

BOBP/REP/55



A Shri Lanka Credit Project to Provide Banking Services to Fisherfolk



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At the request of the Ministry of Fisheries and Aquatic Resources, Sri Lanka, the Bay of Bengal Programme for Small-Scale Fisheries Development (BOBP) launched a Fisherfolk Credit Project that would provide comprehensive banking services to the fishing community through the introduction of need-based lending schemes, incorporating the principles of simplicity, timeliness and flexibility. The Project involved a series of activities, such as the conducting of a socio-economic survey, a number of training programmes and several studies of past fisherfolk credit activities, cost and earnings of small-scale economic activities, marketing strategies for fisheries credit and training needs of banks, training and orientation of fisheries and bank officers and the prospective borrowers, all ultimately leading to the design and implementation of a viable fisheries credit scheme. The design and the formulation of the credit scheme was the output of a joint exercise by the participating banks and the fisheries administration and was supported by BOBP. Credit disbursement began in mid-1992.

This report describes the activities carried out by the Project, highlights the main features of the credit scheme, and discusses the lessons learnt.

The Bay of Bengal Programme (BOBP) is a multi-agency regional fisheries programme which covers seven countries around the Bay of Bengal — Bangladesh, India, Indonesia, Malaysia, Maldives, Sri Lanka, Thailand. The Programme plays a catalytic and consultative role: it develops, demonstrates and promotes new methodologies, technologies or ideas to help improve the conditions of small-scale fisherfolk communities in member-countries. The BOBP is sponsored by the governments of Denmark, Sweden and the United Kingdom, by member-governments in the Bay of Bengal region, and also by UNDP (United Nations Development Programme) and AGFUND (Arab Gulf Fund for United Nations Development Organizations). The main executing agency is the FAO (Food and Agriculture Organization of the United Nations).

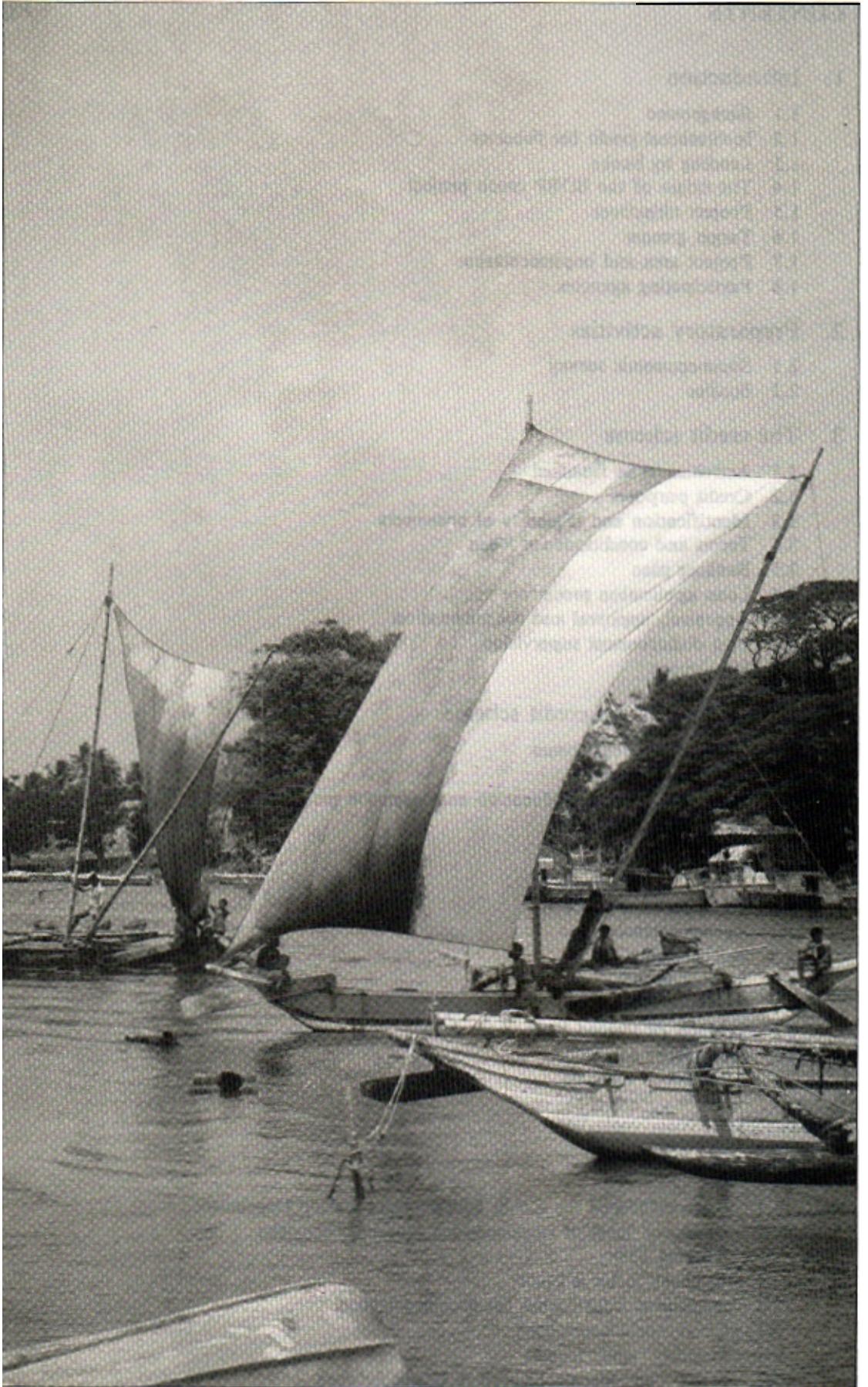
This document is a project report and had not been cleared by the Governments concerned or the FAO.

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A typical fishing village scene on Sri Lanka's west coast, where the small-scale fisherfolk use a variety of fishing craft.

1. INTRODUCTION

1.1 Background

Shri Lanka has approximately 1600 kilometres of coastline. The marine fisheries industry, therefore, occupies a prominent place in the economic life of the island's coastal areas. The industry provides direct employment to approximately 100,000 persons, besides providing part-time and indirect employment in fishery-related activities to about 15,000 persons. Fish and fish products contribute around 60 per cent to the animal-based protein consumption in the country.

Marine fishing, particularly in the inshore areas, is largely a seasonal activity carried out by fisherfolk using traditional methods, craft and gear. The principal source of credit for the fisherfolk engaged in the fishing industry has been the informal sector, comprising of village level money lenders, and fish traders called *mudalalis*. These informal financiers extend financial assistance to fisherfolk families for subsistence during the 'off season', and to migrant fisherfolk to meet the expenses of moving their fishing craft, equipment and crew to the seasonal fishing bases in the far northwest and the east.

Even after the expansion of fisheries activities as a consequence of the launching of several modernization and motorization schemes, the same informal financiers continue to meet the bulk of the credit needs of this sector in spite of the availability of several credit schemes formulated to provide institutional credit.

1.2 Institutional credit for fisheries

Institutional credit for fisheries has been made available by the Government of Shri Lanka from 1942 onwards to

- individual fishermen to acquire fishing craft and equipment, and
- fisheries co-operative societies to engage in fish marketing.

This was followed in 1958 by the Fisheries Mechanization Programme, under which the Department of Fisheries started granting loans to fishermen for the purchase of new boats and engines. The Asian Development Bank (ADB)-funded Southwest Coast Fisheries Project (ADB-I-1975) was a landmark in fisheries credit, as, for the first time, the commercial banking sector got actively involved in disbursing credit for fisheries.

However, the Government continued to be the major source of institutional finance till the mid-70s. But by 1977 the Government was confronted with a major problem : the non-recovery of a massive sum of money disbursed under the Mechanization Advance Account of the Ministry of Fisheries and Aquatic Resources (MFAR¹).

After a review of the fisheries credit policy, the Government decided in 1978 that the outstanding fisheries loans should be written off and that the Ministry/ Department of Fisheries (DOF) should not get involved in the disbursement of credit in the future. Lending for fisheries was then entrusted to the two state banks, Bank of Ceylon and the People's Bank, which, as financial institutions, were considered better equipped to handle credit functions.

1.3 Lending by banks

From 1978 onwards, the two state banks participated in several fisheries credit schemes in collaboration with the Ministry/DOF and the Ceylon Fisheries Corporation (CFC). These were:

- 1977 – Self Employment Bank Financing Scheme for purchase of fishing craft, engines and gear;

¹ Ministry of Fisheries (MOF) until 1989.

- 1979 – Cyclone Rehabilitation Scheme;
- 1983 – Madel Fisheries (Beach Seining) Lending Scheme;
- 1985 – Self-employment Bank Financing Scheme;
- 1986 – The Co-operative Fisheries Lending Scheme; and
- 1986 – ADB/Shri Lanka West Coast Fisheries Project (Second ADB Project).

The success or failure of these credit schemes have differed widely on account of various factors. One conspicuous feature common to most of the schemes was that they were implemented along with a substantial subsidy component granted by the MFAR. In addition, the Central Bank provided refinance for all the schemes, thus enabling the borrowers to obtain credit at rates of interest lower than the prevailing market rates.

