



Food and Agriculture  
Organization of the  
United Nations

# Financing small-scale fisheries in Thailand



INTERNATIONAL YEAR OF  
ARTISANAL FISHERIES  
AND AQUACULTURE  
2022



# Contents

Financing small-scale fisheries in Thailand	ii
Infographic	1
Key messages	2
The financial sector supports fisheries in Thailand	2
BAAC - APRACA fisheries finance surveys	5
Findings	5
Policy recommendations	8
References	8
Acknowledgements	9



## Financing small-scale fisheries in Thailand

In 2021, the Food and Agriculture Organization of the United Nations (FAO) joined forces with the Asia-Pacific Rural and Agricultural Credit Association (APRACA) and the Bank for Agriculture and Agricultural Cooperatives of Thailand (BAAC) to implement a joint Multidisciplinary Fund (MDF) project. The project's goal was to learn about small-scale fisher (SSF) access to financial services.

This policy brief aims to inform financial institutions in Thailand about the opportunities and challenges associated with financing small-scale fisheries. It outlines the key findings from a supply-and-demand analysis of financial services that was carried out in 2021 among small-scale fishers, fisherfolk organizations and financial service providers in Thailand.

Photo Credit  
© Stockphoto mania/BAAC



Most small-scale fishers can be reached on digital channels

54 percent of small-scale fishers have previously accessed digital financial services.

87 percent of small-scale fishers claim to be able to borrow formally or informally when needed

However, they often find that the services offered by financial institutions do not meet their needs.

56 percent of small-scale fishers have significant savings

Savings can be an entry point to reach small-scale fishers with other financial services.



Photo Credit  
© SOD.KS/BAAC

# Key messages



Fishing and activities in the seafood value chain play an important role in the Thai economy: 10 percent of all agricultural economic activity in the country is generated by the fisheries sector. In Thailand, the capture fisheries sector harvests about 1.5 million tonnes of fish, crustaceans and molluscs every year. The country's 195 000 fishers make use of more than 50 000 small- and medium-sized fishing vessels. The large number of small-scale fishers (SSF) and their vital businesses make the Thai fishing sector attractive for financial institutions.



In 2019, the export value of fish and fishery products was estimated at USD 5.8 billion, while USD 3.7 billion of seafood was imported. The Thai seafood industry is large, and many processors produce high-quality products for export markets.



Many SSF have access to financial services: 87 percent claim they are able to borrow formally or informally when needed. However, SSF often find that formal financial services are not suited to their business development needs. Household savings therefore remain the most common way to finance their businesses.



Analysis shows that 54 percent of SSF have accessed digital financial services; most commonly online banking. Most SSF can thus be reached via digital channels. Financial institutions should not only serve SSF digitally, but also help them adopt technological innovations at a faster rate.



SSF need to be better connected to the seafood value chain (retailers, wholesalers etc.) to enable them to obtain fair and less volatile prices for their products. Fishers should also make better use of existing business development services, such as the advisory services offered by BAAC's business development staff. Financial institutions should support the connection of their SSF clients to other stakeholders in the fish value chain.

## The financial sector supports fisheries in Thailand

Small-scale fishers in Thailand face numerous challenges. Most SSF depend on coastal fishery resources which have been overexploited and are in decline. The new fisheries law and the strategy against illegal, unreported and unregulated (IUU) fishing are requiring Thai SSF to modernize their fishing vessels and use more responsible fishing gears and fishing methods. The investment required to adapt to climate change – for new equipment, safer vessels and responsible fishing gears – add to the need for investment. The sector also needs to become more energy-efficient, reduce its consumption of fossil fuels and greenhouse gas emissions. The resilience of SSF, and their ability to adapt to these challenges, depends on their access to suitable financial services.

Commercial banks and many other formal financial institutions in Thailand target the medium- and high-income strata of the population and/or mid- to large-scale companies. Only some financial service

providers offer products and services to small and medium enterprises (SMEs) in rural areas. That is why, up until now, small-scale fishers have often borrowed through specialized financial vehicles.

