Microfinance in Fishery Sector: Social Capital as an Agent of Empowerment

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Abstract—The paper is a critical review of studies to understand the role of social capital in the empowerment of fishing communities who avail the assistance of microfinance institutions. The findings showed that studies on empowerment of communities by social capital were less. However, a substantial amount of studies analysed the concept of deployment of social capital as an assertion for the repayments of the loans obtained from the microfinance institutions. In addition to the above, the number of studies on the function of social capital in the empowerment of fishing communities who obtained financial assistance from microfinance institutions was rare. Although a few studies that investigated the attainment of knowledge and balanced utilisation of the available resources were obtained, studies that concentrated extensively on the on the beneficiaries in the fishery sector were found to be scarce. There were a sparse number of studies that elucidated the characteristics of the microfinance institutions as well as the groups of the beneficiaries of these institutions that affect the generation of a strong social capital among the group members. In conclusion, this review opens up various avenues for future research. Studies that scrutinise the difficulties of the members of self-help groups in the fisheries sector in employing the knowledge gained and resources attained from social capital established in their group and the consequent changes in their performance in their business can be carried out. Apart from the aforementioned future study opportunity, comprehensive studies on the policies to develop the social capital of the groups of the beneficiaries of the microfinance institutions can be carried out.

I. INTRODUCTION

India stands third in the global ranking of fisheries and earns about INR 45,000 crores through exports annually (National Fisheries Development Board, 2019). Post liberalisation reforms, the privatization of the economy increased the productivity of the sector. Fishing acts as a livelihood source for the economically backward population living on the coastlines. Therefore, the government has implemented numerous schemes for their benefit. The socio-economic condition of the fishing community in India has not flourished as the monetary benefits have not penetrated the community but stagnated at the organised sector of mechanised-fishing (Sathiadhas & Prathap, 2009).

In order to improve their economic conditions, the fishing community approached money lenders and financial helpers who exploited them by charging exorbitant rates of interest. Formal financial organisations require collateral from them to provide loans which is difficult for the members of the fishing community. In such situations, self-help groups are helpful in availing loans for the community through microfinance which has proven successful in improving the lives of the economically backward population (Barua, Chakraborty, Das & Sen, 2012; Odebiyi & Olaoye, 2012). The institutions provided loans to small self-help groups who offered assurance of repayment of each other (Thilepan & Thiruchelvam, 2011; Vipinkumar, Swathilekshmi, Johnson & Narayanakumar, 2013a). The role of social capital of the groups becomes inevitable in the issuance of loans to these groups. Social capital can be defined as one of the four types of essential capital that regulates the social life of humans which was an amalgamation of resources that form a complex web of mutually beneficial relationships through the formation of trust between the members of the group (Bourdieu, 1985; Coleman, 1988; Lin, 1999; Putnam, 2000).

II. MICROFINANCE IN FISHERY SECTOR

The need for microfinance in the fisheries sector was high during the off-season. However, in some developing countries, the presence of microfinance institutions was scarce (Kleih et al., 2013). The demand for microfinance and the presence of the institutions in some areas were lower than other areas (Barua et al., 2012). The trust people had in the microfinance institutions was high; however, the level of indebtedness among the beneficiaries of microfinance was found to be less (Vipinkumar et al., 2015).

The role of self-help groups in helping the members obtain loans from microfinance institutions was discussed in detail by Karmakar, Mehta, Ghosh and Selvaraj (2011). In agreement with the above results, studies by Gopal, Jeyanthi, Chandrasekar and Meenakumari (2012), Vipinkumar et al., (2013b) and Tietze and Villarreal (2003) elucidated that the repayment rate was higher when loans were provided as a group. The study by Mallick (2015) stated that women of the self-help groups were found to be economically empowered due to microfinance. However, the difficulty of repaying the loans obtained from microfinance institutions by women was found to be high in some areas (MacPherson et al., 2015) due to the discrimination followed by traders in buying from women suppliers.

The effect of microfinance on maintaining the socio-economic conditions of the fishing community was discussed in detail. While the studies by Gopal et al. (2012) and Odebiyi and Olaoye (2012) stressed that the loans obtained through microfinance was to maintain the household expenses and the prevalence of utilisation of loans for

Revised Version Manuscript Received on 16 September, 2019.
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purposes other than for which it was obtained was high, the results of the study by Agrawala and Carraro (2010) stated that microfinance helped fisher folk to cope with the vagaries of nature due to climate change by enabling them to purchase more robust materials for their occupation and Thilepan and Thiruchelvam’s study showed the positive effect of microfinance on the improvement of the economic conditions of the fishing community who availed the loans. Further, the study of Vipinkumar et al. (2013a) also supported the role of microfinance in improving the economic condition of the fishing community. Microfinance institutions were also responsible for providing financial assistances to the community to start small-time businesses that enabled them to be economically empowered (Bruton, Khavul, Siegel & Wright, 2015). The significant effect of reduction in the poverty levels of fishing community was documented by the study results of Agbola, Acupan and Mahmood (2017). On the other hand, the studies of Montgomery and Weiss (2011) and Pitt, Khandker and Cartwright (2006) showed that in some countries there was no improvement in the economic condition of the beneficiaries of microfinance.

