

**MICRO FINANCE IN NEPAL: A CASE STUDY OF SMALL
FARMERS COOPERATIVES LIMITED MAHENDRANAGAR,
KANCHANPUR**

A THESIS

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**Submitted to

Office of The Dean
Faculty of Management
Tribhuvan University**

**In Partial Fulfillment of the Requirements for the Degree of
Master of Business Studies (M.B.S.)**

**New Baneshwor, Kathmandu
September 2008**

CHAPTER – I

INTRODUCTION

1.1 Background of the Study

Nepal is land locked and mountain country. Its wide is 147181 square km about 81.3 percent people here depend upon agricultural. Only 20 percent peoples here are educated. The per capita income of nation is 270. Nepal lies between two big nations. They are India and China so king Prithivinarayan shah the great founder of nation says Nepal is a yam between two builders so friendly relations should be maintained with both China and India from the ancient time the foreign policy of our country also depend on equal relation with all country so Nepal foreign policy depend upon the principle of the united nation charter, nonalignment the parch shell, international cow and the value of the world place (Adhikari, 1996:17).

Nepal is divided into three part, they are Himalayan range, Mountain range and Tarai range, which covered respectively 15, 68 and 17 percentage of whole land of nation. In this content to develop the nation it is necessary to make equal development in all parts of nation. So to developed the nation equally micro investment is only one perfect source for government and all other investors part with the help of micro finance all people of nation get chance to do developed there life cycle. Not only the few are in city area and few industry are here, so micro investment is no sufficient for developed the nation although it is necessary. Microfinance help businessman, farmers and other sector, today's nation demand is also depending upon micro financing activities. So to make good investor and get effective result micro investment is necessary in our country at present situation Researcher is also student of finance and his specialization subject are capital structural management and investment analysis so researcher choice this to do research in his area although it is slightly difference from our research like stock exchange, share and debenture issue, portfolio management etc. Researcher hopes it will fulfill his objectives and get better result from this research for investor and whole nation.

"Development of small farmers" is a term of the day frequently used by the development planners, policy makers, politicians, intellectuals and the farmers themselves. Small farmers in fact, represent the vast majority of the population and their aggregate

development is the country's development as a whole it would have been incomplete and perhaps wrong statement and injustice to the real phenomena of the country if we attempt to picture it out by taking the small farmers out of the column. A small farmer by virtue of his existence as a human being in the society naturally ponders upon unlimited wants desires and expectations. Rather his basic needs are required to be fulfilled a multi disciplinary activity is automatically born and hence a complex problematic situation starts to grow up which needs to be discussed and solved with multidisciplinary approaches and action. This is the case prevailing in all the developing countries including Nepal (ADB/N, 1996:25).

Different types of activities are undertaken for the development of rural and agricultural sector. Nepal government has been giving sound priority to the agricultural sector from the first economic plan to till now. The first economic plan has started in 2013 B.S. and now the tenth plan is about to be completed. Nepal government has also announced the Agricultural Prospective Plan (APP). Every year a huge amount has been distributed in this sector.

Not only governmental effort, but also semi-governmental and non-governmental efforts have been performed to develop this sector. Different types of departments and various supporting agencies are opened and they helped to promote the agricultural development.

Different types of banks and financial institutions have been established to support this sector, such as Rastriya Banijya Bank (Priority sector), Agricultural Development Bank, Rural Development Bank and so on. They finance a huge amount for the improvement of rural and agricultural sector year by year. They have been giving the emphasis to eliminate the poverty. Their main objective is to develop rural and agricultural sector and to promote the living standard of small farmers. However, all the various departments, supporting agencies and financial institutions are becoming unable to achieve their goals. There are no satisfactory results on the development of this sector. It has been realized that the cause of failure of the programme is the lack of co-operative thoughts. "One for all and all for one" is the main principle of co-operative thoughts. Small farmers, labors small traders and other persons who have low income can establish co-operative institution by their effort for their own interest. Such type of institution comes into existence on the concept of ownness (Adhikari, 1996:21). It can create local capital, generate surplus, and mobilize local fund and local means and resources. In this holy

thinking, small Farmer Co-operative Limited, Suda, Daiji and Tribhuvan basti is situated in the terai region of the Kanchanpur district has been established as co-operative institution under the co-operative act-2048, although there is a vital role of Agricultural Development Bank, especially Small Farmer Development Centre, Main Office, Ram Shahpath Kathmandu, Small Farmer Development Project Kanchanpur and GTZ for the establishment of this institution. This study has been organized for the promotion and application of co-operative thoughts on the rural economy and poverty elimination. For this, effort is engaged to study the impact of SFCL on Suda, Daiji and Tribhuvan basti situated in the terai region of the Kanchanpur district.

The Small Farmer Development Programme (SFDP) has been poverty alleviation programme in Nepal implemented by the Agricultural Development Bank, Nepal (ADB/N) since 1975. The main objective of the programme is to improve the socio economic condition of the small and landless farmers including women, and to eliminate rural poverty by providing them the basic inputs such as credit, technologies and training in group basis.

Positive impact of programme is improvement of socio-economic status of the rural poverty led to the expansion of the programme all over the country. However, as a financial institution, the Bank is more cautious about strengthening as well as making financial viability of the programme considering this fact, ADB/N has initiated the consideration of SFDP in which some non-performing and non-viable SFDP merged in the neighboring performing SFDP or branch/sub branch of ADB/N as unit.

SFDP is considered as one of the effective agricultural and rural development programme in delivering services to the rural poor by seeking their direct participation especially in the socio-economic development front. This led to the realization of a need to conceive an institutional development programmes aimed at evolving local self-help organization of the poor, which can take upon retail delivery of services on their own interest. For this, institutional development programme experimentation, a five-year field based "Action Research" project was designed in fiscal year 1987/88 by the effort of ADB/N and GTZ, which was implemented in a few SFDP in Dhading district. This followed a continuous process of training group leaders, promoters and community workers commensurate with the objective of handing over the operational responsibilities of SFCL (APROSC, 1989:11).

The crucial fact that has been conceived at present is that small farmers who constitute the largest segment of the population have always been by passed from the mainstream of development process in almost all underdeveloped countries. Although certain progress towards the development of economy has been made due to planned efforts, yet the benefits of development have largely been derived by the relatively well-to-do sector. The gap between large and small farmers has continued to widen. Under such circumstances, economists have arrived at the consensus that the pace of development could be augmented through the participation of income and employment assumes to be significant.

As of the final result of the Census, total population of Nepal on the dawn of the 22nd June 2001 is 23,151,423. Total male are 49.95% and Female are 50.05%. Total households are 4,253,220. Out of this, the urban population is 14.20% and rural population is 85.80% peoples are living in rural areas. About 86 % (1,99,23,544 out of 2,31,51,423) of the economically active population lives in rural areas. Productivity is low due to over population and working increasingly marginal land in the hills, soil erosion, rudimentary cultivation method, and the declining fertility of some land reliance on traditional crops. As the agricultural sector is such a key sector of the economic development and growth, the standard of living of the majority of the population depends on its progress. Due to highly dependent in agriculture and lack of knowledge in agriculture, it is one of the least poor countries in the world. More than 31.5% of the population is below poverty line (CBS, 2001:5).

Therefore, the plan and programs of agricultural sector need to be revised for making it or realistic and result oriented in view of poverty reduction. Because of backwardness in economic development, and potentialities in agriculture, Nepal government has been declared the 10th and 11th plan period (2059-2064 and 2065-2069) as agricultural decade and also announced long term development plan initiating major efforts towards poverty reduction formulating special policies and programs to uplift the socio-economic condition of rural population.

1.1.1 Poverty Situation in Nepal

Poverty in Nepal is both endemic and widespread. Official estimates by the government put poverty incidence at 31.5%. A large segment of the population is bound to live in

miserable condition because of malnutrition, unavailability of safe drinking water, poor health hygienic facility and illiteracy. Continued and widespread poverty on Nepal is primarily the result of insufficient growth in the economic which is agriculture based. Rural poverty in Nepal is also the outcome of an aggregate deficiency in productive resources & severely limited off-farm employment opportunities. High population growth also impoverished families and contributed to illiteracy, low level of social development, malnutrition and depleted human and natural resources. These factors helped in motion a vicious cycle of poverty.