The Royal Government of Thailand has extended loans amounting to USD 1.75 billion to informal sector workers (agriculture/fishing/livestock) and SMEs through the Government Savings Bank (a public commercial bank) and the Bank for Agriculture and Agricultural Cooperatives (BAAC). Of the eight specialized state-owned financial institutions, the BAAC established in 1966, is the entity which most actively serves SSF in Thailand, with a loan portfolio of USD 102 million.

The BAAC also supports the Thai fishing sector's transition to legal fishing practices through a rehabilitation programme. The latter was a response to the yellow card issued by the European Union in 2015 for Thailand's non-compliance with programmes to combat IUU fishing. In 2019 the



yellow card was lifted, as Thailand had amended its legal framework for fisheries, in line with international law of the sea instruments. The BAAC provided credit for SSF under its Fisheries Entrepreneurs' Liquidity Enhancement Loan Program in order to facilitate their compliance with new government regulations under the fisheries act

(see Box 1). The loan programme helped SSF to support their livelihoods during the COVID-19 pandemic in 2020–2021; it was subsequently extended to 22 of Thailand's coastal provinces in 2021. As of February 2022 the programme had reached 2 096 of the bank's clients with funds amounting to USD 18.9 million.

### Box 1: BAAC project to enhance liquidity for small-scale and commercial fisheries

**Loan product:** the Department of Fisheries proposed that BAAC design this loan product, which was launched in May 2020 and will run till May 2028.

**Objectives:** to support liquidity; facilitate fisheries legal operations; to help conserve aquatic animals and marine natural resources; and to promote sustainable fishing.

**Target group:** artisanal or commercial fishers with fishing boats of a gross tonnage below 60 tonnes.

**Fishing area:** 22 provinces around the Gulf of Thailand and the Andaman Sea.

**Credit terms:** short- (< 12 months), medium- (3–5 years) and long-term (> 5 years) available.

**Maximum loan amount:** the maximum loan amount is set at USD 150 000.

**Interest rate:** 7 percent (4 percent paid by the borrowers and 3 percent contributed by the government to the bank).

**Collateral Security:** joint liability groups, mortgage or land with building, or fishing boat.

**Risk Management:** BAAC collaborates with Dhipaya Insurance Public Company Limited to design the 'Insurance for Fisheries' policy, which will insure fishing boats, skippers, or fishing crews for one year.

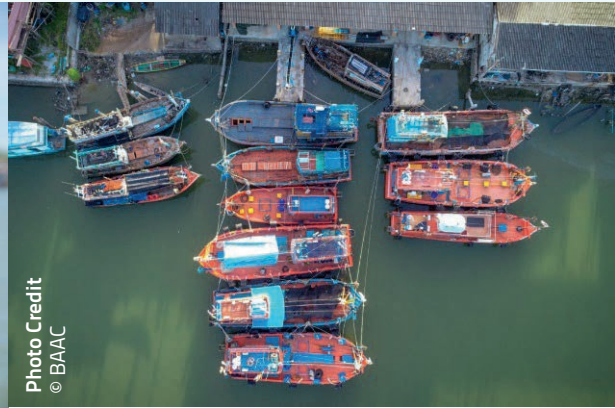
Source: Authors' own elaboration.

Meanwhile, the semi-formal and informal financial service segments are growing rapidly, demonstrating the potential for formal finance to SSF as well. The financial cooperatives and so-called Village Funds have proven very effective in delivering credit to poor rural communities, but they are also subject to weak oversight. There is, however, a promising movement to

transfer the members' savings deposits into locally run intermediaries called community financial institutions (CFIs). These groups, along with informal savings groups of various kinds, are being supported, mentored, and often financed by institutions such as the BAAC, the National Village Fund and community development groups, both official and non-governmental.



## Box 2: Case Study–Jan Jao Fish Market and Fish Dock



Jan Jao is a fish market in Don Sak District, Surat Thani Province. The fish market is operated by Thanyarat Musik-in, who is a beneficiary of the BAAC's Fisheries Entrepreneurs' Liquidity Enhancement Loan Program. Jan Jao Fish Market began operating in 2012. Initially, the business focused on the collection and purchase of catch from fishermen; the marine products bought included fish, squid, blue crab, mangrove crab and shrimp. A few years later, the operator also invested in some fishing vessels. She sells the produce caught by her own vessels and purchases from other fishers to both large and small customers, in wholesale and retail markets. The reason for investing in fishing vessels was to solve the problem of inconsistent supply of seafood products, and to better meet customers' demands. The investment ultimately helped to solve the problem and increased income. Without the adequate financial support from BAAC, Jan Jao Fish Market could not have developed the successful business model it has today.