The challenges faced by microfinance institutions in fisheries sector were also examined. Studies by Kalhor et al. (2017), Vipinkumar et al. (2015), Karmakar et al. (2011) and Wang (2015) propounded that lack of outreach was the main challenge. On the other hand, the low repayment by the borrowers was termed as the crucial challenge faced by microfinance institutions as per the studies of Vipinkumar et al. (2013a), Vipinkumar et al. (2013b) and Vipinkumar et al. (2013c) and Ashaleta (2018). Another challenge postulated by Kleih et al. (2013), MacPherson et al. (2015), Agbola et al. (2017) and Kalhor et al. (2017) was the policies and reforms of the government.

III. MICROFINANCE AND SOCIAL CAPITAL

A major reason for the success of microfinance institutions in building social capital was its aim to alleviate poverty and help the economically backward communities of fisher folk. Studies on microfinance and social capital prominently depicted that microfinance helped to create social capital. The results of the study by Aigbokhan and Asemota (2011) showed that the lending of loans to a group encouraged the generation of social capital among its members which in turn decreased the poverty of the members of the group. It was elucidated in detail that the trust in the institutions created a network of trust in the governmental agencies through the assurance of flow of funds and thereby increasing their outreach (Mosley, Olejarova & Alexeova, 2004).

In extension of the above result, Dufhues, Buchenrieder, Quoc and Munkung (2011) stated that the social capital created a bond between the members of the social group obtaining loans which increased the repayment of the loans as well as procuring higher loan amounts. Moreover, Sanyal (2009) elucidated that the characteristics of the structure of the group formulated by the microfinance organisations, such as economic connections between the group members and the frequency of participation of the members in the meetings, affected the generation of social capital of the group.

It was further explained by Rankin (2002) and Smets and Bahre (2004) that social capital substituted for collateral in providing loans to economically poor people; following the principle of which the microfinance institutions function. In contrast, from the study of Haldar and Stiglitz (2013), it was observed that as the microfinance institutions moved towards becoming self-sufficient and converted to for-profit organisations, the changes it brought about in the social capital decreased and also, in some cases, a complete absence of social capital was observed. According to Quoniones and Seibel (2000), the characteristics of the microfinance institutions such as regulations, supervisory setup and the service innovations affect the formation of social capital of the beneficiaries of the microfinance institutions.

Training programmes organised by microfinance institutions helped to increase the trust and strengthen the relationship shared between the members of the group (Agrawala & Carraro, 2010). This was in agreement with the study by Anderson, Locker and Nugent (2002) who explained that social capital among the members of the group increased by undergoing training and improving their decision-making skills assisted by microfinance institutions as well as the study by Swain (2007) which explicated that the empowerment of women can be enabled by the measures taken by microfinance institutions such as education and awareness programmes. In conformity with the above illustrations is the study of Ul-Hameed, Mohammad and Shahr (2018) which stated that the non-financial services of microfinance institutions for social capital development enhanced the empowerment of women beneficiaries of the microfinance institutions.

However, Ito (2003) argues that though microfinance institutions assist in the creation of social capital, the presence of social capital does not signify the nature and framework of the services and structure of the microfinance institution. This was also extended by Khatun and Hasan (2015) that microfinance alone could not empower the economically backward people. Also, Gobezie (2010) explained that every stakeholder connected with the microfinance institutions must co-ordinate with each other to obtain the maximum benefits from its services. In relation with the above argument, Maclean (2010) explains that the strength of the social capital of the women groups was considered as a safeguard for the loans by the microfinance institutions which they capitalised to acquire regular repayments. According to the author, this practice of the institutions jeopardises the trust that the women’s group have in the institutions.

