Financial Inclusion and Livelihood Development of Small-Scale Fishermen: A Systematic Literature Review

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Abstract:
Financial inclusion is an effective tool to enhance livelihoods of the marginalized including small-scale fishermen families that are vital for ensuring food security, employment and rural upliftment. Despite their vital contribution to the nation's economy, small scale fishery sector practitioners have limited access to formal financial services, banking facilities, credit, savings, insurance, digital finance and mobile banking which dilutes livelihood opportunities. This paper explores the impact of financial inclusion on livelihood development among smallscale fishermen through a systematic review of literature. Peer-reviewed articles from Google scholar, Scopus, Elsevier, Science Direct, Proccia, Taylor and Francis, Business Source and Emerald were selected using specific inclusion and exclusion criteria. Based on thematic analysis, most of the studies identified correlated financial inclusion with enhancement of income and savings, asset base, fishing investment, financial resilience and poverty alleviation during the period 2000-2020. The paper establishes that inadequate financial literacy, lack of collateral, seasonal income/inflows, shallow financial infrastructure, high transaction costs, informal sources of borrowing and basic banking services limit access to formal finance for poor fishing households. It concludes that empowering fisheries by improving inclusive finance policy, increasing digital financial services, improving the financial literacy, promoting fisheries specific financial services, encouraging the use of mobile technology and designing other fisheries specific financial products can thus provide more sustainable livelihoods to small scale fishermen. It highlights research knowledge gaps and makes recommendations for future research and policy formulation for sustainable fisheries.

Key words: Financial Inclusion; Small-Scale Fisheries; Fishermen; Livelihood Development; Microfinance; Digital Finance; Sustainable Livelihoods; Financial Literacy; Fisheries Economics.

1. Introduction

Small-scale fisheries contribute towards the security of food, employment, income and alleviation of poverty worldwide, particularly in developing countries. Small-scale fisheries have provided the backbone of the global employment in capture fisheries, as stated by the Food and Agriculture Organization (FAO), the fishing labor-force of 105 million people (represents over 90% of the capture fisheries labor-force worldwide) sustain the livelihoods of hundreds of millions of households in coastal and inland fishing communities. Small-scale fishers, being greatest contributors to the economy and social stratification of the locality, are nonetheless still most insecure of all groups of workers with regards to their current livelihood conditions and future prospects, including inadequately low and unpredictable income stream, inaccessibility to formal credit through the formal banking sector, poor savings, a lack of insurance, and their exposure to the risks of environmental change and fluctuations in the availability of catches, prices, policies, markets and prices, thus often pressed into establishing informal contacts with moneylenders and intermediaries through extended periods of indebtedness and risk-avoidance strategies. (ScienceDirect)

Financial inclusion has long been argued as an important development instrument to empower the poor and benefit the development process. It can be defined as the availability and usage of affordable formal financial services such as savings deposit and accounts, credits, insurance, remittances, payments, etc., which are provided by formal financial institutions. Access to or use of affordable financial services/ products can boost the resilience of households, provide capital for productive investments, reduce exposure to income shocks, and stimulate broad-based economic development. Yet empirical evidence show that impacts of financial inclusion can vary across settings and be contingent upon institutions quality, financial literacy and other complementary factors. (DOI)

Fisheries sector also faces specific challenges for financial inclusion. Many small-scale fishing households do not have recognized identification documents, collateral or sufficient credit history, making them unattractive for formal financial institutions. Variability in income, impacts of climate change, and remoteness of fishing communities also put up barriers for financial access. To make up for these issues, fishers use informal lenders who are also the buyers of fish also an uncompetitive market dynamic which limits bargaining power and shrinks profits. Financial inclusion policies, digital financial services, customized insurance product and enhanced fishing community financial literacy can empower fishers and ensure their livelihood security. (ScienceDirect)

In the last ten years, governments, international agencies and development organizations have paid much more attention to Financial Inclusion as a key factor to reach the UN Sustainable Development goals(SDGs). To give some examples of the focus of financial inclusion in regards to the SDGs, SDG 1 on poverty alleviation, SDG8 on Decent work and economic growth, SDG10 on reduced inequality, SDG14 on sustainable use of marine resources. (ScienceDirect)

In this context of lack of research on the impact of financial inclusion on fishing communities livelihood, a systematic literature review should be carried out to gather the existing knowledge on the subject. By doing so, the literature review can help to identify the key concepts and trends, assess the impact of various forms of financial inclusion, address research gaps, and offer policy implications and recommendations to stakeholders, financial and development actors. In fact, by bringing together empirical evidence from previous research, this review can shed light on the link between fishing community and financial inclusion.