Long for two and half decades we have been crying for poverty alleviation, but there has been poverty elevation. This is most unfortunate. Nepal's urban population itself is poor, but its poverty is a further extension of rural poverty. Many efforts have been made to conceptualize poverty and inequality and also tried to identify reasons for these phenomena. In the earlier era, Row tree tried to explain poverty as "A family is in poverty if its total earnings are insufficient to obtain minimum necessities for the maintenance of merely physical efficiency." The emphasis later on was to explain poverty in relative terms than in absolute term. There are different school of thought to explain the causes of poverty and inequality. The recent explanations tend to be more comprehensive. It is related to a wide range of factors including income, health, education, and access to goods, geographical location, gender, ethnic origin and family circumstances. In order to understand the concept of poverty, it is essential to integrate and measure social indicators along with income and consumption of households.

The recent studies shows the economic growth reduce poverty. Famous Economist Designer and Squire Demonstrate that the impact of growth on reducing poverty among poorest appears to be greater than for the relationship between growth and income inequality. Contradictorily, growth was found both to increase inequality as well as decrease it. It is important to note that income distribution itself affects poverty reduction. It means that the impact of growth on poverty reduction depends on the distribution of income. Greater the improvement in income equality over time, the greater will be the impact of growth on poverty reduction. It clearly indicates that simultaneous efforts are needed to reduce poverty and inequality; otherwise the poverty reduction program will not attain desired success. Poverty is a result of long historical process of marginalization of groups of social inequality based on a position in

production system. Institutional factors like family background, sex, ethnicity and geographical variations affect inequality. In this kind of a situation where inequality is least attributable to individual, transformation can be attained only through organized intervention, which requires strategies and programmed towards alternation of relationship of power and dominance. Empowerment of the impoverished segment of society is the only potent perspective to encounter poverty and social inequality. So in any development efforts, questions should be raised whether these efforts empower the poor and powerless acquire skills, abilities and perceptions to solve their own problems independently? Do they organize among themselves and respond critically to development process with a view to alter their social status and condition.

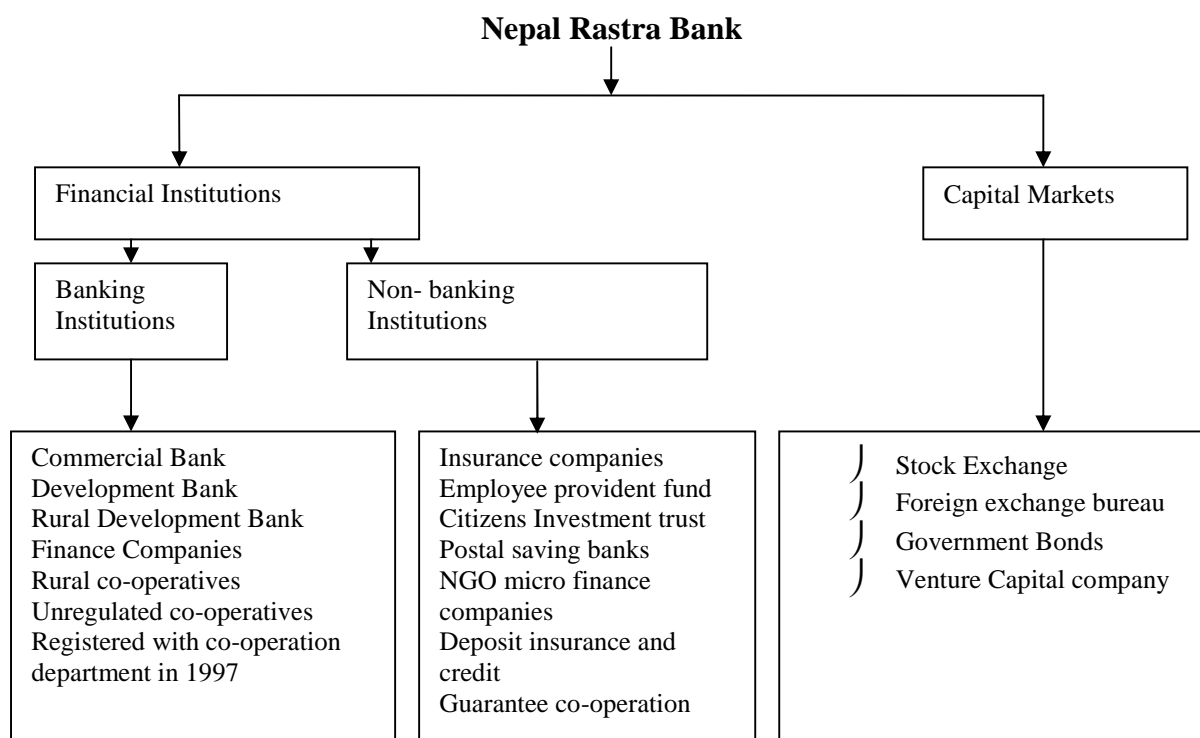
Only those projects, which incorporate answers to these key questions, will be able to address the problems of poverty and inequality. So, while assessing any programmes, these perspective and considerations should be taken into account.

1.1. 2 Microfinance Sector in Nepal

The history of financial sector of Nepal is not so old. At first in 1937 Nepal Bank limited was establishment, from it the financial sector history of Nepal started. Then after in 1956 Nepal Rastra Bank, in 1959 Nepal industrial Dev. Corporation, in 1966 Rastriya Banijaya Bank and 1968 Agriculture Dev. Bank were establishment in Nepalese financial sector. The above institutions were all owed by the government. Before 1984 the financial sector is closed for foreign institutions but after liberalization policy of government open the; way for foreign institutions. From this time foreign joint venture banks establish in Nepal. At first in 1984 Arab Bank Limited opened in Nepal. Thus the new rays for Nepalese financial sector showed and Nepal has had a rapid expansion at financial market since mid 1980's. On account of liberalization policy of government Nepalese financial system has widened and deepened with many more new financial institutions and activities. The country has now many Commercial bank, Development bank, Financial companies, Rural Development Bank, Non-government organization etc. All play vital role for Nepalese financial sector. Total deposit with the financial system has increased by 20 fold in on decade and half form less than Rs.10 billion in 1985 to Rs.220 billion in July 2007. Total credit extended by the financial institutions has been up by 24 told forms us than Rs 8 billion in 1985 to Rs 200 billion in July 2007. In Nepal capital market began with the

issued shown by Biratnagar jute Mills Limited and Nepal Bank Limited in 1937. In 1976 the securities exchange centre was establishment and first time in 1964 government bond was issued. In 1993 securities exchange centre converted into Nepal Stock Exchange (GTZ, 2003:7-8). An overview at Nepal's financial sector is presented in figure 1st.

