



Microfinance, Small Scale Fisheries Trade in Selected APRACA-Member Countries

by

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Microfinance, Small Fisheries and International Fisheries Trade in Some APRACA-member Countries

- This paper looks into the situation of small scale fisheries and international fisheries trade in some APRACA-member countries namely Thailand, the Philippines, Cambodia, Indonesia and India with particular focus on the availability of microfinance services for small fishermen
- Information contained in this report consists of data from country papers as well as from review of related literature.



Role of Fisheries in Poverty Alleviation

Good Source of Food

- In Southeast Asia alone, a billion people rely predominantly on fish for animal protein.





Role of Fisheries in Poverty Alleviation

Provides Employment

- In 2002, about 38 million people in the world were directly engaged in fishing and fish-farming compared to 28 million in 1990
- In Asia, 33 million in 2002 and 24 million in 1990.





Importance of Fisheries in the Countries' Economies

Contribution of Fisheries Sector
(% of GDP)

Cambodia	10
India	1
Indonesia	4
Philippines	4
Thailand	2



Policies for Development of Fisheries Sector



Cambodia

- Current fisheries reforms are based on “resource benefit redistribution” as enunciated by Prime Minister Hun Sen in October 2000.
- In 2000, the government released 56 percent of leased lots to the fishing community, aimed at reducing conflicts and sharing more resources with the poor.



Policies for Development of Fisheries Sector



India

- National Fisheries Development Board was set up in order to develop the fishery sector through modern tools of research and development including biotechnology.
- Coastal Aquaculture Authority Act which provides the rules to protect as well as develop the fishery sector was established in 2005.



Policies for Development of Fisheries Sector



Indonesia

- Presidential Decree No. 23 of 1982 gives high priority to mariculture and allows both foreign and domestic private investment to encourage modern technology adoption.
- PROTEKAN Program following 1997-1998 economic crisis identified the fisheries sector as one of the priority sectors that need full development support.



Policies for Development of Fisheries Sector



Philippines

- Local Government Code of 1991 places resource management under the jurisdiction of the local government; also devolves to local governments the provision of aquaculture support services and operation of fish ports;
- Fisheries Code of 1998 reserves aquatic resources in Philippine waters for the sole use of Filipino citizens and defines strategies to develop further the fisheries sector including small-scale fishermen.



Policies for Development of Fisheries Sector

Thailand



- Current national fishery development policy has 5 principle components: (1) development of fisheries and related organizations; (2) fishery resources and environmental management; (3) aquaculture development; (4) policy beyond Thai waters; and (5) fishery industry and business development.
- Government puts emphasis on gear exchange in order to discourage illegal and destructive fishing activities;
- Board of Investment promotes investment in agriculture and agricultural products



Common Features of the Policies For Development of Fisheries Sector

- Fishery sector is identified as one of the priority sector
- Support/development institution is set-up in every country
- Emphasis is placed on capacity building of all stakeholders in the value chain (technology as well as management)
- Current/new legislation tends to protect small fisher folks and maintain sustainability of natural resources



Importance of Microfinance for Small Fisheries Development

- Among APRACA-member countries, credit is deemed necessary to complete the package of support services for the sustained development of the small fisheries sector;
- Microfinance is viewed as a practical solution to the growing demand for financial services by the poor because most banks normally have a business culture that is not geared to service the poor, low-income rural households and microenterprises;
- There is empirical evidence that microfinance enables the poor to smoothen their consumption, manage their risks, build their assets gradually, develop their microenterprises, enhance their income earning capacity and enjoy an improved quality of life.



Rural and Microfinance Policy Environment

- Most countries have instituted policy reforms towards a market-based finance policy environment;
- However, there is still country that is not yet fully deregulated; interest rates on loans for the poor are still subsidized.
- But most governments have shied away from direct lending; a task already given to banks and other financial institutions.



Availability of Financing Services for the Agriculture and Fisheries Sector

Thailand

BAAC is focused on providing financial services to farmers and fishermen as well as to agricultural cooperatives and farmer/fisher associations;

- **BAAC** supports projects that link production, processing and marketing systems in order to increase production efficiency, increase value added and income of farmers/fishers;
- **BAAC** also includes training or institution building as critical component of credit package.



Availability of Financing Services for the Agriculture and Fisheries Sector



Philippines

- Land Bank of the Philippines is the institution mandated to provide small farmers and fisherfolk access to credit and other financial services;
- Land Bank designated and deployed Small Fisherfolk Specialists in its Regional Development Assistance Centers to focus on serving the credit needs of small fish-farmers.
- Land Bank also launched the LandBank Support Program for Fisheries which aims to provide loans to small fisherfolk.