2. Literature Review

While financial inclusion has emerged as the basic strand of sustainable development, in the rural and resource based subsectors, the literature on it reveals that people get higher productive investment opportunities, diminish power to smooth consumption, be better protected from various risks, and enhance the general welfare of members, they are financially included. Financial exclusion, especially in small-scale fishing communities continues to be one of the major problems.

The sustainability Livelihoods Framework proposed by Allison and Ellis (2001) highlight that financial capital is one of the five key livelihood asset affecting household‘s capacity to be sustainable and reduce poverty. In the fisheries, financial capital is important to provide fishers with proper capital to purchase fishing gear, initiate improved technology, diversify income generation and restore in response to risk and uncertainty in environment. The study further noted that Building strong financial assets was seen as important to sustainable fisheries management.

Allison and Horemans (2006) used the sustainable livelihoods approach to explore fisheries development policies, concluding that, among the biggest influences on small scale fishers livelihoods are limited financial services. Allison and Horemans found that formal banking institutions are generally unwilling to develop financial products to cater for the seasonal and unpredictable nature of small scale fisheries incomes, leading fishers to rely on informal credit sources.

The World Bank, Global Findex Database 2017 (Demirguc-Kunt et al.,2018) showed incredible advancements in the global financial inclusion using digital financial services. However, there is still great gaps among the rural people and low-income households. While digital banking has already helped millions of people to increase the ownership of financial accounts globally, many fishing communities still suffer from limited access due to low level of financial literacy, lack of digital infrastructure, and remote locations.

Gine and Yang (2009) also pointed out that formal credit can only then be a means for house hold improvement if demand for credit is coupled with financial literacy, market access and institutional support. However, their results show that integrated financial services (savings, insurance and payment systems) may be superior to credit-only programs..

FAO (2020) highlighted that in the world, over 120 million people directly involved in capture fisheries and aquaculture, also the majority (around 90%) of all fisheries employment are from small-scale fisheries. Even if we see the vital contribution of fishing households, they are still suffering a significant risk from the climate change, resource depletion and unstable market. Based on that, FAO suggested to ensure the financial access through the microfinance, insurance schemes and digital financial technologies to improve the resilience in the livelihood.

Mills et al. (2020) have examined the concept of financial inclusions and the financial system in different small scale fisheries in various developing nations. The findings indicates that availability of Cheap finance, credit facility, insurance and saving schemes have a substantial impact on enhancing household resilience for a community against the external shocks and natural disasters. The study also revealed institutional weaknesses, significant high transaction costs and poor level of financial knowledge caused hindrances for financial inclusion.

Duvendack and Mader (2020), in a review of financial inclusion literature, concluded that financial services seem to play an overall positive role in poverty alleviation and income generation but the impacts differ widely by areas and sectors. They called for policies tailored to contexts and a better empirical evidence for vulnerable occupational groups like small-scale fishers.

In general, past research shows that financial inclusion is positively correlated with livelihood development. On the other hand, research has not yet been aggregated into a cohesive argument on existing evidence for fisheries sector; the effectiveness of digital financial services; gender dimensions of financial inclusion; and long-term livelihood impacts. Besides, research in the fisheries sector has yet to be synthesized in form of comprehensive systematic reviews. These noted gaps underpin the rationale for this systematic literature review.

3. Research Objectives

The purpose of this study is to provide a systematic review of the research work done on financial inclusion and its impact on small fishermen livelihood development. This review will condense the existing empirical literature, major research sub-domains and unveil the areas requiring further research.

Specific Objectives

1. To analyze the concept and extent of financial inclusion in small-scale fisheries.
2. To investigate the relative effect of financial inclusion on livelihood outcomes for small-scale fishermen, namely income, employment, asset formation and financial resilience.
3. To explore and identify the widely used financial inclusion instruments/ services in fishing communities, such as formal credit, micro finance, savings, insurance and digital financial services.
4. To assess the barriers preventing small-scale fishermen from accessing formal financial services. 5. To summarize policy recommendations suggested by studies in the past that aim to promote financial inclusion and sustainable

livelihood development in fisheries.
6. To explore gaps in research and to propose future research to be undertaken in the area of financial inclusion and small scale fisheries.