As for the recovery of loans disbursed under these schemes, the banks found the situation similar to what had prevailed in the case of credit provided earlier by the DOF. But though large-scale non-repayment of fisheries loans could be termed wilful, the lending banks too had to accept the blame for some shortcomings, which were primarily due to their non-familiarity with fisheries in the early years of their involvement. This naturally prompted the two banks to adopt a more cautious attitude towards fisheries lending and there was, consequently, a lull in the flow of credit to the fisheries sector by the mid-80s. By this time, the Government too had drastically reduced its subsidies for boats, engines and gear.

1.4 The origin of the BOBP credit project

The MFAR viewed this situation as alarming, as it would have led to a reversal of the development in the fisheries sector achieved over the previous three decades. It was also feared that it would bring about an adverse impact on fish production, the major source of animal-based protein for Shri Lankans.

In 1987, the MFAR requested the Bay of Bengal Programme for Small-Scale Fisheries Development (BOBP) for assistance to formulate and implement, on a pilot basis, a non-subsidized credit scheme for small-scale fisheries and for other economic activities of the marine fisherfolk. MFAR particularly sought BOBP's assistance because BOBP had successfully designed and implemented a fisheries credit project in the early 1980s in Orissa, India.

1.5 Project objectives

The proposed project was intended to provide comprehensive banking services to the fishing community, through the introduction of need-based lending schemes incorporating the principles of simplicity, timeliness and flexibility, in order to:

- increase operational efficiency and profitability of fisheries, as well as non-fisheries economic activities undertaken by members of coastal fishing communities, and
- facilitate the management of incomes/earnings within the economic units of the fisherfolk families by inculcating saving/thrift habits through linking credit with savings.

1.6 Target groups

The Project's target groups are the small-scale fisherfolk, particularly the self-employed, traditional fishermen, owners of small motorized and non-motorized craft, fishing labourers and youth who wish to acquire craft and gear, and their family members, especially the women, who wish to start new economic activities or to improve existing activities in order to supplement family incomes.

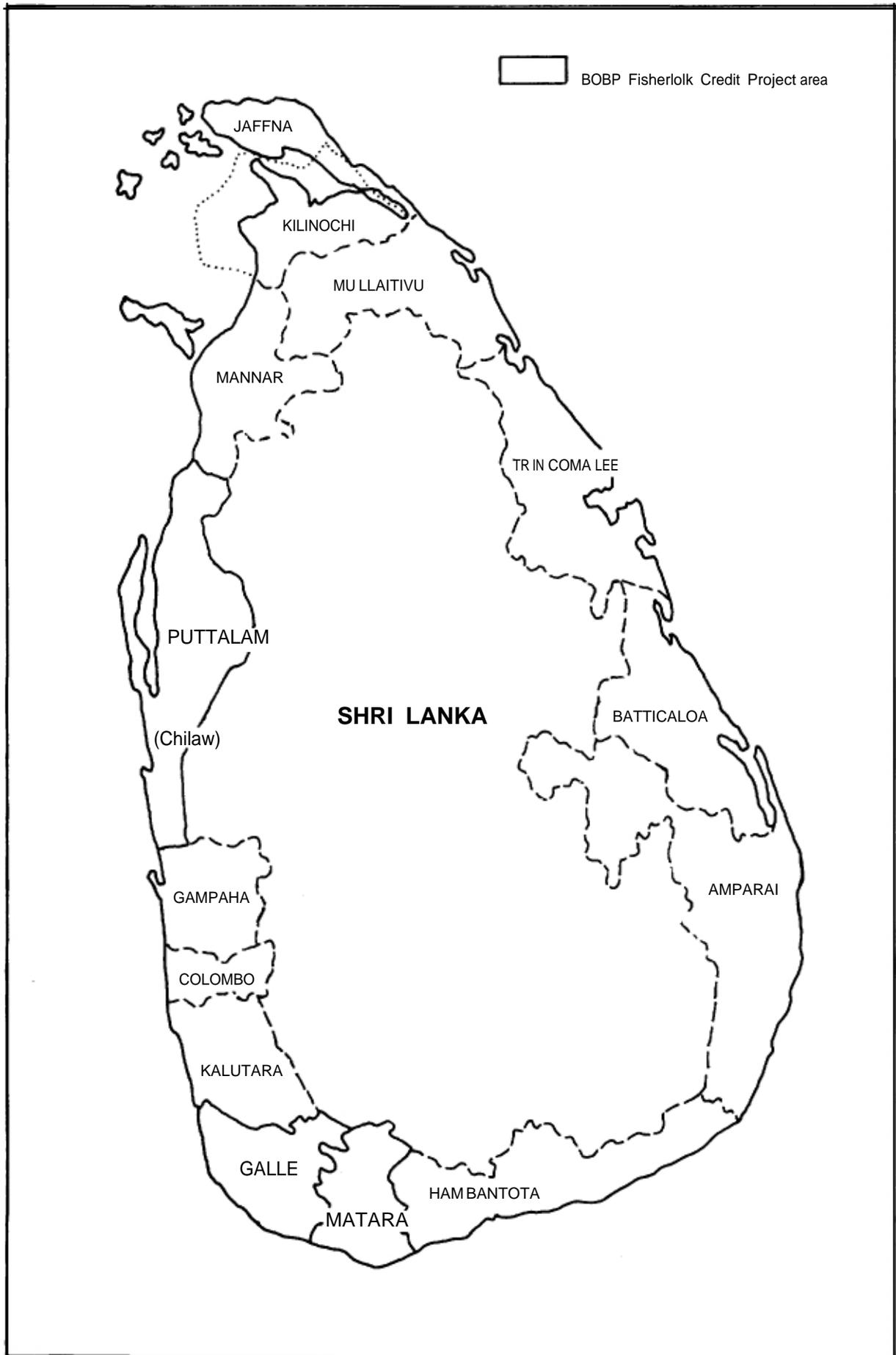


Selling fish is one of the economic activities many women members of fisherfolk families in Sri Lanka favour and for which they often require assistance.



Small-scale fisherfolk in Sri Lanka own a variety of craft, from the traditional to the modern – but, for all of them, they need credit: to buy as well as to maintain them.

Fig 1. The Fisheries Districts of Sri Lanka and the BOBP Fisherfolk Credit Project area



1.7 Project area and implementation

The Project envisaged the formulation of a pilot credit scheme for implementation in the districts of Galle and Matara on the southern seaboard, and in the district of Puttalam, which includes the two fisheries divisions of Chilaw and Puttalam on the northwestern seaboard. This area consists of nearly a fourth of the coastline of the island and accounts for 19 per cent of the total marine fishing households, 20 per cent of the active marine fishermen and 19 per cent of the fisherfolk population of the country. It was envisaged that the project performance would be reviewed keeping in mind the possibility of extending it to other areas of the island. A map of the project area (Figure 1) appears on the facing page.

Although it was envisaged that credit disbursement would commence by July 1991, the preliminary activities of the Project were delayed due to a host of constraints, the major one being civil disturbances. As a result, lending started only in May 1992, ten months behind schedule.

1.8 Participating agencies

Two state-owned commercial banks, viz. Bank of Ceylon and the People's Bank, and the Regional Rural Development Banks (RRDBs) agreed to participate in the Project. A committee was set up to formulate and implement the credit scheme with representatives from the Department of Fisheries and Aquatic Resources (DOFAR), Central Bank of Sri Lanka, Bank of Ceylon and People's Bank, with BOBP acting as coordinator and facilitator. This committee divided into smaller subcommittees which concentrated on special subject areas and gave due consideration to the viewpoints of the different participating agencies. The composition of the committee is given in Appendix 1.

2. PREPARATORY ACTIVITIES

2.1 Socio-economic survey

All fisheries credit projects implemented in Sri Lanka in the past had been exclusively involved with the financing of fishery-related activities and concentrated on financing the purchase by fishermen borrowers of capital goods, such as boats, engines and gear. As it was felt that a more comprehensive credit scheme was required, it was decided to conduct a socio-economic survey among the fisherfolk in the project area in the first instance, to identify and ascertain the genuine credit needs of the fisherfolk, and to then formulate a credit scheme tailored to meet those needs. As there was very scanty information on the socio-economics of small-scale fisheries in the island, and that too outdated, the MFAR felt that a comprehensive socio-economic survey would not only update the existing database but would also help in future fisheries development in the country.

A comprehensive questionnaire covering all aspects of small-scale fisheries was drawn up after consultations in which the MFAR, BOBP, the Women's Bureau, Sri Lanka Foundation Institute, and the Centre for Women's Research (CENWOR) participated. As data collection was to be done by Fisheries Inspectors, those selected for the job were given intensive training on the use of the questionnaire, on techniques of interviewing fisherfolk and on data collection.

The survey was planned to cover 89 fishing villages, constituting 40 per cent of the fishing villages in the project area. These villages comprised 5276 households, representing 22 per cent of the total fishing households, 29 per cent of the active fishermen and 32 per cent of the fishing population in the project area.

Though the survey was intended to commence in early 1988, it ultimately began only in mid-1989. The field work was completed in November 1989.



