

Social capital to alleviate poverty

Fisheries cooperatives in southern Sri Lanka

Social capital is a resource small-scale fishers can draw upon to cope with vulnerability. Fisheries cooperatives in the south of Sri Lanka have provided assistance to fishers to secure the required livelihood capitals and deal effectively with inadequately developed markets and other shocks. If fishers can secure the required livelihood capitals through cooperation, this will have a positive impact on poverty alleviation. However, the impact on resource health still remains uncertain.

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FISHING IS A RISKY ACTIVITY. The risks stem from various sources. In respect of marine fishing, the open access nature of the resources involved is itself problematic. The high unpredictability of catches is another source of risk, as is the seasonality of fish. Fishers operate in a hazardous environment and confront the risk of death, injury and damage to craft and gear. Even the 'product' itself is problematic – the fish are highly perishable and must be sold or preserved immediately after harvesting. In order to secure the better prices usually afforded to fresh fish, fishermen must dispose of their landings quickly, even though this often means dependence on fish merchants and middlemen who possess much better market knowledge and usually enjoy strong market power. Aside from the above, which are intrinsic to fisheries, there are other shocks (civil disturbances, storms, changes in sea conditions) and trends (declining resource health, globalisation and changes in the rate of return, increasing cost of living) which add to the uncertainties in fisheries.

Risks affect livelihoods. The coping capacity of the individual will determine the impact of risk on his livelihood. This brings us to the concepts of vulnerability, coping and resilience. We consider vulnerability to be 'the probability of one's livelihood being affected by a certain risk or stress'. The higher this probability is, the higher the likelihood of falling into distress (negative impact on livelihoods). Therefore, people develop mechanisms to respond to and recover from such stresses – which we define as coping and resilience. If a person's access to livelihood capitals are limited, he will have less coping mechanisms available to him to respond and recover from shocks. This is the context in which small-scale marine fishers in Southern Sri Lanka operate.

Limited access to livelihood capitals

Vulnerable people combine an array of livelihood capitals – financial, human, social, physical and natural capital – to develop livelihood strategies, to cope and recover from shocks. Many fishing villages in southern Sri Lanka are isolated enclaves and fishers' access to good educational and training institutions is restricted. Procuring physical capital, in the form of mechanised crafts and gear, is also difficult, due to the capital bias of modern technology. Financial capital, such as credit and insurance, is probably the hardest of all livelihood capitals to come by in rural coastal communities engaged in small scale fisheries.

Fishers need credit in order to purchase fishing equipment, meet repair and replacement costs, for consumption and to meet social obligations. In respect of formal credit, fishers are at a serious disadvantage because their assets (their crafts and gear) are not acceptable to formal lenders because they entail collateral-specific risks (liable to damage and loss). Informal lenders are less discerning about types of collateral, yet fishers are reluctant to borrow from them due to the exorbitantly high interest rates, and the high probability of losing fishing or other assets kept as collateral. Alternative forms of lending have evolved, such as the craft owners lending money to crew, or fish merchants lending to fisher 'producers', both of which lead to long term 'bondage' to the lender.

Due to the highly fluctuating and unpredictable nature of fish catches and the hazardous nature of the marine environment, fishermen are likely to confront two types of shocks: idiosyncratic shocks and aggregate shocks. Both phenomena impact food entitlements of fishing households and both affect consumption of fishermen to a varying degree. A fisher's ability to cope with various shocks determines his vulnerability position. The higher the risks, the higher will be the demand for coping mechanisms. Due to the existence of high informational asymmetries between the insurers and insurees, the emergence of private agents offering insurance is unlikely in the fisheries. Instead, fishers have developed various individual and group mechanisms to cope with shocks and our concern here is with a particular type of group strategy fishers adopt to cope with vulnerability – 'cooperation'.



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Cooperatives for coping

It is hard to find one acceptable definition for social capital. However, all social capital theorists stress that 'social networks have value'. They all accept that individuals reap greater rewards from interacting with each other and forming networks than from operating alone. These rewards are achieved through trust, norms (such as reciprocity) and values, all of which shape the behaviour of individuals in a community and elicit beneficial outcomes. Economists recognise the importance of social networks in facilitating social exchange and producing higher economic outcomes. Such networks reduce transaction costs, produce public goods through collective action and generate positive results, such as publicly shared knowledge.

