

CAFI SSF Network - Webinar Talk Series 2023

Financial Inclusion Policies in the Fisheries Sector Experiences of Financial Institutions from India, Tanzania, and Vietnam

Background Note

Financial Inclusion means that “individual and businesses have access to useful and affordable financial products and services that meet their needs –transactions, payments, savings, credit, and insurance delivered in a responsible and sustainable way”(World Bank 2018a). It forms building blocks both for poverty reduction and creates opportunities for economic growth, with an access to financial services. The goal of Universal Financial Access 2020 (UFA 2020), a policy initiative of the World Bank, is to enable one billion people worldwide to gain access to bank accounts/financial services, through targeted interventions, yet there are still an estimated 1.7 billion people¹, one-fifth of world population, that remain unbanked.

The United Nations Sustainable Development Goals (UNSDGs) also promote development-oriented policies that encourage growth of micro-small and medium enterprises (MSME's) and focus on increasing access to financial services (*Goal 8- Decent Work and Economic Growth, Target:8.10*)². The private sector too has been striving for provision of inclusive financial services through innovative models. An increased financial inclusion means a greater potential for financial service providers to expand their portfolios.

According to **(FAO 2022)**, the primary sector of capture fisheries and aquaculture employs 58.5 million people, of which 35 percent are engaged in aquaculture while the remaining 65 percent engage in capture fisheries production. The Asian region alone constitutes around 50 million people employed in the sector, of whom 90 percent are linked to small-scale fisheries (SSF). These fishers operate in remote areas where it is difficult to obtain access to mainstream financial services. Majority of SSF communities are unable to provide collateral and as a result cannot access credit from formal financial institutions. Consequently, fishers and their families experience lower productivity and incomes from their work, greater job and food insecurity, increased vulnerability to economic shocks and natural disasters, and social displacement as they may migrate in search of work.

The demand for financial services in the fisheries sector is diverse. The fishers and fish value chain stakeholders need suitable range of financial and insurance products and services such as saving account and credits. Considering drastic seasonal variations (peak and lean fish catch seasons), closed fishing season and consequently the multiple economic challenges faced by this sector, it creates a major financial constraint for fisher population to meet their working capital and lifecycle needs. These constraints can be relieved and supported through an inclusive and innovative banking policy and strategy for implementing fisheries sector programs.

One of the key strategies that help to reduce poverty, provide an opportunity for financial empowerment and economic resilience amongst the vulnerable and marginalized communities

¹ <https://www.worldbank.org/en/topic/financialinclusion/brief/achieving-universal-financial-access-by-2020>

² Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance, and financial services for all.

within the fisheries sector is through implementation of **microfinance programs**. It is considered as one of the financial instruments *in continuum* that are appropriate and serve the required needs to bridge the demand-supply gap for provision of financial services particularly to fisheries sector. The microfinance industry has made efforts to focus not just on credit but also provide access to savings, insurance, remittance, payments, emergency loan services to clients in agriculture and allied sectors including fisheries. Tremendous efforts are being channelized to address the unmet financial service needs of fisherfolk with suitable products, enhanced risk assessment and management tools and often accompanied by financial literacy and business skills. FAO's Blue finance guidance note³ on microfinance highlights multiple models used worldwide for provision of microfinance services, including community-based organizations, cooperatives, business correspondent or agent network models and mobile digital financial services.

FAO's Blue Transformation Strategy (2022-2030) constitutes core components; fisheries, aquaculture, and associated value chains, which targets **equitable access to resources and services enhances the livelihoods of fishers and fish workers** and calls upon prioritized actions **to facilitate access of fishers and fish workers to financial services, knowledge, and data to encourage responsible fishing practices and support equitable distribution of benefits from aquatic resources**.

The SSF Guidelines⁴ has recognized the need and calls upon member states and stakeholders to ensure an enabling environment and support implementation of an overall policy framework for fisheries that should be coherent with long-term vision and supports an inclusive policy with particular attention to the marginalized and vulnerable segment of SSF population.

The inclusive and innovative financial policies adopted by prominent financial institutions in Asia and Sub-Saharan Africa region have facilitated access to finance by the underserved fisher population. The inclusive financial policies help to reduce the vulnerability of fishers and their households and support a resilient fisheries sector.

CAFI SSF - Webinar Talk Series brings to its member organizations and interested participants experience sharing from three financial institutions that have successfully strategized and implemented large-scale inclusive financial policy initiatives to support their respective countries for **Financial Inclusion Programs** and provide access to fisheries finance.

CAFI SSF Webinar is organized for all stakeholders involved with SSF finance and insurance.

Please join us in this webinar!

You may RSVP to the CAFI-SSF coordinator: cafi-ssf@fao.org or suchitra.upare@fao.org

³FAO's Blue Growth Initiative-Blue Finance Guidance Note Series <http://www.fao.org/3/ca8645en/CA8645EN.pdf>

⁴ Voluntary Guidelines for Securing Sustainable Small-Scale Fisheries in the Context of Food Security and Poverty Eradication <https://www.fao.org/3/i4356en/i4356en.pdf>