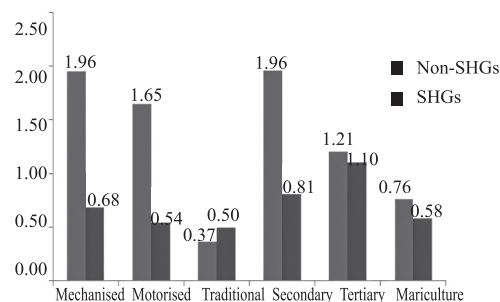


Fig. 2. Comparison of the level of indebtedness across sectors: SHGs and non-SHGs

Table 3. Appraisal on the functioning of the SHG/ Institutional/Non-institutional credit agencies

Attributes	Institutional		Non-institutional credit		Self Help Group	
	Score	Rank	Score	Rank	Score	Rank
Easy approval process	41.45	III	49.20	I	43.60	II
Diverse areas of funding	41.85	II	43.7	I	40.25	III
Eligibility of recipients	63.35	I	46.3	III	48.75	II
Maximum loan amount	65.95	I	57.50	II	56.95	III
Need for collateral security	56.45	I	51.6	II	52.25	III
Provision of longer loans	51.85	II	41.8	III	52.45	I
Provision of loan grace periods	43.05	II	42.7	III	43.35	I
Easy repayment schedule	48.45	II	41	III	51.65	I
Low interest rate	57.25	I	42.7	III	43.35	II
Stringent for default of payment	45.45	II	59.5	I	60.15	III
Hidden cost and concerns	50.05	II	59.3	I	45.95	III

clearly evident that the average indebtedness of SHG members is less compared to the non-members. In the secondary sector, indebtedness of SHG non-members is ₹1.96 lakhs and that of members is ₹0.80 lakhs. In the tertiary sector, indebtedness of SHG non-members is ₹1.21 lakhs and that of members is ₹1.10 lakhs. With regard to mariculture sector, indebtedness of SHG non members is ₹0.76 lakhs and that of members is ₹0.58 lakhs. It is quite obvious that rural mobilisation through SHGs in the fisheries sector of Kerala also brought out economic empowerment to a commendable extent which ultimately reflected in redemption of debt so as to get relieved from the vicious circle of indebtedness. (Vipinkumar *et al.*, 2013). Yunus (1999) also reported that in Bangladesh the microfinance system enabled thousands of people by offering loans to poor people, which benefited the wider economy.

The level of repayment in percentage are given in Table 5 and it was evident that the repayment level of SHG members was much better than non-SHG members and the highest level of repayment was observed for the motorised sector SHGs.

Table 4. Distribution of respondents based on level of indebtedness in secondary, tertiary and mariculture sectors

Indebtedness level (₹)	Secondary fishing sector		Tertiary fishing sector		Mariculture sector	
	Non-SHG members (%)	SHG members (%)	Non-SHG members (%)	SHG members (%)	Non-SHG members (%)	SHG members (%)
Up to 1 lakh	22.22	50.00	33.33	50.00	72.31	81.82
1 to 2 lakhs	33.33	25.00	38.89	25.00	16.92	16.36
2 to 3 lakhs	27.78	16.67	22.22	16.67	9.23	1.82
>3 lakhs	16.67	8.33	5.56	8.33	1.54	0.00
Average indebtedness (₹)	1.96	0.80	1.21	1.10	0.76	0.58

Table 5. Level of repayment across the sectors

Sector	% of Repayment	
	Non-SHG	SHGs
Mechanised	26.75	24.00
Motorised	22.60	40.52
Traditional	14.62	32.18
Secondary	28.14	23.18
Tertiary	34.18	29.56
Mariculture	24.12	32.15

There is a general proposition that indebtedness itself can be considered a sign of development, provided the borrowers have adequate repayment capacity. The results of the present study on the level of repayment revealed that SHGs also possess substantial repayment capacity which was observable through their level of repayment of loans. The levels of indebtedness as well as repayment were substantial for the SHGs compared to non-SHGs. This signifies the growth and progress of microfinance and social mobilisation in Kerala fisheries sector.

From Fig. 3, it can be seen that fisheries co-operatives are the major source of loans for majority (40%) followed by banks (27.22%) and private money lenders (25.56%). Fisheries co-operatives have a profound impact on fishery management paradigm in the marine fisheries sector of coastal Kerala. Co-operatives in marine fisheries sector play an inevitable role in loan provision for a variety of requisites and fishermen can derive great benefits as members of fisheries co-operative societies. As the co-operative movement in Kerala fisheries sector has grown tremendously, it is natural to find that fisheries co-operatives are the major source of loans for majority, compared to banks.