Figure 1.1
Overview of Nepal's Financial Sector

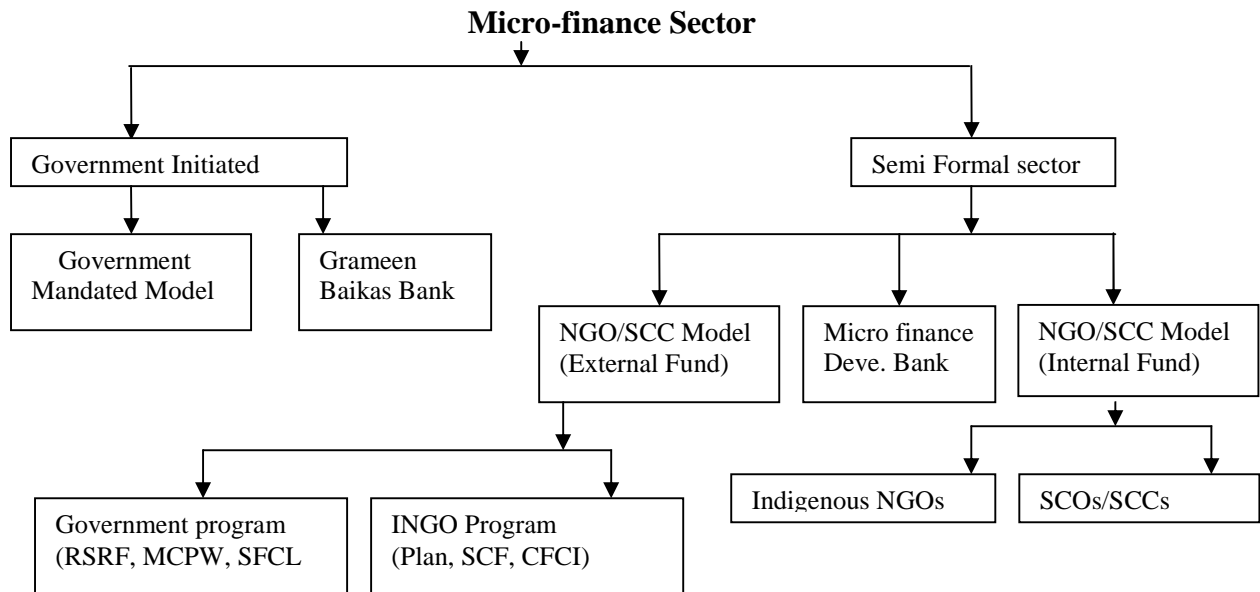


Although in Nepal Financial Sector Position start to make strong day-to-day but all activities surround into urban and sub-urban area. All commercial bank and other institutions depended upon those areas. This made the problem of rural credit showed in Nepal. Without rural credit poverty is no reduction so the value of micro financing activity rising in Nepal. For rural development through micro financing activities the government of Nepal at first designed a poverty alleviation program for microfinance called SFDP (Small Farmer's Development program) in 1975 and implication through Agriculture Development Bank. This program is now most successful program for Nepal in micro financing activity for poverty alleviation. From this time the activities in microfinance increased day-to-day. Government recognized micro finance as official poverty alleviation program only in sixth plan. Various programs to ensure poor, particularly poor women and disadvantaged groups, access to financial services from organized sector are designed and implemented during that period. The sector gained further momentum after the restoration of democracy in 1991 with establishment and promotion of Grameen Bikas Bank (GBBs) and other from of MFIS (GTZ, 2003:15).

The microfinance sector of Nepal is presented as detail in figure 1.2 below. It clear that the Nepalese microfinance sector can be classified into two based on institutions involved such as government initiated model and semi-formal sector.

The microfinance in Nepal is presented as below.

Figure 1.2
Micro finance sector in Nepal



1.1.3 ADB/N and SFCL Kanchanpur Districts

Agricultural Development Bank, Nepal (ADB/N) was established in 1968 with the major objective of rural economy development through credit and technical support. The ADB/N has been performing major functions to provide short, medium and long term agricultural loans to individual farmers, small farmer groups, co-operative societies, corporate bodies and village communities. The organization and management structural of ADB/N including Chairperson nominated from the Ministry of Finance (MOF), Ministry of Agriculture and Co-operative (MOAC), Ministry of Land Reforms (MOLR), Nepal Rasta Bank (NRB), the Co-operative Societies, the Individual Shareholders and the General Manager of ADB/N.

The major programs of the ADB/N are as follows: Agriculture finance program, Commercial Banking program, poverty Reduction program (microfinance). Poverty Reduction program specially related with Micro financing activities. With the help of this

program ADB/N give major contribution poverty alleviation of country. Not only that this program help rural development of the country. This research paper also depends upon this program. The major objectives of Poverty Reduction Program are as follows:

-) To develop local level small farmers organizations.
-) To enhance the financial and managerial capability of grass root organization through imparting knowledge and skill.
-) To empower the small and poor farmer through those organization.
-) To create confidence among the small farmers about saving collection and mobilize rural savings.

The Small Farmer Co-operative limited (SFCL) Suda, Daiji and Tribhuvan basti is situated in the terai region of the Kanchanpur district. The agricultural Development Bank Nepal (ADB/N) implemented the Small Farmer Development Program in 1975. At that time, the VDC did not have infrastructure facilities like today. Most of the people were migrants from the hill areas. In the meantime through the program, the people built community roads, irrigation and water supply schemes.

The ADB/N introduced the Institution Development Program (IDP) in the mid nineties. The main objective of the IDP is to transfer the government owned sub-project office (SPO) into a small farmer owned and managed SFCL, was achieved in B.S.2055, 2053 and 2055 respectively with the establishment of SFCL Suda, Daiji and Tribhuvan basti of Kanchanpur. Committees of a part from this, SFCL Kanchanpur districts also provide other innovation financial services to its members, such as Pewa savings for old age and a livestock insurance scheme. Non-financial services include milk collection, irrigation programs, employment generation program, health awareness, literacy program, market management program etc.

Table 1.1
Overviews of Participants

NAME OF SFCL	COMMITTEES	MALE COMMITTEES	FEMALE COMMITTEES	MALE PARTICIPANTS	FEMALE PARTICIPANTS
SUDA VDC	111	59	52	645	326
DAJI VDC	135	50	86	637	397
TRIBHUVAN BASTI VDC	109	0	109	0	628

Note: 100% female participants involve under Tribhuvan basti SFCL

1. 2. Focus of the Study

Poverty is today's world main problem. Every country faces this problem. This is the main barriers for today's world without solve it no one can't get really success in every part of country's development. Nepal, a last develop country. Nepal also faces this problem. Here 32% People are under poverty line. Without solve poverty Nepal can't develop the nation. From the various methods Nepalese government and other sectors of Nepal are trying to solve this problem. Microfinance is also one of the sources of it which also help Nepal to reduce the poverty and develop the rural area of Nepal. With the help of microfinance, Nepal gets success in poverty alleviation. Poverty alleviation helps rural development, increase the life standard of people and also give socio-eco status of people in society.

This research paper focuses the main micro finance in Nepal and how it helps to poverty reduction of country. With the help of case study of SFCL Mahendranagar, districts Kanchanpur, how it help to develop local level small farmers organization, how it help to enhance the financial and managerial capability of grass root organizations through imparting knowledge and skill and how to create confidence among the poor people about saving collection and mobilize rural savings through micro finance activities. This research paper clear the picture of facing change of society after SFCL.

1. 3. Statement of the Problem

The agriculture has remained the main stay of the Nepalese economy. However, agricultural production is largely for subsistence and marketable surplus is negligible. More than 60% farmers are small farmer and it is very difficult for farmers to finance on new technology enhancing productivity.

Productivity of crops is not satisfactory in Nepal because of the small farmers who constitute the bulk of rural society and which have not been able to participate in the development process because of their innocence, illiteracy, poverty and malnutrition. Hence, the agricultural productivity is decreasing gradually. Consequently, the disparity between big and small farmers has widened. It is notable that there has emerged general agreement among policy makers and economists that in order to improve the socio-economic condition of the people, more attention should be given to small farmer group.

To improve the economic condition, income level should be increased through improvement in agriculture and providing other opportunities. Improvement of agriculture is possible only when improved seeds; scientific technology, fertilizer (chemicals), irrigation facilities, education and other facilities could be made available to farmers. The facilities which are offered by government, do not reach to small farmers because of their poverty and illiteracy. They are so poor that they cannot afford to use new techniques. Moreover, they are not in position to get credit from banks due to lack of good security. These problems of small farmers are so closely knitted that is difficult to settle down easily.

Realizing this, Nepal government has launched many programmes for small farmers. Among these, SFDP is one of the important programmes particularly designed to uplift the status of small farmers, SFDP along with all related agencies support work to uplift small farmers by solving their existing problems but some times remedies may become more dangerous than the disease itself. During the implementation of programme various problems may arise, this may hamper the mobilization of the poor. However, such programme should be carefully implemented.

ADB/N has been starting SFDP program to enhance the rural people to increase their standard of living. It is very important for ADB to understand the income status of rural

people. Most of the rural peoples are illiterate and unable to use their capacity and to assess the surrounding situations. They can not understand which program is beneficial to them and which is not. The rural peoples are not also economically and socially aware. Their training component are also not so effective and sufficient to aware the local people. The programmers are also not supporting fully the technological assistance to the farmers. Similarly another prominent factor is illiteracy of women and their traditional thinking, which play an important role in the production. Other problems are transportation, marketing, and communication which are also the important component of production.

Irrigation, seed, fertilizer and insecticides are not available in proper time. This is also a problem for the crop and cereal farmers. In the same way, fodder, grass and grazing land are not much sufficient for livestock farming. Likewise other activities have many specific problems.

Different international non governmental organizations are funding to encourage the program. The organizations also has doubt on is SFDP program beneficial to increase income of rural people. If the program is really beneficial for the rural people the investment of those INGOS will increase and it will be highly beneficial for the rural people.

For last couple of years, the SFCL Mahendranagar was not rated as the best performing SFCL, according to ADBN evaluation criteria. So, this research paper tries to prove the following issues:

-) Is financial viability and sustainability of SFCL strong?
-) Is SFCL Mahendranagar help to facing change of society?
-) Is alternative leadership developed or not?
-) Is sufficient professionalism in entrepreneurship developed? Or not?
-) Are the main problems related to do this research?

