CHAPTER 1

1.1. Introduction

In Kerala, the marine fisheries sector accounts for about 2 percent of the Gross Domestic Product of the state and offers livelihood to 3 percent of its population. The 560 Kms. stretch of coastal waters of Kerala is one of the richest fishing grounds in Asia. In India, the State is the leading producer of fish. Ever since the initiations of modern technologies in marine capture fisheries, the constituents in the industry are noticeably divided in to two distinctive sectors, viz., traditional and modern. The traditional sector, using country crafts for venturing into sea, wholly belongs to the fishermen community. Entrepreneurs from outside the fishing community mostly control the modern sector, which employs mechanised trawlers and seiners for usurping the richness of the nature’s bounty.

Since the inception of planning in India, a number of measures have been taken, for the development of fishing and allied industries, because: (a) this sector is eminently suited to support a large bunch of socially backward and economically weaker sections of the rural community; (b) it offers opportunity to bridge the gap between the availability and supplies of high quality protein rich foods for domestic consumption at reasonable prices; and (c) it has export potential. By setting up special agencies to evolve suitable strategies for development of the sector, the Government has been pumping enough money for its expansion.

Commission agents, in this study, refer to those individuals who function as intermediaries among the fishing units, wholesalers and retailers, in the marketing of fish. It is also of importance that the same intermediaries (commission agents) perform as financiers to all the three constituents of the fish market, viz., fishing units and wholesalers in primary markets and retailers and wholesalers in the secondary market. Thus commission agents are those who neither buy nor sell, but are facilitators and financiers.

The dual role performed by these middlemen, as auctioneer of produce and the financier for development, deserve an elaborate study. In the economy of
India, the traditional market intermediaries such as commission agents occupy a vital position in the marketing of many primary products despite all attempts by the administration to eliminate them. Economists and authorities have been studying their role in rural economy for a long time and the common opinion has been against the 'usurping' tendencies of these middlemen.

In trade and commerce, the significance of intermediaries is very high. They play a creative role by assuring market to the producers and by managing the complexities of marketing like grading, pricing, packing, transporting, storing, managing competition etc. In many sectors they offer finance also, either as advance towards price or in the form of deposits to reserve their right to sell. There are also middlemen who provide technology, equipment, raw materials etc. in addition to funds for working capital. In some cases their dealings may take the form of forward sales. It is also true that some of them exploit this right as usurers and go against the interests of the producers.

In developing nations, this role of intermediaries turn out to be controversial as they assume the role of financiers, creating social and economic evils like bonded labour, zamindari, monopoly, formation of cartels etc. In India, these intermediaries have always been described as social parasites controlling the local power and richness, usurping the benefits all development efforts put in by the Government and associated agencies. In the year 1930, the Banking Inquiry Committee commented on the involvement of market intermediaries as, ".....once the producer is indebted to the middlemen the tendency is that, he is unable independently to market his commodity and the natural results are that, he gets less price and has to pay interest on loans. This cuts his small margin of profit clean".

On a closer examination of the history of rural banking in India, we can identify many sectors in rural economy, where the intermediaries played key roles in development and growth, which were neglected by the organised money market. Traditional marine fisheries sector is a good example of such an area.
1.2. The Research Problem

There is a general tendency to attribute the prevailing backwardness of the traditional marine fishermen of Kerala to the involvement of commission agents. A pilot study conducted by the researcher exposed a different perception. Therefore, this study addresses the following major issues.

1) The role of commission agents in traditional fisheries. (Are they contributors to subsistence and development of this sector or are they the evil force hindering development?)

2) The sponsored indebtedness, if any, and its effect on backwardness or development of the traditional fisheries sector.

3) Other reasons, if any, for the backwardness of the class.

1.3. Objectives

The objectives of this study are the following.

1) To evaluate the role of commission agents in traditional fisheries sector, to bring out a proper delineation of their involvement.

2) To examine the phases and stages of induction of new technologies, new relations and new equipments in production, and the contribution of commission agents in it.

3) To identify the respective share and magnitude of investment in the traditional fisheries sector for modernisation and re-equipping, by organised and unorganised financing agencies.

4) To analyse the composition of the investment structure, for the evaluation of indebtedness and to comprehend its effects.

5) To understand the affiliation and the economic and social status of commission agents in traditional fishing sector.

6) To analyse the process of marketing of fish and to assess the price-spread.

7) To evaluate the success of the programmes implemented by government and other agencies for eliminating market intermediaries.

8) To assess whether the intermediaries are responsible for the poor performance in repayment of loans provided by organised money market and, if so, to suggest remedies.
1.4. **Scope.**

The study is based mostly on Alappuzha District of Kerala, covering all the 30 marine fishing villages, spread over the three coastal taluks, namely, Karthikappally, Ambalappuzha and Cherthala. The study is confined to an evaluation of the involvement and role of commission agents vis-a-vis the organised sector institutions in traditional marine capture fisheries sector and its impact and implications.

