

POSTSCRIPT

**NATIONAL SEMINAR—FISHERFOLK CREDIT PROJECT
FAO/BAY OF BENGAL PROGRAMME
AND
MINISTRY OF FISHERIES & AQUATIC RESOURCES
16TH JANUARY 1993.**

A national-level seminar on the BOBP Fisherfolk Credit Project was held in Colombo on January 16, 1993 to :

- Review the performance of the credit scheme during the short period of its implementation, i.e. June - December 1992.
- Identify the impediments and the remedies that should be adopted to streamline the loan disbursements; and
- Determine the sustainability of the credit scheme consequent to the termination of the monitoring functions hitherto carried out by the BOBP Fisherfolk Credit Project Committee.

During the course of the discussions, the following emerged :

1. LENDING UNDER THE CREDIT SCHEME

A sum exceeding Rs. 10 million had been disbursed by December 31, 1992. And a large number of applications received till that date were still under processing by the banks.

Around 50 per cent of 'the loans disbursed were for land-based small-scale economic activities. Approximately 45 per cent were for fisheries activities and the balance for 'other purposes'.

Most of the loans for land-based small-scale economic activities had been taken for self-employment ventures, mostly by women and youth in fisherfolk families. The loan amounts have been relatively small in size, generally below Rs. 10,000/- each. This characteristic fulfils one of the principal objectives of the Credit Project.

1.1 Recovery

Although it is too early to assess the recovery position, the available figures exhibit a repayment position of 90-95 per cent in the three banks. The reasons for this satisfactory position could be attributed to :

- Proper identification of borrowers by the field staff of the Fisheries Department and banks, backed by the representatives of the Fisheries Cooperative Societies in the respective areas.
- Closer understanding and the links built up over the years between the officials of the different participating agencies through frequent interaction at surveys in the field and at training and workshop programmes.
- Proper pre-sanction scrutiny of the purposes for which the loans were being sought.
- Adoption of recovery measures at the outset itself, without waiting till loans become bad and the borrowers become hardcore defaulters.

- In the case of R.R.D.Bs. the majority of the staff are said to be field-based. Recovery of loans is often conducted in the field, at the fisherfolks' households and at the fish landing points. This has turned out to be highly successful.

2. IMPEDIMENTS

The impediments to successful implementation of the scheme have been found to be the following :

- Many would-be borrowers seem to think that 25 per cent equity participation by them in a venture, as stipulated by the credit scheme, is unfair. It is difficult to convince them fully of the justification for such a provision.
- Many insist on the relaxation of security requirements for larger loans (for instance, Rs. 1.5 million for a multiday boat and equipment), requesting that these be the same as for smaller loans, where the guarantee of two family members normally suffices.
- The absence in this credit scheme of subsidies, with which this sector has been accustomed over the years, seems to discourage borrowing.
- The demand which existed for credit at the time the Project was inaugurated is being easily met nowadays with the launching of several other credit schemes, some of which offer subsidy components, lower interest rates and liberal security requirements.
- Some bank officials trained by the Project have been transferred elsewhere, on promotion, or at their own request, or for administrative reasons. As a result, the smooth functioning of the credit scheme in some branches is disrupted.

2.1 Remedies recommended

- It was agreed that the main objectives of the credit project cannot be changed at this stage, since it is a pilot project which aims at several new concepts in lending to the fisherfolk. Every effort should be made to achieve those objectives.
- It was stressed that steps should be taken to activate the functioning of the several committees at various levels, *viz.* bank branch level committees, district level committees, head office level committees and the national level committees of the Project so that there will be continuous reporting and follow-up of lending activities.
- As regards the transfer of bank staff trained by the Project, it was agreed that the banks should, as far as possible, see to it that an officer taking over the functions of an outgoing trained officer should be given an opportunity to understudy the latter's work for a reasonable length of time.
- It was suggested that at the end of lending over a reasonable period of time, the quantifiable and the non-quantifiable benefits of the Project should be assessed in order to make suitable amendments. It was also stated that since the Project has been designed to primarily benefit the smaller type of fisherfolk, those categories of lendings which require large loans, for single items should be deleted as inconsistent.

3. FUTURE SUSTAINABILITY OF THE CREDIT SCHEME

- The three implementing banks confirmed that they will continue to disburse loans under the credit scheme. It was Stated that provision has already been made in their respective loan portfolios to achieve the lending targets assigned to each one of them (a total lending target of Rs. 218 million). It is now more or less an exercise between the lending banks and the borrower fisherfolk.
- The banks are disbursing their own funds and every effort, as usual, will be taken by the banks to recover the loans given by them.

- It was felt that the early diagnosis of a satisfactory recovery position augurs well for a successful lending and recovery exercise.
- It was the unanimous opinion of the group that some sort of remote monitoring of activities would be beneficial. With that objective in mind, it was proposed that a committee, under the chairmanship of the Director of Fisheries and consisting of representatives from the three participating banks, should meet periodically, in any case at least once every quarter, and review and coordinate the lending activities. The proposal was accepted by the Director of Fisheries and the representatives of the participating banks.



The Minister of Fisheries and Aquatic Resources, Sri Lanka, seen (third from left) at the National Seminar on the Credit Project he inaugurated in Colombo.