1. 4. Objectives of the Study

Considering the importance of the agriculture and the problems of small farmers, the study of the SFCL is very contextual and significant. The main objective of SFCL is to improve the economic conditions and to standardize their standards; so, we need to study the investment, training components, participants of target group and the operational methodology of SFCL. The study of the SFCL keeps great importance. The study intends to know the working operation and earning abilities of the small farmers broadly. It tries to know the objectives of the SFCL are going to be fulfilled and the influence and impact of this programmed in the society. To change the nature of society micro finance is emerging concept in Nepal. The value of micro finance in Nepal is raise day-to-day. Now through Micro-financing activities Nepal succeeded to reduce poverty of country. So tenth plan take objective only one i.e. poverty alleviations from 38 to 30 percentage within coming five years. That is not joke for government but micro finance help to fulfill it. This research paper also surrounds it. This research paper does a case study of SFCL Mahendranagar, district Kanchanpur. The main objectives of the study are as follows:

1. To assess the economic impact of SFCL in the study area.
2. To analyze the impact of SFCL in uplifting the socio-economic condition of farmers before handover and after handover of study area.
3. To know the skill development and other improvement of small farmers
4. To analyze the deposit, collection and mobilization of loan.
5. To provide suggestion for the better operation the programmed.

1. 5. Significant of the Study

Nepal Government has introduced a number of different programs to extend financial services to rural people, including women and poor. These include mainly Intensive Banking Programmed (IBP) implemented by Commercial Banks (CBs), Small Farmers Development Program (SFDP) implemented by Agricultural Development Bank, Nepal (ADB/N), Small Farmers Co-operatives Ltd. (SFCL), promoted by ADB/N, Promotion Credit for Rural Women (PCRW), Regional Rural Development Bank (RRDB) and Micro Credit Projects for Women (MCPW) implemented by CBs, although the design of many of these programs were targeted to the minimal. Above these programs, Micro – finance is related to the poverty reduction of alleviation.

Various studies have been made on SFDP, which are reflected in Nepal Rastra Bank and APROSC report. These studies cover a large area and results are not specific to identify the problems faced by the specific area. However, this study is mainly concerned with the VDC level. So present study provides substantial data relating to the socio-economic condition of small farmers of Kanchanpur area, which, may be used to measure the successes of the implementation of the programme.

More than hundreds of SFDP are handed over as SFCL and till now millions of rupees have been disbursed on small farmers even after handover. Therefore, the impact of study is essential to measure its benefit and to trace the way for maximizing the effectiveness of such programme. In order to do so, this study will be a clue for the measurement.

The major objective of micro-finance program is poverty alleviation. The following points will justify the significance of the study.

-) How to reduce the poverty through micro-finance activities in Nepal?
-) How to change the condition life style of society through SFCL.
-) How local people develop themselves through SFCL's activities.
-) How local people create confidence themselves about saving collection and mobilizing rural saving through micro-financing activity.

1. 6. Limitations of the Study

These studies mainly focus SFCL Mahendranagar, kanchanpur. The limitations of the study are as follows:

1. Time period: An analysis made on the basis of short time period may not take absolutely correct picture of the organization.
2. Focus of the study: The study is only focus on financial performance of the SFCL. The most important social part of the program is not studied in details
3. Answer of the respondent: As the questionnaire is taken with some randomly selected farmers, their opinion may not totally match with the opinion of the total population.
4. Data: The study is highly depending upon secondary as well as primary data. The data collection system in the field level is no scientific and perfect.
5. The study is based on the secondary data provided by the SFCL and ADB/N

1.7 Organization of the Study

The economic impact of Small Farmer Co-operative Limited (SFCL) is the subject matter of the study. This study has been organized in five separate chapters: Introduction, Review of Literature, Research Methodology, Analysis and Interpretations of Data and Summary Conclusion and Recommendations.

Introduction chapter is the first chapter of the study. This chapter includes general and specific introduction; statement of the problem and objectives as well as importance and limitations of the study towards evaluating the SFCL's performance. This chapter also includes frame of the study. A brief presentation of the concern studies and findings as well as review of various related literatures have been described in chapter two. Chapter three contains the study of research design, source of data, data collection and procedures. Some statistical tools are used to evaluate economic impact of the SFCL. Chapter four include introduction of study area. Chapter five is related to introduction of project area and the pattern of loan disbursement, collection and outstanding data as well as primary data presented, analyzed and interpreted to know the economic impact of SFCL. The data have been presented, analyzed and interpreted with the statistical tools and techniques i.e. percentage, correlation, Gini's-Coefficient, Lorenz Curve and Bar-Diagram. The last chapter five includes summary of whole study, conclusions of the study as well as recommendations.

CHAPTER-II

REVIEW OF LITERATURE

2.1 Theoretical Concept

Small Farmer Development Program (SFDP): The SFDP was initiated in 1975 with the objective of improving socio-economic conditions of the rural poor including women by bringing them into the mainstream of development process. Group approach is the fundamental basis for program implementation. Households having per capita family income of less than or equal to Rs. 2500 and /or a land holding size up to 0.5 ha. Are categorized as small farm families for providing financial and non-financial services through SFDP.

Credit is provided for different purposes related to production, marketing, and other income/employment generating activities. To develop saving habit among small farmers, group saving and its mobilization is also being undertaken as an integral component. As complementary input to credit and saving services, the target groups of the program are also trained in different areas such as group management and its functioning, saving mobilization, income generating activities etc. Moreover, social and community development activities are also being undertaken for the welfare of rural people.

Institutional development Program and SFCLs: In view of the few shortcomings of SFDP such as high operating cost and slow growth in outreach, an alternative approach of empowering the target groups was initiated within SFDP framework through Institutional Development program (IDP). Under this approach, small farmers are encouraged to build up autonomous and viable institutions owned, managed and controlled by them. Such autonomous body is named as Small Farmer Co-operative Limited (SFCL) which is registered under co-operative Act. The beneficiaries of SFCLs are provided intensive training in different areas such as office management, book keeping; group functioning etc for capability development and the SFDP's assets and liabilities are ultimately handed over to the SFCL. After the completion of hand over process, the bank provides wholesale credit to these institutions from which loans are provided to the target groups.

The initial results of SFCLs are noted to be positive particularly in the areas of financial viability, leadership development, participation and internal resource mobilization and

expansion as well as diversification of program activities. Some of the SFCLs are emerging with notable outcome and are capable of replicating Institutional Development Process on their own. Moreover, 11 SFCLs are carrying-out limited banking operation under the supervision of the central bank. One of the remarkable features of SFCLs is low level of operating expenses i.e. only 2.3% of loan portfolio. As per the study carried out by GTZ, these grassroots level institutions have maintained high growth rate in saving collection and continuously increased quality of loan portfolio.

Small Farmers Development Bank: To provide qualitative and effective financial and non-financial services exclusively to SFCLs, ADBN established Small Farmers Development Bank Limited (SFDBL) as its subsidiary development bank in 2002. SFDBL is owned by the Government, ADBN, two commercial banks and SFCLs. However, as per the plan, the shares presently owned by ADBN and the Government will be gradually of loaded to SFCLs. ADBN has envisaged that after next five years, SFCLs will own majority of shares of SFDBL. Consequently, these institutions will be in a position to control the management of this apex level bank.

2.1.1 Concept and Definition of Micro Finance

Micro finance has evolved as an economic development approach intended to benefit low-income women and man. The term refers to the provision of financial service to low-income clients, including the self-employed. Financial services generally; including savings and credit, however, some micro finance organizations also provide insurance and payment services. In addition to financial intermediation, many MFIs provide social intermediation services such as group formation development of self-confidences, and training in financial literacy and management capabilities among members of a group. Thus the definition of micro finance often includes both financial intermediation and social intermediation. Micro finance is not simply banking, it is a development tool.