All the inputs necessary to fishing operations are acquired locally, including ice, fuel, labour, and repair services. The development of the fish market has therefore helped to foster the demand for goods and employment in the local community. The Jan Jao Fish Market makes extensive use of digital tools to organize its operations. In recent years, the fish market has also provided financial assistance to fishers who supply the market with seafood, covering operational expenses such as ice and fuel, as some of the fishers were unable to borrow from financial institutions.

The costs of fishing operations are continuously increasing. Investments are needed in new fishing gears that meet Thai Department of Fisheries standards, as well as working capital to cover the costs of vessel maintenance, fuel, ice, labour and food.

The business relationship between the Jan Jao Fish Market and BAAC supports Musik-in to maintain a thriving business and helps BAAC achieve its fisheries development agenda.





In 2021 BAAC and APRACA organized various stakeholder surveys. The objective of the surveys was to examine local fishers' business needs and challenges in accessing financial services (credit, savings and insurance). The surveys also helped financial institutions to identify opportunities to address the financial needs of SSF more effectively.

The surveys were conducted with three different types of stakeholders:

1. **Individual SSF:** Personal interviews were conducted with 124 fishers; these were BAAC clients from 9 coastal provinces.
2. **SSF organizations** (cooperatives or associations): 11 institutions responded to online surveys.
3. **Financial Institutions:** 9 financial services providers responded to online surveys.

## Findings

### Fishers

Out of the 124 fishers who responded to the survey, more than half have other sources of income besides fishing. The reported average SSF fishing income is USD 6 450 per annum; this ranges from a minimum of USD 890 to a maximum of USD 28 050. To finance their investments in fishing operations, most of the SSF reported using their own or household savings as the first source, followed by loans from formal financial institutions and government funds. Moreover, 56 percent of respondents mentioned having significant personal savings or deposits at a bank. Only a few reported accessing finance from other sources such as relatives, friends, cooperatives, or self-help groups.

Despite the precarious financial situation of some SSF, 87 percent claim to be able to borrow formally or informally when needed. Results show that the average loan amount for those who borrow is USD 7 800, ranging from a minimum of USD 300 to a maximum of USD 38 000.

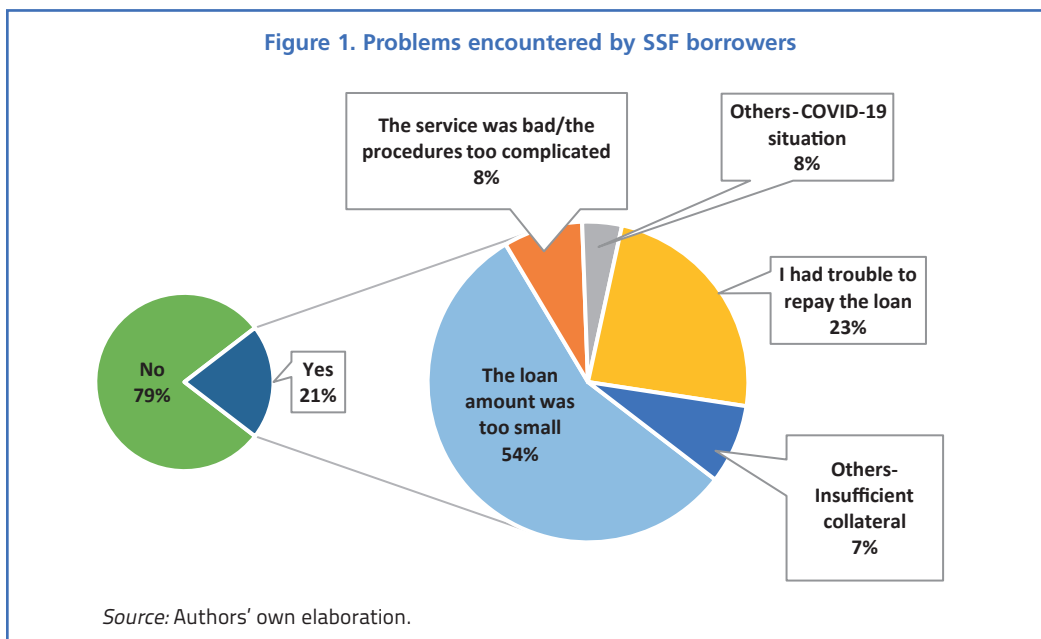
The survey results on the financial situation of SSF clearly show that SSF can be an interesting clientele for financial institutions. However, the survey also revealed that the services offered by financial institutions do not always meet SSF' needs.

