

Financial Inclusion with a Difference - Fisherwomen in Udupi, Karnataka show the way for Success.

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Abstract

Fisheries which is an allied activity to agriculture is an important sector in the country as it provides cheap protein, valuable foreign exchange and employment to huge population. The sector is divided into three sub sections like Inland (fresh water), brackish water and marine. The flow of Bank credit to these sectors is nor do commensurate with the potential or meet actual requirements of the community. When compare to all other sections of our society the fisher folk is highly underdeveloped and still in the clutches of money lenders. On the contrary the fisherwomen of Udupi district of Karnataka have proved that they are credit worthy and Bankable. They have developed a successful banking model, like a light house in the sea shore. This paper details the process, secrets of success which can be replicable to fisherwomen of as well as by their agriculture counterpart in other States and even countries.

Keywords : *Financial inclusive, Fisheries, Fisher Women, Fish Marketing.*

Introduction

Fisheries is one of the crucial sectors of our Nation's economy, which contributes to food, health, economy, exports, employment and tourism. With a total fish production of 6.40 million MT, (3 MT from marine and 3.40 MT from Inland sources) the country ranks third in the world. Fish and fishery products have presently emerged as the largest group in agricultural exports, with 5.2 lakh tonnes in quantity and Rs.7,200 crores in value. This accounts for around 3 percent of the total exports of the country and nearly 20 percent of the agricultural exports. But, compared to any other section of our

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population, the socio-economic conditions of the fisher folk is pitiable and over decades, backwardness has been the hall mark of this community. Due to mounting over dues in marine fisheries sector, most of the Banks feel fisheries loans as “fishy loans”. But the fisherwomen in Udupi district of Karnataka have proved otherwise, exhibiting their credit worthiness with 100 percent repayment of loans availed from Corporation Bank.

Fisherwomen

According to the CMFRI census (2010), there were 3,288 marine fishing villages and 1,511 marine fish landing centres in 9 maritime states and 2 union territories in our country. The total marine fisher folk population was about 4 million comprising in 864,550 families. Nearly 61 percent of the fishermen families were under BPL category.

The overall sex ratio was 928 females per 1000 males. While fishermen take active part in fishing, the fisherwomen play crucial role in the marketing. They participate in the public auction for purchase of fish, paying ready cash and carry to either local or outside markets for marketing. It is found that 81.80 percent of those engaged in fish marketing and 88.10 percent of those in curing and processing fish are women. We could see that in villages the fish marketing is taken up mostly by fisherwomen.

Udupi District of Karnataka

Udupi district occupies an important place in the fisheries map of Karnataka. It has 98 km of coastline with 63 fishing villages and 10 fish landing centres. There are 25,726 families who are engaged on a full-time basis in fishing, while 4,791 families are engaged on a part-time basis. Further it has good network of marine fisheries infrastructure like 10 landing centres, 82 ice-plants (capacity of 1495 MT), 13 cold storages (cap.1650 MT) and 108 fish markets. There are about 5000 mechanised and 1500 non mechanized boats operating in this district. 43 fishermen cooperative societies are functioning. The Malpe is one of the 10 minor port in the State and is a natural harbour, where about 3000 fishing boats land their catch.

New Scheme for fisherwomen

The fisherwomen, involved in fish marketing were not having adequate financial resources to buy quality fish in required quantity. For meeting financial requirements, they were fully dependent on the local money lenders, who not only charge huge interest but also pressurize the fisher folk for distress sale of fish. They availed loan from money lenders at very high rate of interest (2 to 3 percent per day) and they could only service interest, due to low margin. These fisherwomen were excluded from formal credit institutions. Among many reasons, mounting overdue in fisheries sector, lack of interest by both Banks and the community, convenience for fisherwomen to approach money lenders were the major reasons for their exclusion. In contrary to this, the interest subvention scheme of Government of Karnataka started in 2009, by which, interest charged over and above 3 percent p.a. for loans up to Rs 50,000 availed by individuals for fisheries activities, be reimbursed to the commercial and Regional Rural Banks for prompt repaying borrowers, was not picking up to the expected level.