Micro finance activities usually involve:

-) Small Loans, typically for working capital
-) Informal appraisal of borrowers and investments
-) Collateral substitutes, such as group guarantees or compulsory saving
-) Access to repeat and larger loans, based on repayment performance
-) Streamlined loan disbursement and monitoring

-) Secure saving products
-) Raise the income level of small farmers by increasing their production and productivity of on-farm as well as off-farm activities.
-) Raise their social status by empowering and involving them in social and community activities.
-) Create additional opportunity for employment generation by mobilizing their skill, labor, locally available resources in meaningful and productive manner.
-) Adopt the local delivery mechanism of government agencies and other institutions to the needs of the small farmers.
-) Develop self-reliance and independent grass-root level organization of the small farmers so that they would be able to organize themselves to plan and carry out the activities for their own development.
-) Enable small farmers to develop their own institutions and formulate plan and programs and implement them accordingly at grass roots level

Although some MFIs provided enterprise development services, such as skill training and marketing, and social services, such as literacy training and health care, these are not generally included in the definition of Micro finance.

2.1.2 Definition of Micro Finance

“The Term micro finance is used to describe the aberrations a micro finance institution, a micro finance project of a micro finance component of a project, when referring to an organization providing micro finance services, whether regulated or unregulated.”

According to Micro Finance Institution (MFI)

MFIs can be non-governmental organizations (NGOs), savings and loan co-operatives, credit unions, government banks, commercial bank or nonblank financial institutions. Micro finance clients are typically self-employed, low income entrepreneurs in both urban and rural area clients are often traders. Street vendors, small farmers, service providers (hairdressers, rickshaw drivers) and artisans and small producers, such as blacksmiths are seamstresses. Usually their activities provide a stable source of income (often from more than one activity). Although they are poor, they are generally not considered to be the “Poorest of the Poor”

Mr. Shanker Man Shrestha, presenting his paper on “viability and sustainability of Micro finance Institutions” Present the meaning of micro finance in this way.

What is Micro finance?

-) It is a system of grassroots development finance.
-) It deals with the poor people, low income group, the asset less, the marginalized, the exploited and the desperate.
-) It provides small loans to meet their diverse needs with simple procedure in homely atmosphere.
-) It takes small and petty saving for safe keeping meeting their lump-sum requirement in future.
-) It offers other financial services such as micro insurance.

2.2. Historical Background of Micro Finance in Nepal

Nepal undertook poverty alleviation programs various rural development efforts with the view to bringing about rapid improvement in the socio-economic condition of the rural poor. But all the approaches to rural development largely failed to establish distributive justice in sharing the benefits within the Nepalese society. The main beneficiaries of the development programs were found to be the rural elites. The rural poor including women who actually needed genuine support were further deprived.

Then, since mid 1970s, government started undertaking the policies and programs such as Small Farmers Development Program, which was designed as the first target group focused model in Nepal to serve the people specifically below poverty line and then followed by other government, non-government organization (NGOs) and NGOs to implement the poverty reduction programs in similar ways.

After the restoration of democratic government in 1991, the poverty alleviation was accorded high priority and incorporated in its eighth plan as a principle objective to mitigate poverty. The plan has set the target to bring down the incidence of poverty to 42% from 49% by devising policies and strategies of self target programs. This was continued in the ninth plan aiming at reducing poverty by 10% point. In the tenth plan also, poverty reduction is being set as the prime objective. The plan has envisaged bringing down the poverty below 30% over the plan period.

2.2.1 Why is Micro finance growing?

Micro finance is growing for several reasons:

1. The promise of reaching the poor:

Micro finance activities can support income generation for enterprises operated by low-income households.

2. The promise of financial sustainability:

Micro finance activities can help to build financially self sufficient, subsidy free, often locally managed institutions.

3. The potential build on traditional system:

Micro finance activities some time mimic traditional system (such as rotation saving and credit associations). They provide the same services in similar ways, but with greater flexibility at more affordable price to micro enterprises and on a more sustainable basis. This can make micro finance services very attractive to a large number of low-income clients.

4. The contribution of micro finance to strengthening and expanding existing formal financial systems:

Micro finance activities can strengthen existing formal financial institutions, Such as savings and loan co-operatives, Credit union networks, commercial banks, and even state run financial institutions, by expanding their markets for both savings and credit and, potentially, their profitability.

5. The growing number of success stories: There is an increasing number of well documented, innovative success stories in settings as savers as rural Bangladesh, Urban Bolivia, and rural Mali. This is in stark contrast to the records of state run specialized financial institutions, which have received large amounts of funding over the past few decades but have failed interims of both financial sustainability and outreach to the poor.

6. The availability of better financial products as a result of experimentation and innovation:

The innovations that have shown the most promise are solving the problem of lack of collateral by using group based and character base approaches, solving problems of repayment discipline through high frequency of repayment collection, the use of social and peer pressure and the promise of higher repeat loans, solving problems of transaction costs by moving some of these costs down to the group level and by

increasing outreach, designing staff incentives to achieve greater outreach and high loan repayment, and providing saving services that meet the need of small savers.

2.2.2 Major Principle of Micro Finance

Three major principles considered in micro finance those are

1) Buying of Money:

Means emphasize to collection of domestic saving for accumulation of financial resources with paying of the reasonable interest rate to the beneficiaries members.

2) Selling of Money:

Means investment of the collected domestic financial resources in the micro enterprises/income generating activities with adding the operational cost and plus small margin of profits.

3) And Earning of the money:

It means receiving the interest and other income from borrowers and others.

Mr. Ghuran Thakur present on his paper “SFDP the pioneer of micro finance in Nepal” give the Principal of micro finance as follows:

-) Only to targeted poor people
-) On the basis of group concept (group must self-select on the basis of mutual trust, socio-economic status and friendship. It will be useful in providing peer pressure support joint liability.)
-) Short duration loan amount (for productive as well as service oriented small projects.)
-) Small amount but regular repayment schedule.
-) More priority of women members of the household.
-) No fixed, activities it will be decided by the individual on the basis of local need and prevailing skill.
-) Regular supervision follow-up and monitoring of the projects.
-) Savings and credit together.
-) Interest rate, market rate, no subsidized.
-) No compulsion for tangible collateral it will be decided by organization of group members

2.2.3 Necessity of the SFDP and Importance of the Micro- Finance Program in Nepal

According to Kirti Devkota, Micro finance is considered one of the strong instruments for poverty reduction. It is, basically characterized by saving product, small loan, group norms, insurance and money transfer. Presently, it has been well recognized as one of the effective poverty reduction programs in the developing countries. In Nepal, it has been found more successful for amelioration socio-economic condition of the downtrodden populace such as core poor, lower ethnicity and women affecting by vulnerability, unawareness, low bargaining power, inaccessibility of development facilities, backwardness, illiteracy, disease, low income, less representation in political constituency and unproductive assets are concerned.

Majorities of these people are not accessing the credit easily as due to lack of the collateral. In this respect, MFIs have been providing credit on the basis of group liabilities to such downtrodden people in income generating activities such as vegetable production; livestock raising tea and daily uses shop, marketing of good (better rice, vegetables and fruits) as per their experience and market potentialities. Under this program one group member can earn about NRs. 300-700 net profits in a week in the terai area.

In the social sector, awareness development is found one of the major out comes of this program. In this respect, many MFI members started to join in literacy center, schooling to their children including daughters, participation in the village level elections so for they are elected in ward members, VDC chairman and vice chairman. In addition, they are actively involved in community development activities such as construction of village community hall, road, and bridge and drinking water system. By thus, MFIs have been imputing the momentum for poverty reduction endeavor.

According to Ghuran Thakur importance of Micro financing project are as follows.

-) To increase the outreach and coverage
-) To provide service in easy and quicker manner
-) To obtain financial viability and sustainability
-) To cover the large chunk of poor community who have to still depend on informal credit market where interest rate is exorbitantly high.

According to Prem Bahadur Shrestha, importance of Micro finance in poverty reduction is as presented below:

“In ADB’s view, poverty is a deprivation of essential assets and opportunities to which every human is entitled.”(ADB, 1996). The essential assets may not be available to the poor due to diverse nature of poverty and lack of political will, inadequate governance, and inappropriate public policies and programs. In this context, Asian Development Bank (ADB) perceives sustainable economic growth and social development as the key components for reducing poverty. Therefore, the investment in micro finance stimulates economic growth, which can reduce poverty by generating, employment and incomes (ADB, 1996). According to Koirala (2001) the ADB has recognized micro finance as a powerful tool to promote economic growth, reduce poverty, support human development and improve the status of women. Furthermore, Pyakurel, (2001) presents the evidence of test result of micro finance practitioners around the world as access of credit to the rural poor has been found to be very effective tool for helping poverty reduction. It is because micro credit to the poor creates small business opportunities that help to improve the social economic condition of deprived community.