A data-collector visits a fisherman's home to record information during the socio-economic survey conducted prior to the formulation of the Fisherfolk Credit Scheme.



Data-collectors during the socio-economic survey visited homes, beaches and other locations where fisherfolk were at work.

The survey resulted in a number of important findings on the socio-economic conditions of the fisherfolk. Among the more important ones relating to credit are the following:

- Sixtyone per cent of the households had not made use of any credit. Of the rest, only 12 per cent had obtained institutional loans, the remainder borrowing from the non-institutional sector.
- The reasons given for not resorting to borrowing are as follows:

	%
- Unwillingness to/fear of getting indebted	- 23
- Lack of collateral/high interest rates	- 27
- Procedural difficulties	- 18
- Lack of knowledge on credit schemes	- 8
- Loans not required	- 24
- Forty per cent of the loans obtained are for compensation or consumption-related purposes; only 33 per cent are used for purchases of engines, craft or gear.
- Sixty-nine per cent of all the loans obtained are small ones, below Rs.5000/-.
- There are at least 25 different skills available with the population surveyed. Most of these are suited to self-employment and at least nine of these are the preserve of women. But more than half of those having skills cannot find any outlets for those skills.

The survey findings are reported in the MFAR/BOBP publication *Fisherfolk of Puttalam, Chilaw, Galle and Matara Districts, Shri Lanka* (BOBP/INF/12 - 1991).

2.2 Studies

PAST CREDIT SCHEMES

Prior to the formulation of the proposed credit scheme, a study of the various fisheries lending schemes, both ongoing and those implemented in the past, was done in order to identify the factors responsible for success or failure and to learn from the experience of those credit schemes. The following emerged as the shortcomings of these schemes:

- Improper selection of borrowers;
- Inadequate pre-sanction investigation and post-sanction supervision by banks;
- Delay in the supply of project goods (boats, engines, gear);
- Substandard quality of goods procured under loan schemes;
- Obligations of borrowers to repay the loans obtained from informal sources to bridge capital shortfalls;
- Lack of mutual understanding and coordination between bank and fisheries officials;
- Inadequate support from enforcement authorities in credit recovery; and
- Lack of commitment on the part of borrowers, largely on account of the 'subsidy' mentality.

On the other hand, the following factors were identified as having contributed to the limited successes achieved by some of the recently implemented fisheries credit schemes :

- Satisfactory marketing arrangements;
- The experience gained by the banks in this field over the years; and
- Deployment of cadres of trained field staff by banks for close interaction with the fisherfolk.

STUDY OF SMALL-SCALE ECONOMIC ACTIVITIES

One of the prime objectives of the Fisherfolk Credit Project was to find ways and means of supporting the economic activities of fisherfolk families. In order to design a suitable credit portfolio, by identifying the existing small-scale economic activities that could be expanded or new activities that could be established, a field study of six weeks' duration was undertaken in the project area by a group of officers from the participating banks. This study, based on the findings of the socio-economic survey, identified as many as 64 economic activities, most of them specific to the respective localities, and assessed their feasibility.

The committee used this information in the preparation of the credit plan. The identified economic activities are listed in Appendix II.

STUDY OF MARKETING STRATEGY

Since the successful implementation of a credit scheme is largely dependent on proper credit marketing and borrower response, a study was commissioned to look into the past and existing credit marketing strategies in order to find out how far they were/are effective and what measures are needed to improve them. The study revealed that the following strategies were adopted:

- The People's Bank and the Bank of Ceylon employ trained fisheries field officers, attached to their branches in the important fisheries areas and in the head office/regional offices, as well as mass media advertising and printed handouts.
- Hatton National Bank, besides advertising through the mass media, employs a cadre of 'barefoot bankers' selected from each target locality.
- The RRDBs make use of local NGOs and village-level voluntary organizations. They also use mobile banking units.

Conventional publicity through mass media was found to have a positive impact in the long run. However, the deployment of field officers at grassroots level seemed to be very effective; it was found to be much more effective when such field officers were recruited from the same area where they were assigned to work. The mobile banking service seemed to be quite popular. The use of voluntary organizations and NGOs requires more organizational effort, but had a good impact.

All banks have benefited from the publicity, advertising and training carried out by MFAR, the Co-operative Department and other Government and semi-government organizations.

While the field-level staff appeared to be conversant with fisheries activities, their knowledge of banking techniques and procedures was found to be poor. In the case of the middle-level officials of banks, it was generally the other way around.

The following strategies were, therefore, recommended to the participating banks for adoption in the future :

- Deployment in the field of personnel properly trained in banking, to publicize the credit schemes and to develop better understanding with the fisherfolk. The use of women field staff would appear to be a very effective strategy, particularly as family savings and income management were important elements;
- Strengthening and formalizing the field-level links among the officers from the fisheries, banks and co-operatives;
- The use of mobile banking units; and
- Building closer relationships with NGOs and village-level organizations.

STUDY ON THE TRAINING OF BANK STAFF

A study commissioned under the project dealt with the capabilities of the Bank of Ceylon and People's Bank staff to handle credit programmes supporting the fisheries sector. This study

highlighted two broad categories on which the training needs of bank personnel should depend. They are :

- The extent of interaction and contact between fisherfolk and various categories of bank staff, ranging from ‘very high’ (field workers, *i.e.* development assistants, field assistants concerned with fisheries) through ‘moderate’ (loan officers, clerks, workers etc.) to ‘low’ (those involved in clearing etc).
- Capabilities (resourcefulness) of individual staff members, including the relevant general knowledge they possess (knowledge on types and catches of fish, fishing gear, socio-economic conditions of fisherfolk), their skills (evaluation of marketing organization and management of credit), and personality-related attributes.

The urgent needs of training were identified as follows :

- The number of courses/programmes targeted to the ‘very high’ and ‘moderate’ contact groups were inadequate and needed to be increased;
- The course contents had to be changed to include material that could help bank staff appreciate the attitudes of the fisherfolk, on the one hand, and bring about changes, particularly with regard to the perceptions and attitudes of fisherfolk to bank credit and savings, on the other;
- More training programmes would have to be directed towards the ‘low’ contact groups;
- More field exposure should be given in the training programmes;
- There should be a better co-ordination of the training provided, and
- Officers trained should continue in their jobs for a minimum period to enable them/fisherfolk to reap the benefits of the training.

TRAINING PROGRAMMES AND ACTIVITIES

Training and orientation of fisheries officers and bank officers was an important preparatory activity undertaken by the Project. Most such programmes were integral components of some of the preparatory activities already referred to, particularly the Socio-Economic Survey and the Small-scale Economic Activities Study. The more important training activities were as follows :

- Training programme for field officers of DOFAR in preparation for the Fisherfolk Socio-Economic Survey.
- Seminar, on goals, targets and approaches of the Fisherfolk Credit Project for senior staff of Bank of Ceylon, People’s Bank, Central Bank, CENWOR and MFAR/DOFAR.
- Information/Orientation Programme for staff of participatory bank branches in preparation for the Fisherfolk Socio-Economic Survey.
- Training programme for bank officers in connection with the Small-Scale Economic Activities Study.

In addition to the direct impact of these programmes on the quality of preparatory work, another important benefit was the improvement in the working relationships between the bankers and the fisheries officials, which, ultimately, ensured a smooth implementation of the Project activities.

3. THE CREDIT SCHEME

The findings that emerged from the Socio-Economic Survey and the Study of the Small-scale Economic Activities of Fisherfolk enabled the Credit Scheme Formulation Committee (Appendix I) to ascertain the credit needs of the fisherfolk and to identify various economic activities, currently engaged in by them or that might be undertaken afresh, which deserved credit support.

3.1 *Activities to be financed*

Based on the available information, the fishing activities which needed credit support were identified as :

- Coastal fishing without the use of craft (e.g. castnetting, stiltfishing and other forms of lagoon fishing).
- Coastal fishing using non-motorized craft (*e.g. oru, theppam, vallam, kattumaram* etc).
- Coastal fishing with motorized traditional craft.
- Coastal fishing with outboard motorized FRP craft.
- Offshore multiday fishing with craft over 10m in length.

Economic activities which support capture fishing and needing credit support were identified as :

- Sale of diesel and kerosene.
- Sale of fishing gear and spares.
- Manufacture of traditional craft.
- Repairs to boats, engines and fishing gear.
- Sale of ice.

In addition to capture fishing, the following post-harvest activities were identified as needing credit support :

- Drying of fish.
- Manufacture of Maldiver fish.
- Curing of wet salted fish (*jaadi*).
- Sale of fish.

A large number of non-fisheries activities that would help to supplement fisherfolk family incomes while supplying some of the basic consumer needs of the community were also identified as deserving credit support from banks. Some of the more important such activities are coir carpet-making, beedi-rolling, carpentry work and ornamental fish-rearing. Others are listed in Appendix II.

3.2 *Credit purposes*

In all earlier fisheries credit schemes, only investment capital had been included. The committee strongly felt since fisherfolk have been compelled to obtain credit from the informal sector, *i.e.* money-lenders, traders, friends and relations, to meet the shortfall between the credit provided by the banks and the value of assets to be acquired with the credit, it was imperative to provide working capital. Due to the seasonality of fishing activities, fisherfolk normally get indebted during



Coir rope making is a group activity that is on the list of activities that warrant support from the Credit Scheme.