South Kanara & Udupi District Co-operative Fish Marketing Federation Ltd., which was formed in 1954 mainly to help fisher folk for providing financial, technical and community-level assistance, is functioning in the district implementing various welfare measures for fisher folk, in addition to extending financial assistance. The federation has the govt. of Karnataka as 'A' Class Member, 63 Primary Fishermen Co-op Societies covering about 50,000 fishermen as 'B' Class Members and about 12,200 individual fishermen as 'C' members. Fishermen cooperative societies, apart from implementing welfare measures like insurance, savings cum relief fund, housing etc, also extend loans for fisheries activities at 15percent and jewel loans at 13 percent to their members. The huge demand for loans could not be met by the societies, due to inadequate financial resources.

It is in this backdrop that Corporation Bank in association with the Fish Marketing Federation formulated a scheme in Nov. 2011 to promote fisherwomen JLGs, who are involved in fish marketing and

value addition. As a result the fisherwomen were financially included and that too with a concessional rate of interest at 3 percent per year.

Joint Liability Groups

Innovative credit delivery mechanisms such as SHG Bank Linkage Programme have proved to be successful in providing financial services to poorer sections of the society by the formal financial institutions. However, coverage of certain sections of rural community like tenant farmers, oral lessees, small and marginal farmers etc has not been up to the desired level. The results of the Pilot project taken up by NABARD during 2004-05 in 8 states of the country involving 13 RRBs, launching of Rythu Mithra Groups(RMGs) through Agriculture Department in Andhra Pradesh and subsequent linking them with the banks have adequately demonstrated that the JLG approach can be successfully replicated in all the areas also. Based on the experience gained NABARD formulated a scheme for financing under JLG mode and the same was approved by RBI for adoption by all the banks.

A Joint Liability Group (JLG) is an informal group comprising of 4-10 individuals coming together for the purpose of availing bank credit on individual basis or through group mechanism against mutual guarantee. Generally, the members of a JLG would engage in a similar type of economic activity in the Agriculture/Allied Sector/Non-farm sector. The members would offer a joint undertaking to the bank that enables them to avail loans. JLG members are expected to provide support to each other in carrying out occupational and social activities. The following are the conditions with regard to membership

- Members should belong to similar socio-economic status, background and environment carrying out similar economic activities and willing to function as a Joint Liability Group.
- Members should have mutual trust and respect.
- Members should be residing in the same area and should know and trust each other well to take up joint group loans or individual loans.

- Members should not have defaulted to any financial institution in the past.
- More than one person from the same family should not be included in the same JLG.
- All members should be active and should be ready to take up leadership on rotation basis.

Though savings is not compulsory, yet savings among JLG members can be encouraged. However quantum of loan to the groups should not be related to the savings of the groups, but should be related to the credit needs of the members based on the activities. There are 2 models for financing of JLGs. (i) financing individually the members ie., based on the credit requirement and activities proposed banks are financing JLG members individually. All the members would jointly execute loan documents, making each and every one jointly and severally responsible for the repayment of the total loans taken by all individuals of the same group. Each member of the group should know their liability towards the loan taken by other members of the group. (ii) Financing the JLG as a unit ie., based on the combined credit requirement of the members of the JLG for the activities proposed banks may finance the group as a single borrowing unit. All the members would jointly execute loan document, making each and every one jointly and severally responsible for the repayment of the loan taken by the group. Each member should know the debt liability of the group. Banks extend credit after credit appraisal and all other norms of financing like rate of interest, margin, security, coverage of crop insurance, personal accident insurance (PAIS) etc are followed by the bank as per the regular norms. Loans provided to JLGs (both for farm sector and non-farm sector purposes) may be treated as Priority Sector advances.

Successful JLGs by Fisherwomen

The following are the salient observations on their JLGs promoted by fisherwomen in Udupi district.

- ✓ All the JLGs are formed with fisher women as members, in the age group of 25 to 55. Women above the age of 60 were not

considered for membership. The number of members per JLG ranged from 7 to 10. Many of them were formed from the erstwhile SHGs.