Figure 1 shows that 79 percent of SSF that borrowed from BAAC did not face any major problems accessing or repaying their loans. However, 21 percent of SSF borrowers encountered some problems when accessing lending services. The main problems were inadequate loan amounts (mentioned by 54 percent of borrowers who reported problems); challenges to repaying the loans (23 percent); and poor service and overly complicated lending procedures (8 percent).

#### Box 3: Digital channels can be used to reach small-scale fisher (SSF)

The survey showed that most SSF can be reached through digital channels. Nevertheless, there is scope for increasing their use of such channels.

More than half of respondents have accessed digital financial services such as online banking. This data is in line with the generally positive attitude of the Thai population towards digital tools. Nearly 75 percent of SSF stated that they have adopted digital technology in their fishing business. However, only a few of the SSF regularly use mobile money, online marketplaces and other online services to grow their businesses.



#### Box 4: Long-term borrowing to buy fishing equipment

Three quarters of SSF with investment loans also have insurance covering their fishing equipment (e.g. vessels and engines). This may suggest that borrowing to buy fishing equipment is difficult without additional insurance. There is only one specialized insurance company that insurance for fishing equipment in Thailand. Financial services providers might therefore consider teaming up with insurance companies or finding other innovative ways of securing lending to SSF for investment purposes (for example by using guarantees or leasing models). This might help to increase the subset of SSF that are able to borrow to invest in modernization of their equipment.

## Fisherfolk organizations

The 11 fisherfolk organizations that responded to the survey all actively share information among their members and often also with non-members. They are involved in supporting the buying and selling of fish and building the capacity of members. Most of the fisherfolk organizations provide savings and facilitate credit services (8 out of 11 respondents), though fewer reported providing direct credit services (4 out of

11 respondents). None of the fisherfolk organizations provide insurance services. Being close to the everyday business of SSF, fisherfolk organizations are likely an important part in any programme to improve SSF access to financial services. By seeking ties with fisherfolk organizations, financial institutions may be in a better position to understand the fishing business, reduce transaction costs and reach more SSF.



## Financial institutions

The nine financial institutions that responded to the survey offer a variety of services. Their common focus is on the provision of short-term loans to SSF, with the aim of recovering the loans quickly. Only three provide mobile money and accept online loan applications; two also provide online banking.

One provides online training to clients on financial inclusion, and two of them do not have any kind of digital services. These results demonstrate the need for financial institutions to improve digital services to reach out to SSF and other clients in order to be more financially inclusive.

### Box 5: Flexibility of financial services is important

A resident of Kapoe District under Ranong province received a working capital loan of USD 1 000 for small-scale fishing. He used the loan for recurring expenses during the COVID-19 pandemic; as he commented in the BAAC-APRACA fisheries finance survey:

During the pandemic, my revenue decreased because the demand for fishing products dropped quickly. The revolving loan helped me to pay the necessary expenses. After an improvement in the overall situation, the government relaxed the lockdown, and my revenue gradually increased and returned to a near normal level.

When the financial institutions were asked about how to increase their capacity to deliver financial services to SSF, the highest priority was given to accessing funds (grants) for carrying out training and capacity building programmes relevant to

SSF. Networking with fisherfolk organizations and creating partnerships with training institutes or dedicated consultants to deliver training to staff were also regarded as necessary. Some financial institutions are seeking financial support to start lending to fisheries.