Making dried fish, a family business, is another activity listed for credit assistance.

lean seasons when procuring their basic necessities and tiding over emergencies. To meet this situation, provision was made to grant loans for consumption-related purposes and for emergencies as well.

Based on the results of the findings of the surveys and studies, the credit needs of the fisherfolk communities were categorized as follows :

CAPITAL INVESTMENTS

- Non-fishery investments – e.g. land, buildings, equipment, vehicles (motorcycles/bicycles).
- Fishery-related investments – e.g. land, buildings, equipment, vehicles (motorcycles/bicycles).
- Fishery investments – e.g. boats, engines, gear, equipment.

WORKING CAPITAL REQUIREMENTS

- Fishery-related activities – raw material, wages, transport.
- Non-fishery activities – raw material, wages, transport.
- Fisheries activities – fuel, wages, food.

ACQUISITION/ENHANCEMENT OF ASSETS

- Purchase of land.
- Purchase/construction of house/upgrading of house.
- Construction of wells/water supply.
- Electricity connections, engine repairs, spares etc.

DEBT REDEMPTION

Redemption of debt incurred for :

- Productive purposes.
- Consumption purposes.
- Purchase of assets.
- In respect of natural disasters, sickness etc.

CONSUMPTION-RELATED PURPOSES

- Purchase of food, provisions etc.
- Education of children.
- Purchase of consumer durables.
- Expenditure on festivals, pilgrimages, family functions etc.

3.3 Identification and eligibility of borrowers

As a scheme designed to support a poor and socially non-influential section of society, it was necessary to use a combination of the principles of social equity and commercial feasibility in selecting borrowers.

While acknowledging the freedom of the lending banks to select their own borrowers, provision was made for the banks to seek the assistance of the village Fisheries Co-operative Society and the Fisheries Inspector of the area in identifying a deserving applicant for a loan and for certification of his/her application.

To be eligible to borrow under the scheme, the borrowers should:

- be a member of a fisherfolk family and be a resident in a fishing village;
- have maintained a savings account for at least three months prior to release of the loan, with a minimum balance of at least one per cent of the amount of the loan sought;
- be able to provide sufficient proof of his/her ability and experience in the particular activity for which finance is sought;
- be able to satisfy the bank regarding the purpose of the credit and the loan amount applied for such purpose;
- be able to provide minimum equity contribution under the scheme;
- provide the bank with *bona fide* evidence of sufficient income to repay the loan interest and instalments (projected income from investment is acceptable);
- be able to provide adequate proof regarding marketing arrangements in the case of production-oriented ventures; and
- not have wilfully defaulted on previous loans obtained from any credit institution.

It was intended to encourage a prospective borrower to apply for loans jointly with his/her spouse/family members so that there would be a collective, family responsibility towards repayment.

3.4 Terms and conditions for loans

MAXIMUM CREDIT LIMITS

In order to ensure that a borrower has a genuine stake in a venture, bank finance was limited to 75 per cent of the total cost of his/her project, subject to the following ceilings :

- | | |
|---|-----------|
| – Land-based small-scale economic activities : | Rs.25,000 |
| – Debt redemption and consumption : | Rs. 7,000 |
| Note : Loans for debt redemption are exempted from equity contribution. | |
| – Purchase/enhancement of assets : | Rs.15,000 |

EQUITY CONTRIBUTION OF BORROWERS

A borrower is required to contribute 25 per cent of the total cost of his/her project. Those who do not have their own funds for this 25 per cent, are required to build up their equity over a period of time, thus encouraging the savings habit among them. (Family labour, where applicable, would be considered as equity contribution or part thereof.)

SECURITY AND COLLATERAL

In the case of smaller type of loans, which were expected to form the large majority, the guarantee of family members, relations and neighbours in the community would suffice as security. As for larger loans, mortgage of the project assets to be acquired, movable or immovable assets, and personal guarantors acceptable to the banks would be taken as security.

RATE OF INTEREST

At the time of the formulation of the project, there were indications of the availability of refinance from the Central Bank. However, as a result of subsequent policy decisions of the Central Bank, refinance facilities are not being made available for these loans. Hence, the banks will utilize their own resources for lending and the interest rates will range between 18 and 21 per cent per year, thus making it a truly non-subsidized credit scheme.

REPAYMENT PERIOD

Repayment periods for loans for income-generating activities will depend on the cash flow period of each venture and the productive lifetime of its assets, subject to a maximum of ten years and a maximum grace period of 180 days. For loans up to Rs. 7,000, a maximum repayment period of 24 months is permitted and there is NO grace period.

3.5 *Bunking plan*

The lending programme is to be shared by the three banks, viz: Bank of Ceylon, People's Bank and the Regional Rural Development Bank. The Banking Plan (see Appendix III) was originally worked out for a disbursement of SLRs. 384 million *, but was later reduced to SLRs. 218 million to be disbursed over two years. The plan is, however, to be treated as very flexible and is worked out on the following loan categories and fund-sharing by banks :

<i>Loan categories</i>	<i>Loan for</i>	<i>Amount</i>
Category 1 (a)	for land-based, small-scale economic activities	max. Rs. 20,000
Category 1 (b)	for debt redemption and consumption purposes	max. Rs. 7,000
Category 1 (c)	for purchase/enhancement of assets	max. Rs. 15,000
Category 2	for purchase of individual components – hull, engine and gear for the following types of craft : – Non-motorized craft: <i>oru, teppam, vallam, kattumaram.</i> – Outboard motorized traditional craft. – Outboard motorized FRP craft	max. Rs. 70,000
Category 3	For purchase of craft as a package, complete with engine and gear	max. Rs. 200,000
Category 4	For purchase of individual components (hull, engine and gear or a package) for the following types of craft : – Inboard motorized craft used in coastal fishing. – Craft bigger than 10m used in offshore multiday fishing	min. Rs. 200,000

SHARE OF PARTICIPATING BANKS

The share of participation of each bank was determined on the following basis :

- In respect of loans under Category 1, Bank of Ceylon and People's Bank will equally share 70 per cent while the RRDB will meet the balance 30 per cent.

* US \$ 1 = SLRs 44/- appx.

- In the case of Category 2, Bank of Ceylon and People's Bank will equally share 80 per cent while the RRDB will meet the balance 20 per cent.
- In the case of Categories 3 and 4, Bank of Ceylon and People's Bank will share the loans equally. The RRDB will not participate in these loans.

PARTICIPATING BRANCHES OF BANKS

The branches of the three banks located in the coastal areas in the three districts will be responsible for the disbursement of credit. Borrowers are free to go to any bank branch of their choice. The list of the branches of the banks is given in Appendix VIII.

3.6 Loan application procedure

The prospective borrower who calls at a bank will be issued a loan application form (Appendix IV and V) together with the necessary guarantee form (Appendix VI) by the bank after preliminary discussions with the borrower on the viability of the intended project.

The completed application is to be recommended by the Secretary of the Fisheries Co-operative Society or the Fisheries Inspector of the area and counter-recommended by the District Fisheries Extension Officer (DFEO). Thereafter, it will be forwarded direct to the bank branch by the applicant together with the other supporting documents, such as invoices, and the available documentary evidence regarding training undergone/experience gained to undertake the proposed venture etc.

On receipt of the application in the bank, the Manager/Loans Officer will immediately verify whether the forms have been properly completed and whether all the supporting documents have been submitted. In case of any defects, it will be returned **immediately** to the applicant for necessary correction and return, thus preventing the unnecessary delays of correspondence.

3.7 Appraisal, approval and documentation

Applications which are in order in all respects will, thereafter, be appraised to ascertain the technical feasibility and the economic viability of the activity to be undertaken. Pre-sanction inspection, where necessary, will be carried out by the bank's field staff or by any other officer, where necessary, to verify the following:

- Availability of basic requirements/facilities;
- Sources of supply of inputs and raw materials;
- Facilities available for marketing, where applicable; and
- Availability of the borrower's contribution of the minimum 25 per cent or more of the cost of the project.

An application satisfying the above requirements, will be approved under the delegated authority of the bank branch after the necessary documentation is completed. Care will be taken throughout to expedite procedures so that the concept of **timely credit** is upheld.

In regard to the disbursement of the proceeds of loans, different methods were recommended to be adopted to ascertain proper utilization of loan funds. They are as follows:

- Proceeds to be released in stages, where applicable, after inspection of the progress of activity.
- Where purchases are involved, direct payment as far as possible to be made to suppliers of goods or services.
- Verification of whether the planned goods and services have actually been obtained by the borrower.

- Ensuring that the quality and quantity of goods purchased are the same as planned at the time of appraisal.
- Ensuring that appropriate adjustments are effected to meet cost over-runs or under-runs and changes of the time schedule.
- Ensuring adherence to the marketing arrangements fixed at the time of approval of loan or to alternative arrangements.