It can be observed that major purpose for which the loans are being used is for non-productive assets (NPAs) like house construction/land purchase (55.17%) rather than fishing related requirements like purchase and repair of craft/gear and fishing related equipments which comes to about 21.12% (Fig. 4). The actual purpose for which the loans were intended gains only the second priority while examining across the sectors. As cheap credit is a basic requisite in the development process, the SHGs help the fisherfolk to a great extent in providing credit irrespective of whether it is for NPA creation or for a genuine fisheries purpose.

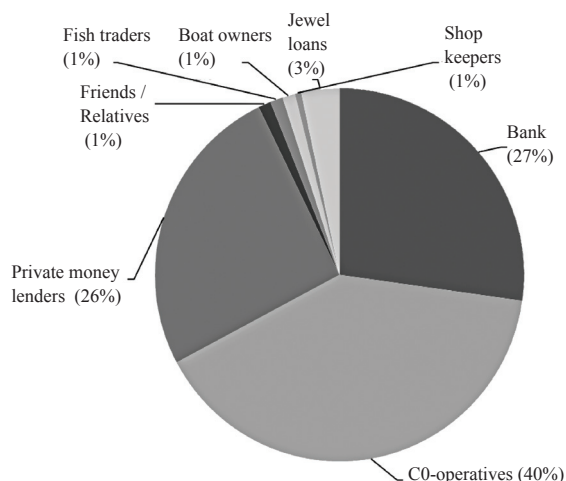


Fig. 3. Sources of credit in Kerala

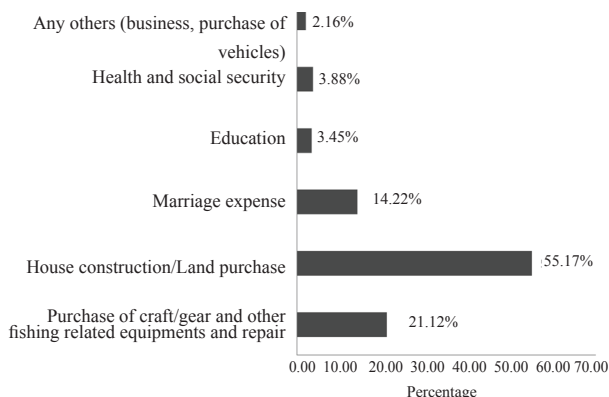


Fig. 4. Purpose of credit usage in Kerala

The genesis of Self Help Groups and their subsequent advancements in social mobilisation in marine fisheries sector do play a significant role in reducing the vicious circle of indebtedness among marine fisherfolk. The study carried out in northern, central and southern coastal belts of Kerala State in general, showed that the level of indebtedness in SHGs was less compared to non-SHG in Kerala. Level of indebtedness in non-SHG was almost 3 times of SHGs. The results of the study are in agreement with the impact assessment study of MFIs in Karnataka and Andhra Pradesh coastal belts (Vipinkumar and Swathilekshmi, 2012, Vipinkumar *et al.*, 2013). Kerala is conspicuous for SHGs and Andhra Pradesh is particularly notable for Microfinance Institutions (MFI). Per household indebtedness in Kerala was approximately ₹1.01 lakhs and level of indebtedness was 83%. Even when the indebtedness was high, the repayment capacity of SHGs was found to be more. Co-operatives were found to be the major source of funding followed by banks in Kerala. In Andhra Pradesh, banks were the prime source. Non-institutional credit agencies still hold good across the sectors. NPAs existed to a great extent as loans were being used for non-fisheries activities like asset creation and social obligations. Vasantha and Manohar (2008) reported that microfinance programmes are presently being promoted as an important strategy for concurrently addressing both poverty

alleviation as well as women empowerment and microfinance firms must maintain efficiency levels to increase their scale of operations which surely will bring down the cost of financing and ultimately the benefits will be transferred to the poor people in terms of improving the standard of living and reasonable cost of borrowing. There is an extreme necessity of strengthening the SHG ventures in the traditional, secondary and tertiary sectors, because 98% of the fisherfolk households come under the category of traditional sector in Kerala. The paper doesn't proclaim that the impact on indebtedness is only due to microfinance through SHGs, as it is only one of the major contributing factors. But it is a truth that credit being the curb and core for enhancing the pace of any of the economic activity, low cost credit supply is the essence of development and microfinance institutions play a significant role in this regard to offer low cost micro-credit and thereby save the fisherfolk from irrecoverable debt trap to a great extent in Kerala. The findings of the study will be of much use for similar type of analyses in other areas and would be of help in subsequent investigations on coastal rural indebtedness and impact of Self Help Groups and microfinance institutions.

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