- ✓ Many of the JLGs were formed from the SHGs formed by Fishermen cooperative Societies (ie., under model II of NABARD wherein JLGs are formed from the existing SHGs.)
- ✓ Every JLG has a name and has opened SB account with nearby Corporation Bank branch.
- ✓ Though there are illiterates, most of them are educated and the level varies from 6th Std to degree. All could understand the accounting procedures as well.
- ✓ The men folk of their families are working as helpers in fishing boats and fishing companies on wage employment. A few of them own small traditional boats also.
- ✓ Most of the members purchase fish from auction, in Malpe fishing harbor and transport the purchased fish to nearby villages or even to Mangalore (75 km) for selling. The busy season is from Sept to May while the lean season is between June and Aug.
- ✓ In addition to fish marketing, few members are engaged in net repair, small business, dressing fish for export, drying fish etc., to supplement their income.
- ✓ They have regular monthly meetings generally on the day when the fishing harbor is closed ie., every first day of the month, so that no body loses income due to meeting. Usually, the meetings are conducted in a common place (park, Bhajana mandir, Playground) or one of the houses, which could accommodate all members.
- ✓ They maintain saving register, loan register and meeting register.
- ✓ Though not compulsory, the members have saved @ Rs 50 to Rs 100 per month and the same is utilized for internal lending at 12 percent to 20 percent to their members. Few JLGs have used this fund to repay bank loan installments also in case of exigencies.

- ✓ All most all the members undertake fish marketing, either fresh fish or dry fish.

The JLG formed by the Fishermen cooperative Federation /Society apply loan for the entire group, in the prescribed format and provide the following documents.

- Photo and Address proof to comply with KYC norms
- Group photo
- Inter se agreement executed by all members
- Group guarantee agreement (in Rs 200 stamp paper)
- Copy of Tripartite agreement between sponsorer, Bank and JLG
- Copy of Membership ID card & Bonafide certificate from society
- Common deed of hypothecation of stock

On receipt of loan application, the Bank manager prepares due diligence report for all beneficiaries individually. Grading of JLG was done based on quality parameters and the JLGs were sanctioned a loan of Rs 50,000 per head. Then, branch manager issued sanction letter indicating loan amount, monthly installment, due date etc. Bank charged 0.5 percent of loan amount as one time processing fee. No collateral security was obtained by the Bank. A maximum loan of up to Rs 5.00 lakh per JLG was sanctioned with a repayment period of 35 months and EMI based installments. The rate of interest charged by bank was floating rate, which varied between 12.25 to 12.50 percent during the last 3 years. Before, disbursements of the loan, these JLGs were counseled by bank officials and sent SMS to the mobile numbers of president and secretary of JLGs, reminding the due date and amount in advance. Interest rate charged to JLGs over and above 3. percent.(ie., 9.25 percent) is subvented by the State Government and claims are settled at half-yearly intervals. Interest is debited to the JLGs account on a monthly basis and later adjusted upon receipt of interest subvention from the State Government. Hence the effective rate for loan is only 3 percent per annum. The progress of implementation of the scheme is closely

monitored by bank in their quarterly review meetings of the branch managers by the Zonal Manager, besides visits of senior officers to the branches at regular intervals.

Bank loan

The Corporation Bank zonal office Udupi covers 3 districts namely Shimoga (15 branches), Chickamagalur (15 branches) and Udupi. There are 41 branches in Udupi district, of which, 21 are coastal branches, where the scheme was implemented. The following table shows the progress of implementation of scheme.

Table No. 1 : Progress of JLGs and Loan disbursement to FLGs

As can be observed from the table above, the Bank has extended credit to the tune of Rs 146.68 crore for 3025 JLGs with no NPA during Nov 2011 to 31 March 2014. The scheme has been implemented successfully by Corporation Bank in Udupi district with 100 percent recovery. The Vaderahubli branch received the NABARD's award for credit linking highest number of JLGs, among all Public Sector Banks in the State during 2012-2013. The Corporation Bank received the award from NABARD for credit linking highest number of JLGs during 2011-2012 in the State. In order to encourage group mode of financing, especially JLGs, NABARD sanctioned Rs 19.00 lakh as promotional grant assistance to Corporation Bank for formation and credit linkage of 950 JLGs @ Rs 2000 per JLG.

Fisherwomen show the success route

The fisherwomen utilize the loan (Rs 50,000 per head) received from the Bank for fish trading activities, fishing activities undertaken by the family (husbands) and some amount towards consumption

purpose. Major portion is utilized for purchase fish baskets, insulated ice box and other tools like knife, weighing balance, small table etc. They pay advance to fish venders, fee for using fish market hall etc. On an average they procure 60 Kgs (40 kg first grade and 20 Kg second grade) fishes and they are transported to other places by tempo van. They also sell/ supply fish to hotels/ restaurants regularly on credit. At the end of the day they earn about Rs 300 to 400 as net income. JLG movement has changes the life style of many fisherwomen.