3.8 Post-disbursement supervision

After the release of the loan, a careful drawn up supervision programme is carried out to ensure the timely recovery of loan instalments and interest. For this purpose, the following measures are to be adopted :

- Obtaining monthly performance reports from the borrower himself for perusal. (Specimen form is given in Annexure VII.)
- Carrying out surprise inspections to verify the information given in such reports and having an on-the-spot dialogue with the borrower.
- Carrying out periodical field inspections.

During field inspections, steps will be taken to see whether:

- the project is operating as planned;
- production targets are being achieved;
- marketing arrangements are satisfactory;
- project assets are maintained in good condition; and
- loan instalments and interest are being paid regularly.

3.9 Monitoring

BRANCH LEVEL COMMITTEES

The progress of the loan scheme, placing special emphasis on the recovery situation, is to be reviewed monthly in the field at the branch level of the lender bank by a committee consisting of the following officials:

- Manager of the bank branch,
- Branch Loans Officer,
- Branch Field Officer,
- Fisheries Inspector, and
- Secretary, Fisheries Co-operative Society.

The bank's Field Officer will prepare a statement of loan defaulters, giving the following details, for discussion at the meeting of the branch level committee :

- Name of borrower,
- Amount of loan,
- Purpose of loan,
- Repayment made so far (capital/interest),
- Repayment due (capital/interest),

- Reasons for delay, and
- Action taken and action recommended.

The branch level committee will evaluate the action taken in each case and decide on future steps to be pursued.

At the same meeting, matters pertaining to new and pending applications will be discussed and agreement reached on any future action regarding the general performance of the credit scheme, with emphasis on recovery.

A brief report of the branch level committee meeting will be forwarded to the following:

- In the case of Bank of Ceylon, to the Provincial Office.
- In the case of People's Bank, to the Regional Office.
- In the case of RRDB, to the chairman of the District RRDB.

PROVINCIAL/REGIONAL/DISTRICT LEVEL COMMITTEES

In order to monitor the progress of the credit scheme, separate action desks are to be set up at the Provincial Office of the Bank of Ceylon, at the Regional Office of the People's Bank and in the Chairman's office of the RRDB in the district. The three committees will consist of the following:

- Provincial Asst. Gen. Manager, Bank of Ceylon/Regional Manager of People's Bank/Chairman of RRDB,
- Officer in charge of loans in the respective offices,
- District Fisheries Extension Officer,
- Secretary to the committee (to be appointed), and
- Secretary of the District Secondary Co-operative Societies Union.

The three committees will evaluate the monthly progress reports sent by the respective bank branches and recommend appropriate measures to be taken by the branches. The Bank of Ceylon and People's Bank will additionally prepare quarterly progress reports for the Province/District and transmit them to their Head Offices. The Chairman of the District RRDB Office will forward a quarterly report to the Banking Development Department of the Central Bank.

COMMITTEE AT HEAD OFFICE

The Bank of Ceylon and People's Bank will each set up a committee in its Head Office in Colombo, consisting of the following:

- Assistant General Manager in charge of Fisheries,
- Chief Manager/Credit Manager, Fisheries Credit, and
- Any other officers directly handling this subject.

These committees will evaluate the quarterly progress reports and prepare consolidated reports. They will also advise the Provincial/Regional level offices regarding measures to be taken.

The Banking Development Department of the Central Bank will also pursue a similar line of action.

NATIONAL LEVEL COMMITTEE

There will be a National Level Committee consisting of the following to monitor and review the progress of the credit scheme.

- Secretary, MFAR, or his nominee,

- Director of Fisheries,
- Deputy General Managers of the two Banks,
- Director, Banking Development Department of Central Bank or his nominee,
- Project Co-ordinators in the banks, and
- Assistant Commissioner of Co-operatives Development (Fisheries).

This committee will meet once in six months, review the progress of the credit scheme and make recommendations where necessary. The findings of the committee will be published and transmitted to the implementing branches of the banks.

4. IMPLEMENTATION OF CREDIT SCHEME

4.1 Orientation programmes

During the first half of 1991 the Credit Scheme Committee was able to formulate the Fisherfolk Credit Scheme. The Committee, however, did not recommend immediate commencement of the disbursement of loans. In view of past experiences relating to fisheries credit schemes, arrangements were made to conduct a series of orientation, training, education and extension programmes for all who would be involved in the credit scheme. These programmes were formulated to suit the officials of the institutions involved, representatives of village-level organizations and even the prospective borrower fisherfolk.

In view of the importance of keeping key decision-making personnel of the participating institutions well-informed and briefed, a full-day's orientation programme was conducted in Colombo in September 1991. It was attended by 51 officials, including

- the Director, Deputy Director and Assistant Directors of Fisheries,
- District Fisheries Extension Officers and Fisheries Inspectors of the three districts,
- the Deputy General Managers, Assistant General Managers and Fisheries Officers of the Bank of Ceylon and People's Bank,
- the Provincial Assistant General Managers of the Bank of Ceylon and Regional Managers of People's Bank,
- the Directors of the Banking Development and Rural Credit Departments of the Central Bank,
- Chairmen of the Regional Rural Development Banks of the three districts,
- Representatives of the Women's Bureau, the Centre for Women's Research and BOBP.

Representatives of the different institutions participating in and facilitating the scheme were given the opportunity to address the audience on their roles in the implementation of the credit scheme. It proved to be an ideal forum for a free exchange of views on the problems that were likely to crop up during the course of project implementation.

4.2 Training workshops

Two residential weekend programmes were conducted during November 1991 in Negombo and Galle for the benefit of the following officials:

- Branch Managers of the participating branches of the three banks with the responsibility for taking decisions – in other words, the deciding authority on the granting of loans in each branch, and



Bank and fisheries officials at a training programme and workshop of the Credit scheme in Hikkadwa.



Bank and fisheries officials evaluate a loan as part of a workshop held in Chilaw before implementation of the Credit Scheme. Such interaction helped develop greater understanding among the representatives of the different sectors.

- District Fisheries Extension Officers and the Fisheries Inspectors of the Districts expected to provide the staff of banks with the necessary technical backstopping on fisheries and help to identify genuine and deserving fisherfolk borrowers.

The training programme included lectures by officials of BOBP, the banks and the DOFAR and these were followed by discussions. The programme also included field visits to fisheries settlements in the area to meet fisherfolk. Seventytwo officials participated in the two programmes.

During December 1991, January and February 1992, four programmes were conducted in Galle, Matara and Marawila (Puttalam District) to train personnel in the three districts. Participants were:

- Junior Loans Officers of banks (who normally interview the prospective borrowers and process loan applications for submission to their branch managers for approval),
- Field Officers of the bank branches, who keep close contact with the fisherfolk,
- Fisheries Inspectors in the respective project areas, and
- Officials of the District Fisheries Co-operative Unions.

The curriculum was such that the Junior Loans Officers, while becoming conversant with the various aspects of the project, would also acquire practical training in the processing of loan proposals. Bank and Fisheries Field Officers, together with the representatives of the Fisheries Co-operative Union, provided them with technical and other information that they might need in the assessment of loan proposals.

After they were briefed on the various aspects of the Project, they were formed into several groups with mixed representation, presented with pre-determined. 'sample loan requests' and requested to appraise the simulated loan exercises.

In all, 143 officials participated in these training and workshop programmes.

4.3. Fisherfolk borrower education and extension programme

On completion of the training of the different categories of officials involved in the implementation of the credit scheme, a programme was launched to educate the members of fisherfolk families. The intention was to:

- Create an awareness in the minds of the fisherfolk about the benefits available to them through this credit scheme.
- Impress upon them the importance of repaying loans obtained.
- Dispel the wrong notions they normally harbour towards project credit and, thereby, building up credit discipline among them and making them responsible borrowers.
- Inculcate in their minds the usefulness and importance of the thrift/savings habit, one of the principal aims of the project.

Meetings with fisherfolk were convened during April and May 1992 with the assistance of area Fisheries Inspectors and the supervision of the DFEO.

The Secretaries of Fisheries Co-operative Societies, Field Officers of banks, the DFEO and Fisheries Inspector of the area, and representatives of BOBP and local voluntary organizations attended these meetings. They were generally held in schools, temples or church premises, in community halls and, at times, even outdoors.

Since fisherfolk do not have much free time to spare, the duration of a meeting was limited to around two hours, within which time they were briefed on various aspects of the credit scheme. They were also afforded an opportunity to ask questions and initiate discussions. At these meetings, a pamphlet in Sinhala and Tamil, outlining the credit scheme in statement



A part of the fisherfolk audience in Chilaw listening to the Credit Scheme being explained.



Fisherfolk seek clarifications after the meeting in Chilaw.

form, was handed to the participants (an English translation of it appears in Appendix VIII). Attendance at these meetings was very encouraging, gatherings of a few hundred not unusual. A conspicuous feature was the presence of a large number of women and youth. Fiftyeight such meetings were held in the three districts and 6188 persons, in all, attended them.

4.4 Loan disbursements

The committee had designed the loan application forms and a guarantee form with ‘simplicity’ in mind. Each was confined to the two sides of a single sheet of paper and was in easily understandable Sinhala and Tamil.

These forms, to be used in common by the branches of all three banks, were issued to the bank branches in April 1992.

