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THE ROLE OF MICRO-FINANCIAL SERVICES IN THE LIVELIHOODS OF SMALL-SCALE FISHERMEN: A CASE STUDY OF SELECTED COASTAL VILLAGES IN NEGOMBO

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BY

K.C PREMACHANDRA

REG. NO. 312236101

DEPARTMENT OF SOCIAL STUDIES

FACULTY OF HUMANITIES AND SOCIAL SCIENCES

THE OPEN UNIVERSITY OF SRI LANKA

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ABSTRACT

This study examines the role credit plays in the livelihoods of small-scale fishermen in Negombo, Sri Lanka. The research problem is to discern the extent to which micro-financial services both formal and informal aid small –scale fishermen to be economically resilient. The field work has been carried out in two selected coastal villages of Duwa GN Division, in Negombo namely Duwa village and Pitipana Street. The research instruments comprised of face to face in depth interviews and key informants. The total sample was 20 small-scale fishermen each village consisting of 10 small-scale fishermen relying on credit services. The types of sampling utilized were random and snow-balling techniques. Small-scale fishermen were classified into two categories- those who owned boats and those who worked for a sharing basis- The sample represented both categories. The analysis showed that informal services especially the money lender was the most preferred source of credit. Furthermore, formal financial services except pawning of jewellery were less accessed. The main reasons cited for the preference of informal services were the lack of collateral security, guarantors and stringent conditions. However, the principal drawback found in informal financial services such as the money lender was the high rate of interest. Credit was utilized to manage household and fishery expenditure. The main causes of borrowing credit ranged from the escalating prices of fuel, cost of boat, engine repairs and adverse weather conditions.

The study recommends widening the scope of micro-financial services in the fisheries sector through institutional changes such as the introduction of a proper savings system, financial literacy programmes and building rapport between fishermen and lending institutions in order ensure participation of such vulnerable communities.

Key words: small-scale fishermen, micro-finance, informal financial services, formal financial services, Negombo