Micro finance is a powerful instrument for poverty alleviation. It enables the poor to take advantage of existing opportunities, builds up their assets, generates self-employment develops micro enterprises, raised income level, builds up self confidence and self-esteem, improves purchasing power, empowers women enhances power, empower women, enhances overall economic growth, enhances domestic saving and provide escape route from poverty. In Nepalese context, even though, micro finance has been proven as effective and efficient mechanism in poverty reduction endeavor, most of the micro finance institutions have become unable to reach the poorest (ultra poor) due to their inability to identify and measure them. On the other hand, improving access to financial services has been commonly viewed as strong tool to fight against poverty; however, the outreach of the formal sector credit institutions has been constrained due to high cost of their services delivery. Nevertheless, Micro finance institutions pursue the activities to promote the interest of the poor by providing basic services and contribute to increase in outreach sustainability and effectiveness.

Mr. Shanker Man Shrestha, presenting his paper on “viability and sustainability of Micro-finance Institutions” gives the important of Micro finance a powerful Instrument of poverty alleviation is as below:

-) It enables the poor to take advantages of existing opportunities
-) It builds up their assets
-) It generates self-employment
-) It develops micro enterprises
-) It raises their income
-) It builds up their self-confidence and self esteem
-) It improves their purchasing power and thereby consumption
-) It empower them (specially women) economically and socially
-) It enhance overall economic growth
-) It enhance domestic savings and improves financial market
-) It provides escape route from poverty

Mr. Bimal Koirala, chief security of NG present the paper” Poverty alleviation and the role of co-operatives” present the role of micro finance is as follow: Realizing the Limitations, shortcomings and weaknesses of the formal financial structure HMG encouraged the development of Micro-credit institutions to contribute to the goal of poverty reduction through improved financial saving mobilization and credit extension in Micro level. One of the strategies of Nepal’s financial sector reform is to gradually formalize the informal rural financial market besides strengthening micro credits to improve production and employment opportunities in the rural areas. Micro finance according to the World Bank (World Development Report 2004/2005) is “the provision of financial services to low-income clients including self- employed. It includes both financial intermediation and social intermediation. It is not simply banking, it is a development tool”. It is also defined as the provision of saving, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards. The objectives of Micro financial services are to ensure the availability of these services to the doorsteps of the poor and low-income household. It is an important financial service to uplift the level of income of low-income households. Micro-finance framework, if

properly designed and implemented, can thus attain the objectives of poverty alleviation in the developing countries like Nepal.

2.2.4. Operational Methodology

The program follows as well defines specially designed set of implementation, procedures which are discussed below:

I. Project Site Selection:

Although the poor people inhabit most of the settlements in Nepal, the incidence and depth of poverty varies from village to village. The district level Project implementation Committee, which is responsible for recommending the potential SPO site, takes into account the incidence and depth of poverty in a VDC as major criteria for recommendation. Besides some consideration is also given to the possibilities of exhibiting a demonstration effect to other surrounding VDCs. The SFDP Division makes final selection decision based on the recommendations of SPIC.

II. Recruitment and Training of group Organizers(GO):

Human input is critical and intensive for the success of this program. Posting a well-trained GO in each SPO site that fills this lacuna, as a central figure of the program, acts as a catalytic change agent. GOs are recruited or selected from among the pool of ADB/N staff based on their aptitude to work in the most remote rural settings. After the selections, the GOs are provided job orientation and intensive classroom and field based training for a period of three months. The materials covered in the training include the identification process of small farmers, basic principles of informal group organization at the grassroots level; role of a GO; leadership development; need assessment; planning, executing, monitoring and evolutions of project activities; and relationships and linkages between small farmer groups and other service delivering agencies. On the job refresher type training course are also offered to update the GOs on the contemporary developments.

III. Identification of Small Farmers:

The poor identified as small farmers include the low-income producers of agriculture, livestock and aquatic products and refers to tenants, sharecroppers, landless agricultural laborers and small owner operators.

IV. Group formation and Orientation

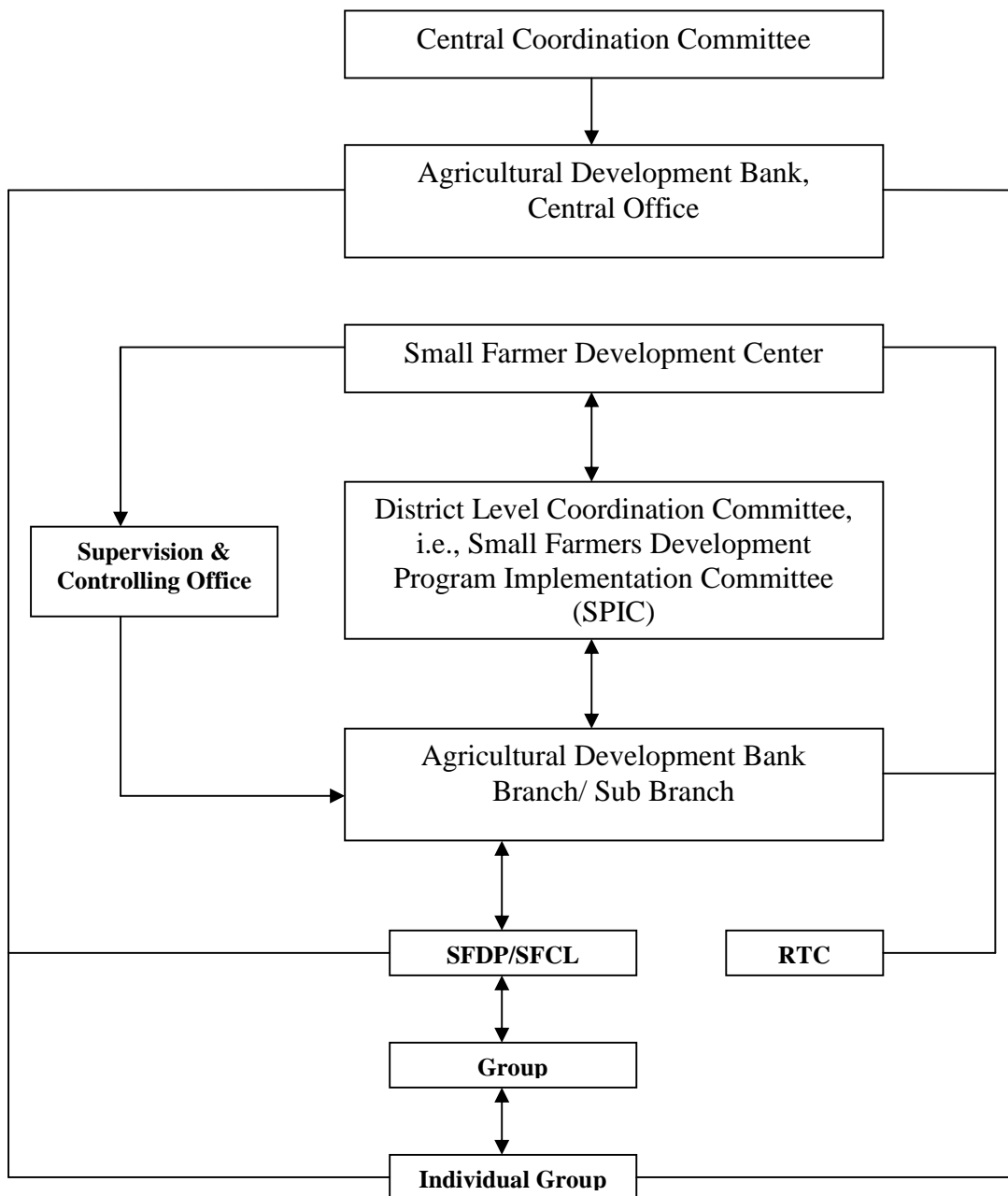
Five to ten small farmers of occupational/ethnic homogeneity are organized into a group. The members themselves select a group leader and other supporting persons. The group members are then oriented with the concept of group dynamics, joint liability etc. Joint liability as a central theme of SFDP hinges on the concept of group pressure on any defaulting member. Member are also trained on identify their needs plan, implements, monitor and evaluate their activities, Emphasis is also given towards development of linkage between groups and line agencies at local/district level. In due course of time, the groups are allowed to federate into intergroups and higher.

V. Organizational Framework:

The organizational structure of SFDP has undergone several changes from time to time in tune with the requirements. The current organizational structure is depicted in figure 2.1.