Even while the Fisherfolk Borrower Education and Extension Programme meetings were in progress, prospective borrowers began trickling in to the bank branches with their proposals to obtain loan applications. The first applications were processed and loans released by early June 1992 and the lending activity has been gradually gaining momentum ever since.

Between June and September 1992, 263 loans amounting to Rs. 6903,050 were released by bank branches. The details of such disbursements are as follows:

<i>District</i>	<i>Bank</i>	<i>No. of loans</i>	<i>Amount disbursed</i>
Matara	Bank of Ceylon	36	339,000
	People’s Bank	1	52,500
	RRDB	23	506,800
Galle	Bank of Ceylon	13	165,530
	People’s Bank	4	1,225,000
	RRDB	18	75,000
Puttalam	Bank of Ceylon	3	103,500
	People’s Bank	3	1,200,000
	RRDB	162	3,235,720
		263	<u>6,903,050</u>

5. LESSONS LEARNT

5.1 Participatory approach

From the very inception of the Project in 1988, up to the time of disbursement, all activities of the Project were collectively planned and executed by the committee drawn from the different participating institutions. They were entrusted with the task of formulating the credit scheme which they would themselves later be called upon to implement. In such circumstances, it was natural that they would act with a sense of commitment and responsibility. This was in contrast with most of the past fisheries credit projects which were hurriedly formulated by a group of non-representative individuals and thrust upon fisheries and bank officials for implementation.

5.2 Agency interaction

During the course of the socio-economic survey and later during the studies, an opportunity was afforded the bank and fisheries officials to interact freely with a large cross-section of the fisherfolk and the representatives of voluntary organizations. This situation improved further during the

latter stages when the officials met them again in their villages during the Fisherfolk Borrower Education and Extension Programme meetings at which the details of the credit scheme were explained to the fisherfolk.

This close association has been useful in understanding the lifestyle and the problems of the fisherfolk in their true perspective.

Fisheries and bank officials, who generally used to work within their own closed confines, also came to meet one another frequently during various discussions pertaining to the Project. They also participated together in a number of residential training programmes and workshops conducted by the BOBP. Such interaction over a period of three years and more has resulted in bringing about better mutual understanding and goodwill and, thus, a more effective working relationship. They are now a friendly team devoted towards the achievement of a common goal. The constant dialogue and discussions among these officials have been of immense help in improving and refining their attitudes towards the credit scheme.

5.3 Sustainability

The three participating banks are adequately represented in the Fisherfolk Credit Committee. Their representatives have all along taken much of the initiative in the formulation of the credit scheme. The simplified loan application forms and the guarantee form have been designed by these members of the committee to help the fisherfolk while fitting into their internal systems and procedures. With the banks themselves playing the leading role in the formulation of the credit scheme, providing resource persons and instructors for the several training programmes, workshops and education and extension programmes and in the designing of the forms, there are unlikely to be problems in the implementation.

The close involvement of bankers in every stage of the credit and recovery functions has made this their own project. Hence, when they finally take over the credit scheme, it is likely to be a smooth exercise.

With the banks agreeing to allocate their own resources for the disbursement of loans, it can be presumed that, as responsible financial institutions, they would take every precaution to ensure proper recovery of the loans disbursed and gradually take upon themselves the functions of lending, recovery and deposit mobilization within the fisherfolk community as envisaged by the Fisherfolk Credit Project.

5.4 Role of BOBP

As mentioned earlier, the role of BOBP has been a low-key one, the Programme merely acting as a catalyst, guide and facilitator. Once the lending process by the participating banks progressively increased, BOBP has gradually distanced itself from the scene, confining its activities to a mere review of the progress of lending and recovery.

5.5 Subsidies and refinance

For over three decades, the element of 'subsidy' has been in-built into fisheries credit as a result of the desire of successive governments to promote speedy development of fisheries. The subsidies granted to fisherfolk related to fishing craft, engines and gear as a package or as individual items. A further concession was the Central Bank refinance, whereby the fisherfolk could obtain loan facilities at rates of interest much lower than the prevailing market rates.

The Government has recently withdrawn the grant of subsidies for fishing craft and equipment and the Central Bank has suspended its refinancing facilities. Thus, lending under the credit scheme has to be 'non-subsidized', a characteristic that was advocated at the outset of the scheme itself.

Fisherfolk accustomed for years to benefit from subsidies voiced their dissatisfaction about this situation at some of the meetings held with them. It was explained to them that the subsidy should not be necessary, provided they took due and proper care of their assets and incomes. It was also pointed out that Government's policy now was to encourage increased efficiency and self-reliance.

5.6 Transfer of trained staff

On visits to bank branches, BOBP staff found that branch managers, loans officers and field staff who had received training in implementing the credit scheme have been transferred to other branches on promotion or due to other administrative requirements of the banks. It takes time for officers replacing them to familiarize themselves with the Project activities and this has occasionally led to temporary setbacks in the smooth implementation of the credit scheme.

5.7 Multiplicity of projects

The implementing banks, *viz.* Bank of Ceylon, People's Bank and the RRDB, all of which are state-owned, are actively participating in numerous development projects throughout the country, particularly in those connected with Shri Lanka's Poverty Alleviation Programme.

In their eyes, the BOBP Fisherfolk Credit Project is just another project among the many credit projects which come under their purview. It is therefore unrealistic to expect favoured or special treatment or attention from them towards this Project. More important is the competition from those schemes which offer lower rates of interest as a result of subsidies.

5.8 Attitudes of officials

There also appears to be a tendency among some officials to consider that any work performed on behalf of the Project as falling outside their normal duties. Some bank personnel have been complaining about the absence of refinance and having to utilize the scarce funds of banks for lending. A few of them appear to feel that BOBP should provide the funds for lending. It has had to be pointed out to them that the BOBP role was a catalytic one and that it has played this role quite effectively, providing guidance and leadership, and, within its means, funding all the major activities preceding the credit disbursement phase.

Misconceived attitudes of this nature will certainly tend to make such officers half-hearted and lethargic and, in the long run, this could have an adverse impact on the sustainability of the results of the Project.

In spite of all this, it is a cause for much satisfaction that the majority of the officers have performed extremely well and continue to work with a sense of dedication and co-operation in the larger interests of the fisherfolk beneficiaries.

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, Shri Lanka, seen (third from left) at the National Seminar on the Credit Project he inaugurated in Colombo.

APPENDIX I

Composition of the Credit Scheme Formulation Committee

B. Bulathsinghala
Assistant General Manager
People's Bank

J. de Silva
Fisheries Section
People 's Bank

J.B.V. Fernando
Credit Manager (Agriculture)
Bank of Ceylon

P.H. Kithsiri
Assistant Manager – Credit Department (Agriculture)
Bank of Ceylon

W.A.C. Tissera
Credit Officer – Credit Department (Agriculture)
Bank of Ceylon
(Alternate representative)

M.D. Somaweera
Assistant Director – Rural Credit Department
Central Bank

L.L. Tissera
Assistant Director – Rural Credit Department
Central Bank

A.R. Atapattu
Director of Fisheries
Department of Fisheries and Aquatic Resources

H.S.G. Fernando
Assistant Director of Fisheries
Department of Fisheries and Aquatic Resources

D. Attanayake
National Credit Officer
BOBP

APPENDIX II

Summary sheet of recommended economic activities

<i>No.</i>	<i>Activity</i>	<i>Areas of Operation</i>	<i>Credit for fixed capital</i> RS.	<i>Credit for working capital etc.</i> RS.
1.	Drying of fish	P.G.M.	1000	4000
2.	Maldive fish	M.	3000	15000
3.	Weaving of reed mats	P.G.	1000	500
4.	Twisted coir (<i>lingus</i>)	P.M.	3000	15000
5.	Coir rope (twine)	G.M.	2000	5000
6.	Coir ropes	G.M.	2000	10000
7.	Handlooms	M. Can be extended to other areas	4000	1500
8.	Garments	P.G.	7500	10000
9.	Cigar-making	P.	1500	5000
10.	Combing of coir	P.	1250	15000
11.	<i>Ekel</i> brooms	P.M.G.	3000	4900
12.	<i>Jaadi</i> production	G.	2500	2500
13.	Packeting of lime	P.	1800	2500
14.	Making coconut rafters	G.M.	1500	9000
15.	Agri products (Gherkins)	P.	25000	10000
16.	Prawn culture	P.	40000	20000
17.	Goat farming	P.M.G.	20000	7000
18.	Pig farming	P.	5850	16000
19.	<i>Teppam</i>	P.	1800	6000
20.	Cane products	G.	5000	7000
21.	Egg production	P.G.	5000	20000
22.	Cultivation of small onions	P.	3700	25000
23.	Lace-making	G.M.	1000	—
24.	Confectionery	G.M.	1000	2500
25.	Manufacture of cement grills	P.	12000	2000
26.	Making vinegar	G.P.	3500	5000
27.	Shell-based handicrafts	G.	1000	1000
28.	Broiler production	P.G.	10000	10000