Photo Credit  
© Stockphoto mania/BAAC

# Policy recommendations

The BAAC–APRACA fisheries finance surveys identified some interventions that are needed to develop the business environment for SSF in Thailand:



## Develop capacity building and training programmes to enhance the small-scale fishing business

Many SSF in Thailand are actively adopting innovations and changing their fishing equipment to meet the requirements of the new fisheries law and the 'IUU-free' strategy. Most survey respondents are eager to join business enhancement programmes to learn about new technologies. Establishing a nationwide capacity building programme will help SSF and other seafood value chain stakeholders.

The survey identified three critical training areas: (a) financial literacy training, (b) training on new fishing technologies, and (c) marketing and sales training. Financial institutions can play a role in helping SSF develop their businesses by providing training and creating linkages with business development service providers.



## Enhance access to finance by leveraging partnerships with fishing sector organizations

Fisherfolk organizations play an important role in facilitating credit and microfinance services in Thailand. Financial service providers should team up with them to develop suitable financial products for SSF, enabling modernization and a transformation into a sustainable fisheries sector. Small-scale fishers who are member of a fishing cooperative or association already find it much easier to access financial services.



## Develop long-term credit and tailored financial services

Many financial service providers in Thailand provide only short-term credit to SSF to support their daily operational finance requirements. However, the current low levels of long-term lending inhibit the uptake of modern fishing technology. This also negatively affects capital formation at the household level. The use of guarantees or teaming up with insurance providers might help to secure longer-term lending for the purposes of fisheries investment.



## Promote digital finance

Access to financial services via online platforms is highly popular among SSF in Thailand. However, many credit services cannot currently be accessed through digital platforms, because of various reasons, such as the absence of two-step security verification mechanisms. Opportunities to extend the reach of digital channels among SFF seem plentiful, and include raising awareness of new finance products among SSF.

## References

- ADB. 2013. *Microfinance Regulation and Supervision Recommendations Report*. Kingdom of Thailand: TA7998 (THA) - Development of a Strategic Framework for Financial Inclusion in Thailand. <https://www.adb.org/sites/default/files/project-document/80373/45128-001-tacr-03.pdf>
- BAAC. 2021. *Annual Report 2021*. In: BAAC. Bangkok, Thailand. Cited 1 March 2022. <https://www.baac.or.th/file-upload/BAAC%20Annual%20Report%2064-EN.pdf>
- Bank of Thailand (BOT). 2021. BOT Press Release No. 63/2021: Performance of the Thai Banking System in the Second Quarter of 2021. In: *Bank of Thailand*. Bangkok. Cited 6 October 2022. <https://www.bot.or.th/English/PressandSpeeches/Press/2021/Pages/n6364.aspx>. Consumer loans expanded at a higher rate predominantly from mortgage and personal loans. The loans to SME sector registered positive growth and significant increase in funding due to the issuance of bonds.
- Chantanusornsiri, W. 2021. *Cabinet approves B50bn loan*. Bangkok Post, 16 February 2021. Bangkok. Cited 6 October 2022. <https://www.bangkokpost.com/business/2068815/cabinet-approves-b50bn-loan>



# Acknowledgements

This information product was prepared by Thomas Gietzen and Raymon van Anrooy (FAO), and Prasun Kumar Das (APRACA), and benefited from the knowledge developed in partnership with BAAC Thailand and APRACA. The authors gratefully acknowledge the support received through the surveys from financial service providers, fisherfolk, their organizations and cooperatives.