“You educated people may say anything, but for me JLG is the key for my progress” says Kalyani, a member of Mahalakshmi JLG. “The whole family is now engaged in fish marketing and contribute to family development and my children could continue education only because of JLG” says Smt Damayanthi another woman from Sangavi JLG, Malpe. Appreciating the involvement of Corporation Bank, Shri. Laxmana Swarna, President of Kodi Fishermen cooperative Society says “JLG of fisherwomen is a successful bank model, which has reduced the dependency on money lenders.” Smt. Nirmala, a member of JLG says, “With my 32 years' experience I can say, JLG loans are the best bank product for poor fisherwomen and we have gained self-respect both from family and the public”

Win- win situation

The following table shows the benefits to various stake holders of the scheme

Beneficiary- Fisherwomen	Bank – Corporation Bank
<ul style="list-style-type: none"> • Access to affordable credit from formal credit institutions • Gained Social status & gainfully employed • Reduced dependency on money lenders • Opened SB accounts to family members also 	<ul style="list-style-type: none"> • Increased loan portfolio that too under Priority Sector • Increased visibility/ publicity • Contributed in their social responsibility • Increase in CASA deposit • Small deposits from members/relatives

<ul style="list-style-type: none"> • Enrolled membership in Fishermen cooperative societies. • Collective bargaining power for purchase of fish from auction • Enrolled membership in Fishermen cooperative societies. • Collective bargaining power for purchase of fish from auction • Received the incentives from Govt for prompt repayment in the form of interest subvention • Family members also get involved and get benefit • Significant savings • Few members could preserve fish for 2 days for getting better prize realization 	<ul style="list-style-type: none"> • Deposit from Marketing Federation/ Society • Financial inclusion with more SB accounts • Improved good client profile with no NPA • No monitoring follow up visits for JLG loans • Deposit from Marketing • Recognition by NABARD through State Awards • Regular credit flow • Increased float
<p style="text-align: center;">Federation/ Society</p> <ul style="list-style-type: none"> • Increased visibility and status • Increased membership • Collection of one time membership fee (earlier Rs 280 now Rs 300 per head) • Promote inland fish marketing 	<p style="text-align: center;">Public at large</p> <ul style="list-style-type: none"> • Availability of quality fish due to use of ice, at affordable price • Improved fish marketing with more outlets • Sectoral development • Fisherwomen are being organized

JLG movement has changed the life style of many fisherwomen. When enquired about the post JLG developments, the JLG members in Malpe responded in the following way.

- Could enter the banks confidently
- Sent their children to schools and even to colleges in nearby town
- Built / repaired the house
- Constructed toilets in the house
- Managed hospital expenses for family
- Gained social status
- Assisted the men folk in repair of nets & small boats, and purchased few fishing inputs like ice box, crates, Freezer hiring, bulk purchase of fish for drying, and as a result they started listening to the views of the members in the decision making process in the house.
- Received interest subvention from State Government for the prompt repayment of loan
- In case of need, one member could assist the other member for timely repayment of loan.
- Whole family is involved in fish trading. While the men folk who were earlier coolies and unemployed started selling fish in the interior villages, using cycle and two wheelers, their children helped in effectively grading the fish based on quality.
- Before JLG, the fisherwomen used to buy lesser quantity of fish that too second and third grade fishes (like Sardine, Ribbon fish, Anchovies, carangids, crabs, mussels) for marketing which gave very less margin. Now, they concentrated on increased quantity of first grade fishes (like prawn, Seer, Pomfret, Perches, and lobsters) which gave them better margin.

Many of the women beneficiaries have also started transactions in their individual SB accounts, which is the positive sign of improvement in living standards and entering mainstream of banking activity.

Conclusion

The innovative approach adopted by Corporation Bank through JLG mode of financing by effectively involving various partners like Fishermen cooperative Federation, FLC, NABARD, State Government and the needy fisherwomen has achieved remarkable success. The photographs taken in the scheme area are given in Annexure. As can be inferred, financing fisherwomen through JLG mode has been evolved s a successful business model for financing with 100 percent recovery.

References

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