The survey for collection of primary data was conducted during the period from 1997 to 2000.

1.5. **Significance of the study**

The study clearly brings out the role of commission agents in the traditional marine fisheries sector and thereby goes to set at rest the controversy regarding their role.

The findings of the study has important implications for formulation of policies and development strategies related to the traditional marine fisheries sector. The study points out the need for a thorough review and reformulation of the policies and development strategies for efficiently achieving the development potential of the traditional marine fisheries sector and for improving the economic conditions of the fishermen.

1.6. **Limitations.**

The materials used for analysis are mostly collected from the primary sources. The educational and social backwardness of the respondents was a major constraint in the assimilation process. Due to absence of the habit of maintaining regular and reliable records of operations, some data relating to the financial performance had to be arrived depending on the memory of the respondents.
1.7. Methodology.

This is an exploratory study, largely based on primary data. The Alappuzha district, known for high level of fishing activity, is selected for the detailed investigation. The survey for primary data collection covered all the 30 marine fishing villages of the district. Information was collected from the following data units.

(a) Fishing units- 312, representing 6 different classes of craft gear combinations and abandoned units, equal to 20 percent of the total fishing units in the district.
(b) Commission Agents - 145, representing 20 percent of the membership of their association.
(c) Wholesale merchants, retailers and brokers- 22, 20 percent of the total, selected on convenience basis.
(d) Fish exporters - 15, being 20 percent of the units, selected on convenience basis.
(e) All the Fishermen Welfare and Development Co-operative Societies - (10),
(f) District office of MATSYAFED, the apex organisation of Co-operatives (FDWCS),
(g) All the five coastal Branches of the Alleppey District Co-operative Bank,
(h) All Primary Agricultural and Rural Development Banks - (3), and
(i) The Lead Bank.

For selecting the respondents from the first two sources, mentioned above, multistage stratified random sampling method was adopted. The data were collected through verification of records and interviews conducted with the group leaders and members of the fishing units and commission agents, with the help of schedules. From the other sources information were collected by using structured questionnaires and through discussions with select officials and experts.

Landing centres were selected on the basis of fishing intensity. To have an adequate representation of the universe, the centres were classified into three strata, namely,

1) High intensive fishing centres, having fish landings round the year by all classes of craft gear combinations.
2) Medium intensive fishing centres, having landings by certain class of crafts only round the year.
3) Low intensive fishing centres, which are either seasonal or provide landing for very few crafts.

From the selected centres, samples of fishing units were drawn to represent all classes of crafts. The sample fishing units and commission agents were supplied with diaries for recording the daily operating results in an orderly manner. The figures relating to landings, daily expenses and income were collected from these records. Accordingly, records for the four year period from 1997 to 2000 were collected. The classes of fishing units are:
1) Thangu vala units, (Ring scine crafts)
2) Chooda vala units, (Disco net ring scine crafts)
3) Neettu vala units, (Drift net units)
4) Fibre glass units, (Drift net / hooks and line users)
5) Mini trawlers, and
6) Others (non motorised)

To study the trend of pricing and to understand the marketing practices, the method of concurrent observation was adopted. For understanding the socio-economic features and domestic indebtedness of the fishermen, data were collected through a sample survey conducted at five different villages of the district selected at random.

Secondary data were collected from the publications of RBI, Central and State Governments, CMFRI, MPEDA, other development agencies and published and unpublished documents.

For the purpose of analysis and interpretation of the data, common statistical tools are used, which include, percentages, averages, standard deviation, trend analysis, correlations, tools for drawing inference and diagrammatic presentations. For assessment of financial performance, tools from financial management are also used, which include ratio analysis, break-even analysis etc.
1.8. Structure of the Thesis

This study is presented in eight chapters.

Chapter 1 describes the research problem, objectives, importance and methodology of the study.

Chapter 2 reviews the relevant literature in fisheries development studies, rural banking, rural marketing and rural indebtedness.

The geneses and growth of financing market intermediaries and the role played by them in the rural economy of India is the subject matter of the third chapter.

Chapter 4 presents a picture of the structure of traditional marine fisheries, with particular reference to Kerala.

With the help of primary data, chapter 5 analyses the financial requirements, sources of credit and indebtedness of traditional marine fishing units and examines the role and importance of commission agents in the sector.

Chapter 6 examines the marketing system of the traditional marine fisheries and the role of middlemen in this system. It also explores the marketing channels of the system, price spreads and margins and returns on investment.

Chapter 7 gives the analysis of primary data and highlights the role of the commission agents in traditional marine fisheries.

Chapter 8 presents the summary of findings and conclusions of the study and makes some recommendations.