Availability of Financing Services for the Agriculture and Fisheries Sector



Cambodia

- Financial sector is still in its infancy; nearly 40% of the people have no access to formal bank branches and only 6% of total banking sector advances are for agriculture or related activities.
- No specialized public bank or other financial vehicle that extends retail services to farmers;
- NGOs are playing an important role in filling up the gap; most of the country's 24 provinces now have micro-credit services provided by about 72 NGOs.
- The top 5 NGOs include the ACLEDA which has transformed in a microfinance specialized bank; the EMT and Hatthakakasekar (licensed NGOs); and PRASAC and Seilanithih (registered NGOs).



Availability of Financing Services for the Agriculture and Fisheries Sector

Indonesia



- Bank Rakyat Indonesia has become more responsive
- to the needs of farmers and fishermen;
- Unit desas transformed into full service banks; each unit is treated as a discrete profit or loss center within BRI; and the units are evaluated on profitability rather on hectares covered or money lent.
- Local village officials are involved in the screening by acting as character references for the borrowers.



Availability of Financing Services for the Agriculture and Fisheries Sector



India

- One of the most successful microfinance programs for the poor including small farmers and fishermen is the Self-Help Group-Bank Linkage Program.
- There are three main linkage models involving the banks, NGOs and SHGs that promote microfinance in India which are implemented through the National Bank for Agriculture and Rural Development (NABARD);
- Microfinance interventions among fisherfolk have been concentrated mainly in the States of Kerala, Tamil Nadu and Andhra Pradesh in South India and a few initiatives in Orissa and West Bengal in East India.
- The South Indian Federation of Fishermen Societies (SIFFS) is a NGO working in the marine fisheries sector in the States of Tamil Nadu and Kerala; provides loans for fishing equipment, facilitates marketing of fish caught by the members and promotes savings.



Extent of Outreach

- Despite continued efforts by governments to find ways of making credit for small farmers/fishers adequate, timely and sustainable, **marginal farmers and fishermen continue to have limited access to credit;**
- In the Philippines, the ratio of agricultural and fishery production loans to total bank loans granted declined from 7% in 1986 to 4.0% in 1997 and dropped further to 0.9% in 2000 and improved slightly to 1.1% in 2006.





Extent of Outreach

- In Indonesia, lending to the small fisheries sector is still considered a highly risky business by the banking sector;
- In India, credit to fisheries from the banking sector is but 1% of the total credit that goes to agriculture.
- Informal sources of credit continue to play significant role as the source of financing of marginal farmers and fishermen.



Major Issues in Fisheries Credit

- Very limited access to both formal and informal credit among the enterprising, laboring and low-income fishermen;
- Lack of viable and profitable aquaculture projects and the attendant risks (e.g. weather aberrations; business and financial risks; insurgency risks; market risks);
- Limited provision of credit to fishermen by the rural financial institutions;



Major Issues in Fisheries Credit

- On the demand side, marginal fishermen are not considered creditworthy mainly because:
 - (1) they lack physical and livelihood assets, including land that can be used as collateral;
 - (2) they do not possess technical or technology expertise;
 - (3) they tend to be more individualistic, are not functionally organized, or locationally dispersed and have not critical mass to warrant economies of scale in production, marketing and post-harvest handling operations; and
 - (4) they do not have good credit history, and the banks do not have a reliable database on their financial, livelihood and capacity to pay.
- High Cost of Credit



The Challenges: How to Make Microfinance Work in Agriculture and Fisheries

- Need to identify the challenges faced by banks and other financial institutions providing agricultural credit in order to know what to address and how to address these challenges
- Some of the factors unique to rural and agricultural markets that constrain both the supply and demand for credit:
 - ✓ High transaction costs for both borrowers and lenders
 - ✓ Seasonality of projects that result in variability of income of which further increase risks faced by potential lenders;
 - ✓ Lack of reliable information about borrowers;
 - ✓ Lack of market information or market access;
 - ✓ Weak microfinance policy, legal and regulatory framework of a country;
 - ✓ Undeveloped or inadequate infrastructure



The Challenges: How to Make Microfinance Work in Agriculture and Fisheries

- When designing a microfinance program for agriculture and fisheries, the following may be considered:
 - ✓ Establish linkages and networking in order to help reduce risk of lending to the sector and encourage private banks to lend more to fisheries;
 - ✓ Include support interventions such as infrastructure facilities; technical assistance; social, educational and health services that would enhance the productive capacity of the fishermen;
 - ✓ Adopt a household cash-flow approach in assessing the capacity to pay of a fisherman-borrower in lieu of collateral so that sources of income other than from fisheries production will be considered and would boost the capacity to pay of fishermen-borrowers.