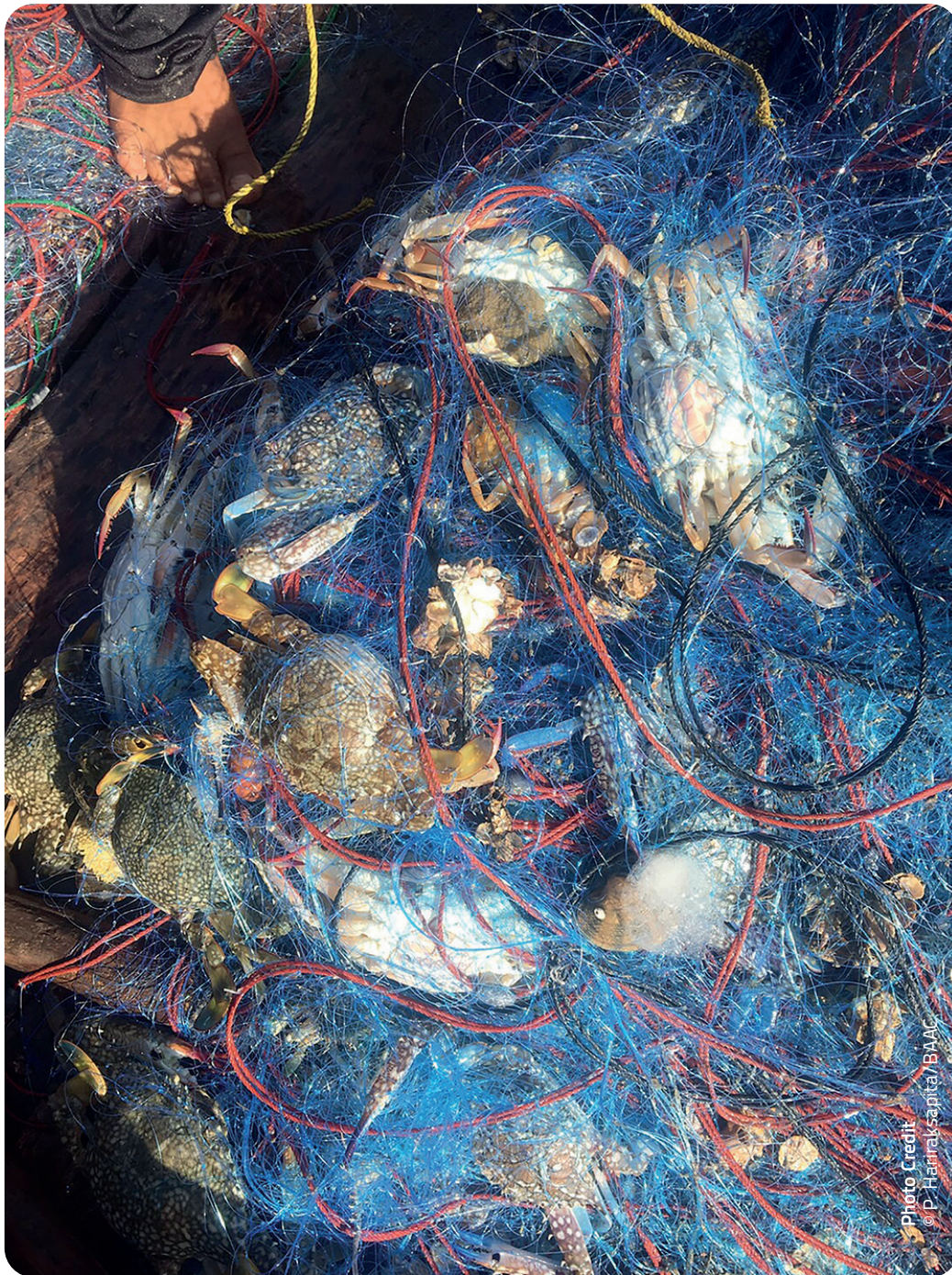


Photo Credit  
© P. Hariraksapita/BAAC





Photo Credit  
©FAO/BAAC

Fisheries and Aquaculture Division – Natural Resources and Sustainable Production  
cafi-ssf@fao.org  
Linkedin: CAFISSF NETWORK  
#cafissfnetwork #bluefinance #bluetransformation  
Food and Agriculture Organization of the United Nations  
Rome, Italy

Or

Asia Pacific Rural and Agricultural Credit Association (APRACA)  
www.apraca.org  
Bangkok, Thailand

Required citation: FAO. 2022. *Financing small-scale fisheries in Thailand – Financing fisheries in Asia*. Rome. <https://doi.org/10.4060/cc3111en>



Some rights reserved. This work is available  
under a [CC BY-NC-SA 3.0 IGO](https://creativecommons.org/licenses/by-nc-sa/3.0/) licence