IV. SOCIAL CAPITAL AS A TOOL OF EMPOWERMENT

Numerous studies have outlined the effect of social capital in empowering the borrowers of microfinance institutions. Women, who were part of the self-help groups that obtained loans from microfinance institutions, were found to be empowered socially through their peers of the self-help groups by training programmes, meetings and discussions on improving their economic conditions (Swain, Sanh & Tuan, 2008).
Another benefit of social capital was explained by Basargekar (2010) as the acquisition of knowledge and other intangible resources from the social group created for availing loans from microfinance institutions through the strong bond formed as a result of social capital. In agreement with the above conclusion, the study of Ahmed, Siwar, Idris and Begum (2011) explained that women who were a part of the self-help groups gained knowledge and improved their education through the rapport shared by the members of the group. On the standpoint of microfinance institutions, the social capital of the groups of borrowers increased the prompt repayment of loans as observed from the study of Aigbokhan and Asemota (2011). It was also explicated in some studies that group activities to build trust and rapport between the members of the group increases the social capital of the group (Vipinkumar & Asokan, 2016).

One of the major contributions of social capital was the reduction in the poverty of the people who were members of the small groups formed as a requirement for utilising the services of microfinance institutions as explained by the studies of Imai, Arun and Annim (2010) and Devaraja (2011). It was further enhanced by the study of Ansari, Munir and Gregg (2012) which explained that poverty could not only be in terms of monetary deficiency but also in terms of absence of social and political empowerment. They further added that the social capital significantly affects the empowerment of the downtrodden community (‘Bottom of Pyramid’) through various institutions including financial organisations.

Supporting the above inference was the study of Khatun and Hasan (2015) which specified that linking the physical capital through social capital by empowerment activities and eradicating poverty were important characteristics of microfinance institutions. In agreement with the effect of social capital on the empowerment of the economically backward community, the results of a study by Idris and Agbim (2015) explicated that social capital enhanced the self-employment, acquisition of skills and educating oneself on the required knowledge of the economy apart from financial empowerment. Also, it was mentioned by Eberhard (2008) that religious social capital, along with other methods of improving social capital, also helped in empowering the beneficiaries of microfinance programmes.

In addition, it was also stated by few studies that microfinance institutions preferred groups with women as the social capital was stronger and helped in the repayment of the loans (Aggarwal, Goodell & Selleck, 2015; Muhammad, 2010). In relation to the above conclusion, the study by Geleta (2013) elucidated that microfinance institutions should enforce policies and reforms that would help men also to be a part of its services rather than targeting women beneficiaries only. However, some studies proclaimed that microfinance through social capital alone cannot empower the women beneficiaries (Krenz, Gilbert & Mandyam, 2013). Contrarily, Mayer and Rankin (2002) suggested that the measures of social capital can be used to identify the effectiveness of various reforms and establish a structure for empowerment.

V. CONCLUSION

The paper is a systematic critical review of previous studies to understand the role of social capital in empowerment of fishing communities who avail the assistance of microfinance institutions. This was undertaken to analyse the factors affecting the microfinance institutions in fisheries sector and its subsequent role in generation of social capital among the members of the different groups obtaining loans from the microfinance institutions. The first section of the paper specified the definitions of microfinance and social capital; followed by general statistical data related to fisheries which specified the need for financial assistance required by the fishing communities. The next section reviewed the various aspects of the role of microfinance in the fisheries sector including the challenges faced by the institutions in providing microcredit. The penultimate section presented a detailed review of the various functions performed by microfinance institutions in the generation of social capital among the members of the self-help groups and the final section detailed the functions of social capital in empowering the members as researched by numerous studies.

The findings of the study confirm that a number of studies analyse the relationship between microfinance institutions and the economic development of the members of groups of beneficiaries of microfinance institutions in the fisheries sector. However, only a nominal number of studies assessed the role of microfinance in development of social capital. Few studies elucidated the methods adopted by the microfinance institutions to develop social capital among its beneficiaries. On the subject of social capital, studies that investigated the role of social capital in empowerment of communities were less. In contrast, a significant amount of studies were available that studied the utilisation of social capital by the microfinance institutions as an assurance for the repayments of the loans availed. In addition, a few studies on the allotment of loans to women to enable their empowerment as well as assuring the repayment of the loans were obtained. Furthermore, the number of studies on the role of social capital in empowering fishing communities that availed financial benefits from microfinance institutions was scarce.

The present review also indicated that there were a few studies that provided the characteristics of the microfinance institutions as well as the beneficiaries’ group characteristics that influenced the formation of a strong social capital among the group members. Although few studies researched on the effects of social capital on the gaining of knowledge and resources utilisation, studies on the beneficiaries in the fisheries sector was very minimal. Thus, this review presents the opportunity for future studies that can analyse the performance and challenges faced by the members of self-help groups in the fisheries sector who have gained from knowledge and resources from social capital of their group. Also, detailed studies on the strategies followed by microfinance institutions in developing social capital of the groups of its beneficiaries can be carried out.
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