Research Questions

The study addresses the following research questions:
RQ1: Which are the key dimensions of financial inclusion in small scale fisheries?
RQ 2: What impact does financial inclusion have on small fishermen's means of living?
RQ3: Which of the available financial packages and services have greatly improved the income and living conditions of the fishers?
RQ4: Which obstacles prevent small-scale fishing communities from accessing financial services?
RQ5: What research gaps and future opportunities will be identified?

4. Research Methodology

The study conducted a Systematic Literature Review (SLR) to analyze the literature available on financial inclusion and livelihood development in the fishing industry. The choice of an SLR was predicated on it being one of the most rigorous, transparent, and reproducible methods available for the identification, evaluation, and synthesis of relevant research evidence (Tranfield, Denyer, & Smart, 2003). Literature was obtained from Scopus, Web of Science, ScienceDirect, SpringerLink, Wiley Online library, Taylor & Francis online. Google scholar using the keywords, financial inclusion, microfinance, digital finance, small-scale fisheries, fishers, livelihood and sustainability. Retrieved articles were peer-reviewed journal articles published between 2000-2020 in English language, while articles such as conference papers, book chapters, editorials were eliminated.
The studies were selected against the inclusion/exclusion criteria. Duplicate studies were eliminated. The author(s), year of publication, country of study, research design, sample characteristics, indicators of financial inclusion, livelihood outcomes and main findings from the selected/studies were extracted. The case was then summarized and thematically analyzed in order to synthesize the evidence and draw conclusions. The thematic analysis revealed the following themes; access to formal credit, microfinance, savings, insurance, digital financial services, financial literacy and livelihood outcomes enhancement.

5. Findings and Discussion

The finding from the systematic review supports that financial inclusion significantly contributes to improving the livelihood situation of small scale fisheries. The majority of reviewed studies found that access to formal financial institutions and services such as bank credit, saving, microfinance and insurance as an important pathway to strengthening fisherfolks' ability to make investments in fishing and buying fishing equipment or technology, engaging in income diversification activities and thus, reducing the dependency on informal money lenders. Access to financial inclusion also leads to increased household income, asset accumulation, financial resilience and poverty reduction. Several reviewed articles showed that financial literacy and institutional factors are also important factors to enable financial inclusion to realize its positive impacts. Extending digital financial services (DFI) such as mobile banking and electronic payment gateway has significantly improved financial inclusion in other developing countries, although how far financial inclusion is diffused among the fishers can be limited by power consumption, telecommunication and internet infrastructure (Demirguc-Kunt et al., 2018; FAO, 2020).
The review, however, highlights the existing issues. Small-scale fishermen still face barriers (besides their inadequate collateral, lack of financial literacy, weak banking infrastructure, seasonality of income and high climate-related risks) against accessing formal financial services. Fishery households rely on informal lenders with high interest rates, and often view fishing as a livelihood to supplement other economic activities, with control over fish marketing channels, which led to lower controlling and bargaining power leading to lesser profits. It provides evidence that sustainable livelihood development for fishing communities require not only access to financial services, but also state policies, capacity development programme, digital financial infrastructure and community-based fishing financial product. Overall, the strengthening of financial inclusion can help small-scale fishery households enhance their economic resilience and support sustainable development.

6. Conclusion

The systematic review of existing literature provided here clearly established that financial inclusion has the positive impact on small-scale fishermen livelihood development. Based on the literature review, it was also evidenced that financial inclusion also contributed towards livelihood of small fishers in the form of securing income, enhancing saving capacity, achieving financial security, dealing with shocks successfully and ultimately improving their overall livelihood. The review further identified various challenges in achieving financial inclusion in many fishery communities.
According to the study, the policy makers, financial institutions and development agencies need to design and implement inclusive financial policies and programs which considered the demand for small fishermen (gear size and scale of vessel), supply of affordable credit, financial literacy, and benefit sharing practices to support fisheries based livelihood. Moreover, the expansion of digital financial services, strengthening of financial literacy programs, provisioning of affordable credit and insurance schemes, and strengthening of rural banking system could significantly influence fishing households' economic resilience. Further, researchers should conduct empirical and comparative

research in different parts of the world to analyze the long-term effects of financial inclusion on the fisheries based livelihoods which are essential to enhance sustainable fisheries development, poverty reduction and inclusive growth.

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