

Poor fish farmers' accessibility to credits: A review

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Abstract

Fisheries sector contributes about 5.3% to GDP and about 6% of the export earnings of Bangladesh. There are about 4.1 million ha of inland water bodies in Bangladesh. However, over last two decades the catch from inland capture fishery has decreased due to filling of wet lands and other anthropogenic reasons. Accordingly, the production of inland fish has decreased not only for the decrease of water bodies but also due to irrational catch of fish fries, brood fishes and use of current nets for fishing. Significant responses from the fisheries entrepreneurs have not been received for the small loan scheme of the Bangladesh Bank. The bank could not disburse more than Tk. 500 million under the scheme. The total revolving credit under the scheme was Tk. 1,000 million with the assistance from the World Bank. The business houses having fixed assets of value not more than Tk. 10 million will be eligible to borrow from this fund. About Tk. 0.2-5.0 million can be borrowed as term loan and working capital from Bangladesh Bank through commercial banks. The loan was given to the commercial banks at 5% interest (bank rate) and the commercial banks shall also bridge finance to the entrepreneurs at a lower rate of interest. Working capital time limit is for a maximum of 1 year with half yearly rest, mid-term loan maximum of 3 years in 5 installments and with 6 months grace period and long-term loan maximum of 5 years in 9 installments with 6 months grace period.

Key words: Fisheries sector, Institutional and non-institutional credit, Fisheries policy

Research findings

- The average rate of interest for the fisheries sector was estimated to be 9.03% which was quite high for fisheries entrepreneurs.
- Although the target for disbursement of 4% of the total agricultural loan was set for fisheries alone but the disbursement was only 3% in the FY 2004.
- Inland fish production increased by 10.26% for the last three years but the delivery of credit especially for fish farming was very cumbersome and inadequate.
- Rational and interested farmers can derive benefits from the subsidized institutional credits to improve fish culture and management.
- Landless, small and marginal farmers faced problems in getting access to the formal institutional credits and they were compelled to depend on the mercy of the non-

institutional and individual money lenders at an exorbitant rate of interest and/or stringent conditions.

- Rural moneylenders took advantage of charging high rate of interest, which was 5-10 times higher than the formal lending rate.
- Different types of rural credits are offered by commercial banks and NGOs. However, BRAC, PROSHIKA and other NGOs charged higher rate of interest (15%) for fish farmers.
- The formal sector's rate of interest for fisheries entrepreneurs was lower by 5.95% and it was within the reach of the poor farmers for various reasons. Women working under PROSHIKA implemented 50.13% of the fisheries programs borrowing 48.90% of the loan portfolio.

Policy implications

- There is no fisheries insurance provision against natural calamity, disease and theft as a result farmers are to some extent helpless in time of unfavorable conditions of farming. As a result, some times they abandon the farm.
- The necessity of insurance mainly against natural calamity and partially against theft was highly felt by the farmers.
- Lower rate of interest, simplification of lending provision without collateral but of supervised credit was highly recommended.
- The National Policy for Fisheries 1998 needs drastic and specific amendments immediately. Proper implementation and amendments of the various Fisheries Laws like the Protection and Conservation of Fish Act. 1950, the Protection and Conservation of Fish Rules 1985, the Private Fisheries Act. 1889 and the Marine Fisheries Ordinance 1983 should be made in favor of fishers and fisheries.

Livelihood implications

The nation can have more protein intake and better health by fish farming, but is deprived of such opportunities due to lack of proper management and credit facilities in this sector. The majority of the fish farmers are illiterate but the number of literate people is increasing due to limited employment opportunity elsewhere and increased demand and high price of fish. The family intake of fish protein has also increased due to availability of fish at their own farm. The implications for small farmers, traders, and poor consumers, both in terms of availability of cheaper food and higher income are quite significant. About 87% were attracted to fish farming because of its profitability and the rest came for household consumption, availability of pond, seed and additional source of income. The savings of fish farmers were used in various ways, such as for child education, health care, housing and sanitation. Over all life standard has improved by fish farming and 90% of the fish farmers intended to continue fish farming.