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# To borrow or not to borrow?: The small fry's money problem

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## The small fry's money problem

# To borrow or not to borrow?

More often that is **not** the question. The money problem of the small fishfarmers is where to run to for much needed funds. In the Philippines, small-scale fisherfolk have traditionally relied on informal lenders in the absence of personal funds and access to bank credit.

An assessment of credit practices and its availability in five coastal communities was made by Giselle P.B. Samonte and Rolando S. Ortega of SEAFDEC/AQD with funding from the International Research Centre of Canada.

Ninety-six percent of the respondents in Culasi, San Jose, Concepcion, San Dionisio, and Nueva Valencia consider fishing as their major source of income. Average income from fishing is P2000/month (25 Philippine Pesos = US\$1). Hook and line, gill net, jigger, and spear are the common fishing gears used.

Of the fisherfolk surveyed, 291 or 83% obtained credit from both formal and informal sources. Nearly all (97%) of those who sought credit borrowed from informal or non-institutional sources such as relatives, friends, store owners, traders, employers, private lenders and town funds. The remaining 3% borrowed from credit unions, rural banks, government banks (Development Bank of the Philippines), cooperatives, and commercial banks.

The amount of credit availed by the fisherman varied by source. Informal credit sources extended loans from as low as P20 to as high as P20,000. Formal credit sources offered P500 to P6,000 credit lines.

Credit was used for food and household expenses (by 65% of the fishers), fishing operations (28%), social occasions (17%), hospital and medical expenses (14%), and education of children (5%). Credit for fishing operations paid for hired labor, fuel, normal repairs of fishing boat and gears, and purchase of fishing boat engine, and fishing gear.

Informal credit sources were preferred over formal credit sources for the following reasons: accessibility (said 51% of the fishers), fast credit extension (31%), liberal terms (25%), only source known by the fisherman (18%), buyer of fish (6%), source of household goods (2%). Liberal terms included no collateral requirement and longer and more flexible repayment schemes, which usually coincided with fishing operations.

Most of the fishermen (81%) surveyed did not encounter repayment problems. Of the 19% who had difficulty repaying their debts, lack of funds (57%) and low catch (43%) were cited as the primary reasons.