Studies carried out in small-scale fishing communities in southern Sri Lanka showed that fisheries cooperation yielded an important form of social capital for fishers enabling them to cope with vulnerability. Cooperatives provide fishers with access to various livelihood capitals by expanding opportunities for network building and linking social capital.

Fishers access to natural capital was studied by collecting information on catch and effort data from three villages in the Hambantota District of southern Sri Lanka. The following data was collected: maximum sustainable yield; maximum economic yield and open access equilibrium. The results showed that high rates of resource exploitation (higher levels of effort) were evident in fishing villages with well functioning cooperatives. Cooperatives have been successful in providing their membership with equal and easy access to resources, via the provision of fishing equipment, channelling state assistance to the membership, etc. That said, the system has been predominantly welfare-centric and there has been little attention paid to resource sustainability.



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More than half of today's fishers in the south have obtained their craft and gear from the cooperatives, via an array of loan schemes. It's not just fishing equipment that cooperatives supply to members, however, but other types of physical capital too, such as small transport vehicles, and opportunities for other self-employment activities, all of which reveals their multi-purpose character. About half of the fishers in Hambantota (the study area) have obtained loans from the cooperatives to meet their diverse credit needs. The volume of such assistance showed a strong positive correlation with the level of efficiency of cooperatives (the 'institutional strength'). The cooperatives offer 'instant loans' - loans lent 'over the counter', immediately on request, to cope with catch shortfalls. This mechanism, devised by the cooperative, is to cope with short term risks of catch fluctuations; the aforementioned idiosyncratic shocks. In cases where cooperatives were found to be successful,

more than 80 percent of members had obtained long or medium term loans to purchase, expand, repair or replace their fishing gear or for other self employment activities which generate supplementary incomes to smooth inter-temporal fluctuations of fishing incomes).

Fishers, living in isolated coastal enclaves, such as those in many locations in the south, have limited access to human capital, such as education, knowledge and skills. Various services have been provided by fisheries cooperatives with the aim of providing its membership with access to human capital. A large array of training programmes to develop the skills of members in diverse self-employment activities, has been organised by, for example, the co-ops in Bata Atha and Godawaya, with assistance from various donor organisations. Moreover, with the help of government hospital staff several health camps (focusing heavily on drug prevention) have also been organised. A number of women have received assistance to start up plant nurseries, home gardens and fish drying by applying newly acquired scientific knowledge and using new equipment. Some co-ops, like the Bata Atha co-op, operate a student scholarship scheme, whereby outstanding students are awarded scholarships to pursue higher studies.

The co-ops have been able to provide such a wide range of services to its membership mainly by building links with the 'outside' - 'linking social capital'. This is distinct from social capital within small groups (or individual co-ops) which is characterised by bonding social capital. This is where trust emerges through the repeated interaction of individuals. Linking social capital appears to emerge through 'reputation'. For the donors and development agencies, a well functioning co-op which represents the interests of fishers, provides an efficient means of channelling assistance to fishing communities. It minimises transaction costs (such as search and monitoring costs), while ensuring that help reaches the most needy. This is demonstrated by the fact that in areas with well functioning cooperatives, post-tsunami assistance was handled efficiently.

Conclusions

Social capital is drawn from social groups or networks which foster cooperation among individuals, forming a resource which members of such organisations can draw upon to cope with vulnerability. Strong interpersonal relationships, cemented by trust, foster cooperation among members of cooperatives, have facilitated fishers in securing the required livelihood capitals and deal effectively with inadequately developed markets and other shocks.

If fishers can secure the required livelihood capitals through cooperation, this will have a positive impact on poverty alleviation. The impact on resource health still remains uncertain, however. While cooperatives have provided the membership with the required physical capital to engage in fishing, no measures have been taken to control access to or manage the resources. If cooperatives continue to provide fishers with access to natural capital by providing them with access to more physical capital, i.e. equipment, in the short-term fishers may find new employment opportunities. In the long-term, however, the resources are likely to degrade, due to biological overexploitation. Therefore the success of the social capital approach depends on successful intervention in terms of resource management; either by direct state intervention, or by co-ops assuming certain management responsibilities, or by forming partnerships (various co-management arrangements).

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