Figure 2.1

Organizational Structure of SFDP



2.2.5 Major Activities

a. Economic activities:

SFDP provides credit for different purposes related to production, farm mechanization, marketing, and other income/employment generating activities. Credit support has been fruitful in improving the economic status of the small farmers by increasing the productivity and production of agricultural related projects. Moreover, they are benefiting by engaging themselves in small-scale cottage industry with the credit support.

b. Social and community development:

Considering the fact that the process of economic development and social enhancement should be related that they become mutually supportive and re-enforcing. So apart from credit, the program incorporates essential social and community development activities such as adult education, population education, parental education, child care center, health and nutrition, establishment of drinking water schemes, community hall, school roofing, community irrigation schemes, community plantation and foot trail and gravel road construction, repair and maintenance of village road, Vegetable seed distribution and other appropriate and needy program.

c. Community Surface Irrigation Program (CSIP):

Community surface irrigation development is a highly prioritized and demanded program by the small farmers. The SFDP has been emphasizing the construction of irrigation schemes at community level with active participation of small farmers from initiation to evaluation stage of the program. As of mid July 2000 the program has benefited over 25900 hectares of land of more than 29437 households through 564 schemes. The recently conducted study on “Effectiveness of CSIP” indicates that there is significant improvement in socio-economic change of the beneficiaries farmers after completion of the project. It is mainly due to positive change in cropping pattern, crop diversification, increase in land value, change in food habit and positive thinking in child education especially girl child.

d. Environment Conservation:

Environmental promotion and conservation is another important activity initiated by the program with the support of UNICEF. The main sense of the environmental activities in SFDP is to reduce pressure of workload on women and strain on environment. As most of small farmers are badly affected by the deforestation i.e. lack of fire wood, timber for housing and furniture, fodder for livestock, drying of drinking water sources, more time to collect fodder and other materials from the forest, depletion of soil fertility and other more. Activities implemented in this program are as community plantation, distribution of saplings of fruit and fodder and timber tree, leasehold fodder and forest program, plantation to protect the sources of drinking water and irrigation canals, drinking water schemes, construction of convenient latrine and smoke less stove, bio-gas plant, use of

compost manure and other appropriate program to promote the environmental conservation programs.

e. Gender and Development:

Considering the low socio-economic status of rural women, Women Development Program (WDP) was initiated to discern the concerns and cater to their special needs in 1982 as an integral part of SFDP. Aimed at providing the basic services to rural poor women, Women Development Program (WDP) is

Being implemented in all of the SPOs in general and intensively in 36 SPOs, Altogether more than 30 thousand women small farmer members are being provided with services to enable they undertake various on-farm and off-farm income generating activities. More priority to women members is given in group formation and implementation of program. At present 5 Women SFDP is in implementation one in each development region, where women group organizer is deputed. These SFDP provides services only to women group members. Overall performances of women group members are better as compared to their counterpart.

f. Livestock Insurance

One of the main portfolios of loan of small farmers is livestock. Its share in total outstanding loan is about half. Among livestock, share of milking cow and buffalo, she-calves are much more compared to the rest. Although, profit from livestock is more and is preferred by small farmers it is more risky compared to their other business. Because, in case of sudden death of cow/buffalo farmers have to face series of problems in one hand and bank has to face problem in loan repayment in other hand. More over, insurance program encourages farmers for raising improved breed and supports in generation of internal resources. Therefore, ADBN has provided special arrangement for the insurance of small farmer's livestock by their own committee. Support of Government in terms of providing 50% subsidy in premium is highly appreciable and it motivates small farmers toward the program.

2.2.6. Micro-Finance or Micro-Credit

Mr. Kirshan B. Kunwar Deputy General Manager of ADB/N who Published “ The Himalayan poverty, Threat of the world” Write about rural finance and under it he present some introduction about “micro-finance or micro-credit, which is presented as below:

Nowadays, in economic development sector, the terms micro-finance, micro-credit, and micro-entrepreneurship are frequently used throughout the world. Every development planners, NGO activists, development financial institutions are concerned in any way. How the life of poor people can be improved the Grameen bank of Bangladesh is a good example. The world Development Report 1999 reiterates the words of Prof. Mohamed Yunus founder of the bank in its way: When I was arguing that helping a one meal family to become a two meal family enabling women without a change of clothing to afford to buy a second piece of clothing is a development miracle, I was ridiculed. That is no development, I was reminded sternly. Development in growth of economy, they said, growth will bring everything, we carried out our work as if we were engaged in some very unfeasible activities, when UNDP’s Human Development report came out we felt vindicated. We were no longer back-street operators; we felt we were in main stream.

Although he was professor of economics, he was not satisfied with his lectures because it couldn’t alleviate the poverty. He realized the poverty was human problem rather than economic factor after working with the poor families of the rural areas.

The words micro credit and micro finance resemble the same. But micro-credit means to provide small loan as credit whereas the micro-finance means to provide services of savings and credit both. No loan can be defined on the bases of loan amount of small size. However, micro finance refers to small-scale credit up to NRs.30000.00 targeted toward rural poor. Micro finance is a service, which has to be groups, saving system, skill development and credit facility without collateral or in joint responsibility. This credit should be of short term not exceeding a year.

Likewise, the collection practices can be done in periodic, weekly or monthly as applicable to the local community based on market opportunity. Without taking into account such fundamental element. If any financial institution or the NGO starts lending the small loans considering as micro credit then, there will be certainly occurred the

problem of loan collection. There will be no group pressure from the local community of overdue loan from the neighbors even in they are stringed in every community activity. The loan collection of such scattered small loans always become problem to the lender because it is naturally scattered expensive to monitor and time consuming.

Richard Vokes, Country Director, Asian Development Bank, Nepal Resident Office, Katmandu defines micro-finance with the following salient features. They are:

-) Services: small scale financial service loans with no physical collateral/guarantee, savings insurance, leasing, remittances, etc. accessible to poor.
-) Providers are informal sources (such as money lenders and shopkeepers), semiformal institutions(such as non-government organizations) and formal institutions (such as development banks, rural banks and co-operatives);
-) Modality adopted is typically non-traditional guarantee collateral with gradual increasing loan sizes and characterized by quick and simple procedures; and
-) Cost of financial service to be borne, preferably, by clients to ensure long-term sustainability.

Ulrich Wehnert, Team Leader, GTZ, Nepal, associated with the rural finance defines, “Micro-finance comprises formal and informal financial institutions, small and large, that provide small sized financial services (savings, credit and micro insurance) to the poor, Due to higher transaction costs in the micro-finance business. MFIs must use a special financial technology. Some of the elements of this financial technology are:

-) Cash-flow analysis, character based lending and non traditional collateral,
-) Social control mechanisms,
-) Intensive credit monitoring and stringent loan recovery
-) Risk diversification
-) Priority on saving mobilization (Bank Samachar, ADB/N)

In Nepal, following are the major micro-financial practices:

-) Small Farmers development programs (SFDP) and Small Farmers Co-operative Limited.
-) Production Credit for Women

) Grameen Bank

) NGOs/INGOs

The models have their own strengths and weaknesses. It is imperative to make expansion of micro-finance services effectively up to the grass root level. The activities such as Micro-credit World Summit also played a significant role towards its targeting the rural poor of the world. All types of poverty alleviation programmers accommodated the micro-credit as credit plus program.

The micro-finance is a service for low income people organizing them in groups, providing skills and literacy, exercising saving practices and lending small loans in need. Micro-credit, is such service with effective interest rate a minimum operating cost, economy scale, greater mobilization of local resources for self financing and high percentage of repayment for effective recycling of financing resources. The main beauty of group lending is of the possibility of minimization at operation cost. (V. Rangrajan, Asian Pacific Regional & Agriculture Credit Association-APRACA)

The main beauty of group lending is the possibility of minimization in operation cost for both sides-lenders and the borrowers. In group lending, the collateral is not a major factor for the loan collection; the group itself becomes group guarantee. It means the loan without tangible collateral. The poor people having no collateral can be united in group and taking loan against joint responsibility. The group pressure enhances the proper utilization of the credit resulting smooth repayment. For qualitative group formation, the numbers of people four or five are enough.

The NGOs as social mobilize can provide the initial support as group formation, savings, and community development activities. This exercise makes the banking loan assessment smooth for the initiation. The concerned bank could lower the interest rate at one or two percent to cover the overhead cost of the NGOs too. This type of wholesale lending helps the lender bank to make realization without default. The bank could save operating cost and increase outreach in other needy area, which could enhance the resources for the rural youths in self-employment activities.