Abbreviations : P. — Puttalam

G. — Galle

M. — Matara

APPENDIX III

Banking Plan – Number of loans

DFEO Division	Name of financing bank	Cat. 1 - upto Rs. 20,000/-			Cat. 2	Cat. 3	Cat. 4	Total number of loans
		a	b	c	Rs. 20,001 to Rs. 70,000/-	Rs. 70,001 to Rs. 200,000/-	above Rs. 200,000/-	
Puttalam	BC	98	112	42	96	15	5	368
	PB	98	112	42	96	15	5	368
	PIDB	84	96	36	48	—	—	264
Sub. Ttl		280	320	120	240	30	10	1000
Chilaw	BC	105	116	42	102	50	5	420
	PB	105	116	42	102	50	5	420
	RRDB	90	100	36	51	—	—	277
Sub. Ttl		300	332	120	255	100	10	1117
Galle	BC	165	140	53	172	27	5	562
	PB	165	140	53	172	27	5	562
	PIDB	140	120	44	86	—	—	390
Sub. Ttl		470	400	150	430	54	10	1514
Matara	BC	280	77	28	144	25	5	559
	PB	280	77	28	144	25	5	559
	PIDB	240	66	24	72	—	—	402
Sub. Ttl		800	220	80	360	50	10	1520
Total	BC	648	445	165	514	117	20	1909
	PB	648	445	165	514	117	20	1909
	RRDB	554	382	140	257	—	—	1333
Gesad TU		1850	1272	470	1285	234	40	5151

Amount required in SL Rs. millions

DFEO Division	Name of financing bank	Cat. / - upto Rs. *000/-			Cat. 2	Cat. 3	Cat. 4	Total number of loans
		a Rs.	b Rs.	c Rs.	Rs. 20,001 to Rs. 70,000/-	Rs. 70,001 to Rs. 200,000/-	above Rs. 200,000/-	
Puttalam	BC	1.47	0.78	0.63	5.76	3.00	6.00	17.64
	PB	1.47	0.78	0.63	5.76	3.00	6.00	17.64
	RRDB	1.26	0.67	0.54	2.88	—	—	5.35
Sub. Ttl		4.20	2.23	1.80	14.40	6.00	12.00	40.63
Chilaw	BC	1.57	0.81	0.63	6.14	11.00	6.00	26.15
	PB	1.58	0.81	0.63	6.14	11.00	6.00	26.16
	PIDB	1.35	0.70	0.34	3.07	—	—	5.46
Sub. Ttl		4.50	2.32	1.60	15.35	22.00	12.00	57.77
Galle	BC	2.45	0.98	0.80	10.36	5.50	6.00	26.09
	PB	2.45	0.98	0.80	10.36	5.50	6.00	26.09
	RRDB	2.10	0.84	0.60	5.18	—	—	8.72
Sub. Ttl		7.00	2.80	2.20	25.90	11.00	12.00	60.90
Matara	BC	4.20	0.54	0.42	8.64	5.00	6.00	24.80
	PB	4.20	0.54	0.42	8.64	5.00	6.00	24.80
	RRDB	3.60	0.46	0.36	4.32	—	—	8.74
Sub. Ttl		12.00	1.54	1.20	21.60	10.00	12.00	58.34
Total	BC	9.69	3.11	2.48	30.90	24.50	24.00	94.68
	PB	9.70	3.11	2.48	30.90	24.50	24.00	94.69
	RRDB	8.31	2.10	2.67	15.45	—	—	28.53
Grand Ttl		27.70	8.32	7.63	77.25	49.00	48.00	217.90

BC - Bank of Ceylon

PB - People's Bank

RRDB - Regional Rural Development Bank

- For definition of categories, see p. 14.

DFEO - District Fisheries Extension Officer

CAT - Category

TTL - Total

APPENDIX IV

Application for a Loan

The Manager

.....

INDIVIDUAL/JOINT

Date received
Date approved

Account No. S/A
 C/A

		APPLICANT - 01	APPLICANT - 02
01	Full Name/s of applicant/s (in the case of a joint loan give particulars separately.)	..... ..... .....	..... ..... .....
02	Name with initials	..........	..........
03	Address	...............	...............
04	a. Date of birth & age b. National Identity Card No. c. DFEO Division d. Grania Niladhari Division e. AGA Division f. Civil status g. Occupation h. No.of dependents	........................................	........................................
05	a. Average monthly income (at present) b. Average monthly expenses (at present)	..... .....	..... .....
06	Details of movable & immovable properties/ (description) Value	...............	...............

07 Applicant's indebtednes (as a borrower/guarantor)

a. Name of creditor	.....	.....
b. Purpose	.....	.....
c. Original amount	.....	.....
d. Present balance	.....	.....

08 Details of Proposed/Expansion Project

Nature of Project	Skill/Experience/Training (attach documentary evidence) and level of education.	Details of raw materials, other basic facilities (water/electricity etc.) & marketing facilities.
.....

09 Expected terms of repayment

a. Repayment period b. Grace period required (if any) c. Payment of loan instalments-weekly/monthly etc. d. Instalment Rs.
---	----------------------------------

10 Details of Security offered

.....

11 Financing Plan of the Project and Income/Expenditure

	Rs.		Rs.
a	Financing plan		
	Once-&-for-all expenditure		Equity contribution
	Operational expenditure (per month)		Bank loan
	Total investment		Total
b	Details of Income/Expenditure		For Bank Use Only
	Net income from project per month		Adjusted
	Add Other Income (as per para 5a)		. do .
	Sub-Total: Monthly income		. do .
	Less: Monthly expenditure (as per para 5b)		. do .
	Net Income		. do .
	Less: Interest payable during the 1st month		
	Balance available for loan repayment		

When will project start generating income? days/weeks/months after commencement.
(Please attach invoices from suppliers wherever applicable)

Date
Signature of Applicant

12 Recommendation of the F.I./D.F.E.O.

a Whether the applicant/s has/have the capacity to manage the proposed activity?

b Whether the applicant/s possess/es relevant knowledge, skill and experience in the activity? (If so give details.)

Whether satisfied re-availability of raw materials, other inputs and marketing facilities?

d Whether the applicant/s is/are permanent resident/s in the area?

Signature (F.I.) Signature (DFEO)

Name: Name:

Date Date

13 ForBankUse

The contents of this application have been scrutinised by me. I have discussed the estimates of income and expenditure of the proposed project with the applicant/s and found to be satisfactory.

I recommend a loan of Rs. repayable in weekly/monthly/quarterly instalments of Rs. each, subject to a grace period of months.

Name:
Designation:
Date
Signature of the recommending officer

I approve a loan of Rs. under delegated authority.

Name
Designation :
Date:.....
Signature of Approving Officer

APPENDIX V

Additional Information for Loan Application

To
The Manager,
(Name of Branch)

**Additional information to be
furnished by Applicant to the
Bank for loans above Rs. 25000/-.**

Details of the Project

1.0 Existing Operation :

1.1 BRIEF DESCRIPTION OF THE EXISTING OPERATION

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

1.2 ASSETS AVAILABLE

Type	No/Extent/ Floor area	Make/Size capacity	Estimated value	Ownership			Date of purchase/ leased etc
				Owned	Leased	Rented	
Hull							
Engine							
Gear							
Vehicle							
Machinery							
Land							
Building							
Others							

1.3 OPERATIONAL DATA

	Last year	Present year (to date)
Production (Quantity)
Sales Income (Rs.)
Profit

2.0 Proposed Operation :

2.1 BRIEF DESCRIPTION OF THE PROPOSAL

- (i) Product
-
-
- (ii) Implementation plan
-
-
- (iii) Expected benefits
-
-

2.2 PROJECT COST AND FINANCING PLAN

(Pl: refer Page 11 of the Loan Application)

	<i>Bank</i>	<i>Equity</i>	<i>Total project cost</i>
Fishing crafts
Engines
Fishing gear
Vehicles
Machinery
Land
Building
Others
Working capital
TOTAL			

2.3 EXPECTED INCOME

- Expected production (Quantity) ...
- Selling price Rs : ...
- Total sales Rs : ...

.....
Applicant/s Signature

Date :

APPENDIX VI

**BANK OF CEYLON
PILOT CREDIT SCHEME FOR FISHERFOLK
BAY OF BENGAL PROGRAMME**

GUARANTOR'S STATEMENT

The Manager,
.....

Dear Sir,

I hereby agree to hold myself as guarantor to a loan of Rupees

..... (Rs) for

..... (purpose of loan)

under the above scheme, requested by Mr/Mrs/Miss

..... (Name/s of Applicant/s)

of

I deliver to you the following statement with the full knowledge of the liability. Further I presume that you will rely on the truth of the following particulars in considering the extent of credit facility to the applicant/s.

1. Name with initials
2. Names denoted by initials
3. Address
4. Date of Birth
5. Civil Status
6. Employment/Profession
7. Annual Income
(Indicate source of income)
8. National Identity Card No.
9. Fisheries Identity Card No. (If any)
10. Relationship to the Loan Applicant/s
11. Property owned :

Date Issued :

<i>Address (location)</i>	<i>Extent description</i>	<i>Purchase price – Rs.</i>	<i>Assessed value – Rs.</i>	<i>If mortgaged, state particulars</i>

12. Are you a customer of the If so, name of the Branch :

.....

Current Account No. Savings Account No.

13. If you are a customer of any other Bank, state following details :

<i>Name of Bank</i>	<i>Branch</i>	<i>Current Account No.</i>	<i>Savings Account No.</i>

14. Indebtedness :

<i>Name of lender/ institution</i>	<i>Original amount of loan – Rs.</i>	<i>Present o/s to be paid – Rs.</i>	<i>Security offered</i>	<i>Whether loan is in arrears</i>

15. Loans guaranteed by me :

<i>Name of borrower</i>	<i>Name of institution</i>	<i>Amount guaranteed Rs.</i>	<i>Present amt. outstanding</i>

16. I certify that the declarations made by me above are true and correct.

.....
Date Signature

For Bank's Use Only

Acceptance of the abovenamed Mr/Mrs/Miss
as a guarantor for a loan of Rs. (Rupees
.....) to be granted to Mr/Mrs/Miss
for the purpose of is hereby approved.

Second Officer : Signature of Manager/OIC :
Signature No. : Signature No. :
Date Date

APPENDIX VII

**Pilot Credit Scheme for Fisherfolk
Bay of Bengal Programme**

Monthly Report for month of.....

The Manager,
Bank of Ceylon,
.....

1. Name
2. Address
3. Amount borrowed
4. Date borrowed
5. Purpose
6. Present outstanding
7. Performance of the project

- 7.1. Whether project is operating as planned.
- 7.2. Whether production targets are being achieved.
- 7.3. Whether marketing arrangements are satisfactory
- 7.4. Whether project assets are maintained in good condition
- 7.5. Whether loan instalment and interest are paid regularly.
- 7.6. Do you face any problems? (if yes, details)

<i>Borrower</i>		Official Use
Yes	No	

.....
Date Borrower's Signature

8. Shortcomings (if any) observed by Inspecting Officer (BBM/BFO/DFEO/FI/OCA)
9. Remedial action recommended.

.....
Date Signature

10. Action already initiated to remedy the shortcomings.

.....
Date Signature

APPENDIX VIII

BOBP Pamphlet on Fisherfolk Credit Scheme

(English translation of Sinhala/Tamil Pamphlets)

TO THE FISHERFOLK... A HOST OF CONCESSIONS

BAY OF BENGAL FISHERFOLK CREDIT PROJECT

Credit for whom?

- . Traditional Small-scale Fisherfolk
- . Mechanised Small Craft Owners
- . Women in Fisherfolk Families
- . Youth in Fisherfolk Families
- . Fishing Labourers

(Preferential treatment for members of Fisheries Co-operative Societies)

For what purposes are loans granted?

Coastal fishing without use of craft.

Coastal fishing using non-motorized craft

Coastal fishing using motorized traditional craft.

Coastal fishing using motorized modern craft.

Off-shore fishing using multi-day craft.

Making dry fish, Maldive fish and salted fish. Fish vending. Selling fishery related goods.

Repair of craft, engines, nets and fishing gear.

Coconut fibre and yarn-based activities.

Metal and mechanical repair workshop.

Carpentry.

Garment – and lace-manufacture,

Making artefacts.

Cement block manufacture.

Handicrafts.

Small-time trading.

Making and sale of sweetmeats.

Cultivation of crops.

Raising of cattle, goats, poultry and pigs.

Any other income-generating activities.

Credit is also available for the following :

To redeem debts.

For medical treatment.

For children's education.

To overcome distress.

To repair residence'

To purchase houses, land, utility goods etc

What is the security?

Mortgage of goods and implements purchased with loan money.

Assignment of Insurance Policy to Bank if such goods are insured.

Personal guarantee of other fisherfolk and family members acceptable to the bank.

What is the interest payable?

A sum ranging between Rs. 1.50 to Rs. 1.75 a month for every Rs. 100^{/-} borrowed.

Up to what extent are loans given?

An upper limit for each category of loans has been fixed. 75% of the funds needed for any activity is given as a loan, while the balance 25% will be borrower's share.

What is the Repayment Period?

According to the activity undertaken with the loan the repayment period has been fixed between 2 to 10 years, inclusive of a grace period where necessary.

a) Loans ranging from Rs. 5,000.00 to Rs. 25,000.00 for fishery and non-fishery activities 1 to 3 yrs.

b) Loans for fisheries activities without craft or using craft without engines. upto 4 yrs.

c) Loans for boats less than 34 feet in length . upto 5 yrs.

d) Loans for multi-day boats 8 to 10 yrs.

Who grants the loans?

The loan scheme will operate only in the districts of Matara, Galle, Chilaw and Puttalam. The coastal branches of Bank of Ceylon, People's Bank and the Regional Rural Development Bank (RRDBs) in these districts will grant loans.

How to qualify for loans?

Members of fisherfolk families are qualified to apply for loans to undertake income earning fishery and non-fishery activities. An applicant for a loan has to be a customer of the bank by opening a savings/current account.

Whom to ask and where?

Go to the nearest bank branch in this list and ask the Fisheries Loans Officer or the Manager. You can also ask the Bank's Field Officer or the Fisheries Inspector of your area.

District	<i>Bank of Ceylon</i>	<i>People's Bank</i>	<i>RRDB</i>
Matara	Weligama Devinuwara hlatara (Bazar) Dikwella	Weligama Devinuwara Matara Dikwella Gandara	Denipitiya Walgama Kottegoda
Galle	Bentola Ambalangoda Hikkaduwa Galle (Bazar)	Balapitiya Hikkaduwa Ambalangoda Galle (Main Branch) Ahangama	Gonagala Baddegama Batapola
Chilaw	Wennappuwa Chilaw Madampe Nattandiya Waikkala	Wennappuwa Chilaw Marawila Mahawewa Nattandiya	Kirimetiya Nattandiya Chilaw Mahawewa
Puttalam	Kalpitiya Puttalam hadurankuliya	Kalpitiya Puttalam	Kalpitiya Puttalam Mampuriya Mundalama

Sponsored by :

- . Department of Fisheries & Aquatic Resources
- Bay of Bengal Programme
- Bank of Ceylon
- People's Bank
- . Regional Rural Development Bank

PUBLICATIONS OF THE BAY OF BENGAL PROGRAMME (BOBP)

The BOBP brings out the following types of publications :

Reports (BOBP/REP/...) which describe and analyze completed activities such as seminars, annual meetings of BOBP's Advisory Committee, and subprojects in member-countries for which BOBP inputs have ended.

Working Papers (BOBP/WP/...) which are progress reports that discuss the findings of ongoing BOBP work.

Manuals and Guides (BOBP/MAG/...) which are instructional documents for specific audiences.

Information Documents (BOBP/INF/...) which are bibliographies and descriptive documents on the fisheries of member-countries in the region.

Newsletters (*Boy of Bengal News*) which are issued quarterly and which contain illustrated articles and features in non-technical style on BOBP work and related subjects.

Other publications which include books and other miscellaneous reports.

A list of publications from 1986 onwards is given below. A complete list of publications is available on request.

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23. *Summary Report of BOBP Fishing Trials and Demersal Resources Studies in Sri Lanka.* (Madras, March 1986.)
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30. *Summary Report of Fishing Trials with Large-mesh Driftnets in Bangladesh.* (Madras, May 1986.)
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32. *Bank Credit for Artisanal Marine Fisherfolk of Orissa, India.* U. Tietze. (Madras, May 1987.)
33. *Non-formal Primary Education for Children of Marine Fisherfolk in Orissa, India.* U. Tietze, Namita Ray. (Madras, December 1987.)
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36. *Hifso Investigations in Bangladesh.* (Colombo, June 1987.)
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47. *Exploratory Fishing for Large Pelagic Species in Sri Lanka.* R. Maldeniya and S.L. Suraweera. (Madras, April 1991.)
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51. *Report of the Seminar on the Mud Crab Culture and Trade in the Bay of Bengal Region*, November 5-8, Surat Thani, Thailand. (Madras, September 1992.)
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57. *Identifying Extension Activities for Fisherwomen in Visakhapatnam District, Andhra Pradesh, India*. D. Tempelman. (Madras, August 1987.)
58. *Shrimp Fisheries in the Bay of Bengal*. M. Van der Knaap. (Madras, August 1989.)
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61. *Development of Outrigger Canoes in Sri Lanka*. O. Gulbrandsen, (Madras, November 1990.)
62. *Silvi-Pisciculture Project in Sunderbans, West Bengal: A Summary Report of BOBP's assistance*. C.L. Angell, J. Muir, (Madras, September 1990.)
63. *Shrimp Seed Collectors of Bangladesh*. (Based on a study by UBINIG.) (Madras, October 1990.)
64. *Reef Fish Resources Survey in the Maldives*. M. Van der Knaap. Z. Waheed, H. Shareef, M. Rasheed (Madras, April 1991.)
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68. *The By-catch from Indian Shrimp Trawlers in the Bay of Bengal : The potential for its improved utilization*. Ann Gordon. (Madras, August 1991.)
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5. *Bay of Bengal Fisheries Information System (BOBFINS) : User's Manual.* (Colombo, September 1987.)
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