It is true that it small farmers get deposit facility; they certainly don't make expand money unnecessarily learn saving habit for the rainy days. The small amount is also saved

worthy; poor also become bankable. Such exercise helps both of them to follow strictly the “no saving no credit” principle. In Nepal, this type of saving and credit linkage is found in Dhikuti system.

The wall Street Journal (Nov.27, 2001) Deniel Perl and Michel M. Phillips (Grameen Bank: Which Pioneered Loans for the poor has hit a repayment snag) reviewed that the bank has helped inspire and estimated 7000 so called micro-lenders with 25 million poor clients worldwide and that income status owes a lot to an almost miraculous loan repayment rate of “over 95% as the bank “website says. Grameen itself defines a loan, as delinquent if it still isn’t paid off two years after its due date. Under this term 10% of all the bank’s loans are overdue, giving it a delinquency rate more than twice the often-cited level of less than 5%.

These clues make firm that real picture is different than the publicity. However, no one can minimize the efforts done by Grameen Bank for the poor.

2.2.7. Policies and Strategies for the Replication of IDP

IDP experience of Kanchanpur Districts has stimulated small farmers of other districts too. SPOs have also been assisting small farmers to evolve SF-organizations by forming inter group and main committees. Accordingly, some of the SF-organizations are now in take-off stage and they are likely to takeover the management of SPOs within one or two-year period. Therefore, ADBN has devised some policies and strategies to replicate such programs gradually all over the implication of the institutional development program. These policies/strategies have been in effect from fiscal year 2006/2007. As of now, some potential SPOs have been identified where small farmer organization have sufficiently advanced to warrant the implementation of IDP in the near future. In due recognition have sufficiently advanced to warrant the implementation of IDP in the near future. In due recognition of the need and importance of Dipole full-fledged section has already been set up within the SFDP. The main mandate of the section is to formulate/update policies, facilitate implementation, and carry out follow up and monitoring tasks to gear up the IDP activities towards the stipulated direction. In order to qualify for IDP application, the SPOs must fulfill all the prerequisites listed below:

- ❖ SPOs which have organized ward level small farmer inter group and started the process of developing VDC level main committee:
- ❖ SPOs with outstanding loans exceeding Rs. 2 million:
- ❖ SPOs with less than 20 percent overdue loan:
- ❖ SPOs with over 50 percent repayment rate;
- ❖ SPOs which have already appointed or are in the average of appointing volunteers or paid youth workers and women group organizers:
- ❖ SPOs which can ensure high degree of small farmers participation able to manage the program with minimum support from external agencies:
- ❖ SPOs which have managed at least one promoter in each ward of the SPO work area:
and

SPOs which could develop autonomous and viable VDC level SF-organization that can sufficiently equip itself to accept the management of SPOs within one and a half year to two years' period.

2.3 Institutional Development of Small Farmers

To make the small farmers capable and self-reliant an innovative approach of developing self-help organization of grass-root level was introduced in SFDP through institutional development process. In this process, the small farmers are involved to build up autonomous and viable institutions owned, managed and controlled by themselves, the basic thrust of such endeavour is to empower local people by enhancing their capability to undertake the activities of SFDP through their own autonomous self-help organization, i.e. small farmer co-operative limited (SFCL). In the course of action management undertaken by sub-project office (SPO) is ultimately handed over to SFCL. Upon transformation, SFCL play the role financial intermediaries between the bank and the small farmers by taking wholesale credit from the bank and retailing it to the small farmers as per decision of the main committee of the organization, maintaining minimum 4% spread in the interest rate. The SFCL are however given autonomy to change interest rate on loans from their own capital.

2.3.1 Objectives of Institutional Development

The major objectives of institutional development of grass root level are:

-) To make small farmers self-reliant in terms of leadership capability, managerial skill and running the grass-roots organization independently.
-) To reduce operating cost of the programme through participatory approach.
-) To expand and increase the scope of activities, area coverage and participation of beneficiaries in a cost and time effective manner.
-) To develop SFS organization in order to promote sustainable financial intermediary linkage between the bank and other small farmers.
-) Organizational development.
-) Increase in participation of small farmers.
-) Significant increase in internal resources.

2.3.2 Pre-requisites for Transformation

Following criteria are to be met by a SPO in order to qualify for its transformation into SFCL.

-) Outstanding loan should be more than Rs. three million with over due less than 20 percent of total outstanding amount.
-) Repayment rate should be above 50 percent.
-) More than 50 percent of the total SF-families within jurisdiction of a SPO should have been covered by SFDP.
-) The employees and the main committee members of SFCL should be trained in their respective areas for program implementation.
-) Classification of loan should be completed and the records of loan, saving and other cash related activities should be accepted by the individual small farmers.
-) All beneficiary member should agree to purchase share of the organization i.e. SFCL.

2.3.3 Transformation Process

For the development of "SFCL from a SPO" following process is followed:

-) Introductory seminar on institutional development process should be held at SPO level.

-) At least one inter-group (IG) should be formed and promoter should be developed in each ward of the VDC.
-) For handing daily operation of the organization, staff from among beneficiary household members should be recruited.
-) Main committee of the organization should be formed and institutional laws, by-laws and working manuals should be prepared followed by registration of the organization in the respective district co-operative office and the co-operative act 1992.
-) Staff should be trained in different areas of day to day operation such as record keeping, book keeping, account handing, credit operation etc.
-) Memorandum of understanding should be signed on behalf of both the parties i.e. the bank and the SFCL, and finally hand over the management undertaken by SPO to the respective SFCL.

2.3.4 Objectives of SFCL

Basically, improvement of the socio economic condition of small farmers is the main objectives. The specific objectives are as follows:

-) Increase their social and economic status.
-) Increase self-reliance through organization into groups to initiate, formulate and implement development programmes for their own benefit.
-) Build up a feeling a social solidarity and trust among groups members to raise their voice for different services by different socio economic programme like health and sanitation, nutrition, education water supply, family planning etc.
-) Mobilize and use the local resources, skill and technology available at the village level to meet the needs of the rural poor.
-) Gear up the delivery mechanism to suit the needs of small farmers.

2.3.5 Main Features of SFCL

-) To organize small farmers into more or less homogeneous group of 5-12 members around certain nucleus activities.

-) To assist these groups in implementation various income raising agricultural and agro-based enterprises and other complementary social programs to make them self-reliant.
-) To train small farmers in group dynamic simple accounting resources management and other skill acquisition.
-) To promote and disseminate low cost and intermediate technologies alterable by the small farmers.
-) To enable small farmers to develop their capacity to access the service from the delivering agencies by strengthening their receiving mechanism.
-) To integrate different complementary social programmes like population, education, health, and sanitation, nutrition adult education etc. with the help of concerned line agencies.
-) To enable small farmers to formulate their own groups plans as a prelude to the concept of eventual planning from below.
-) To inculcate a sense of saving among individuals and groups of small farmers.
-) To discourage the adoption of all bad habits among small farmers.
-) To learn from the well documented implementation experience for replicating the programme in new areas.
-) To effectively monitor and evaluate the programme activities both from process and performance standpoint.
-) To provide credit facilities to these small farmers for undertaking income generating activities on a group guarantee basis.
-) To encourage low income women to participate in the programme such that at least 25 percent of the groups be women.

2.3.6 Identification of the Small Farmers

There are two basic criteria for the identification of the eligible small farmers in the project area.

1. Land holding criterion

The definition of small farmers has been developed by ADB/N on the basis of low income producers of Agriculture. Livestock and aquatic products refer to tenants, Share-

croppers, landless agricultural laborers, and small owner operators. Initially small farmers were operationally defined as those who owned less than 4 Bighas (2.67 ha) of cultivated land in Terai plains and less than 20 ropanies (1 ha) in the hills and mountains. An enormous variation in the land quality rendered this definition unfit for precise small farmer identification and hence income ceiling was later adopted as the definitional basis.

2. Income criterion

It was found that the land criterion is not suitable as it could be affected by family size intensity of land use, management of enterprises and tactical act of land holder etc. therefore this criterion according to which a small formers is identified based on income criterion he/ she earn. A family with a annual per capita income equal to or less than Rs. 2500 is considered as a small farmer, this ceiling is based on 1990 current price.

3. Organizational Structure of SFCLs

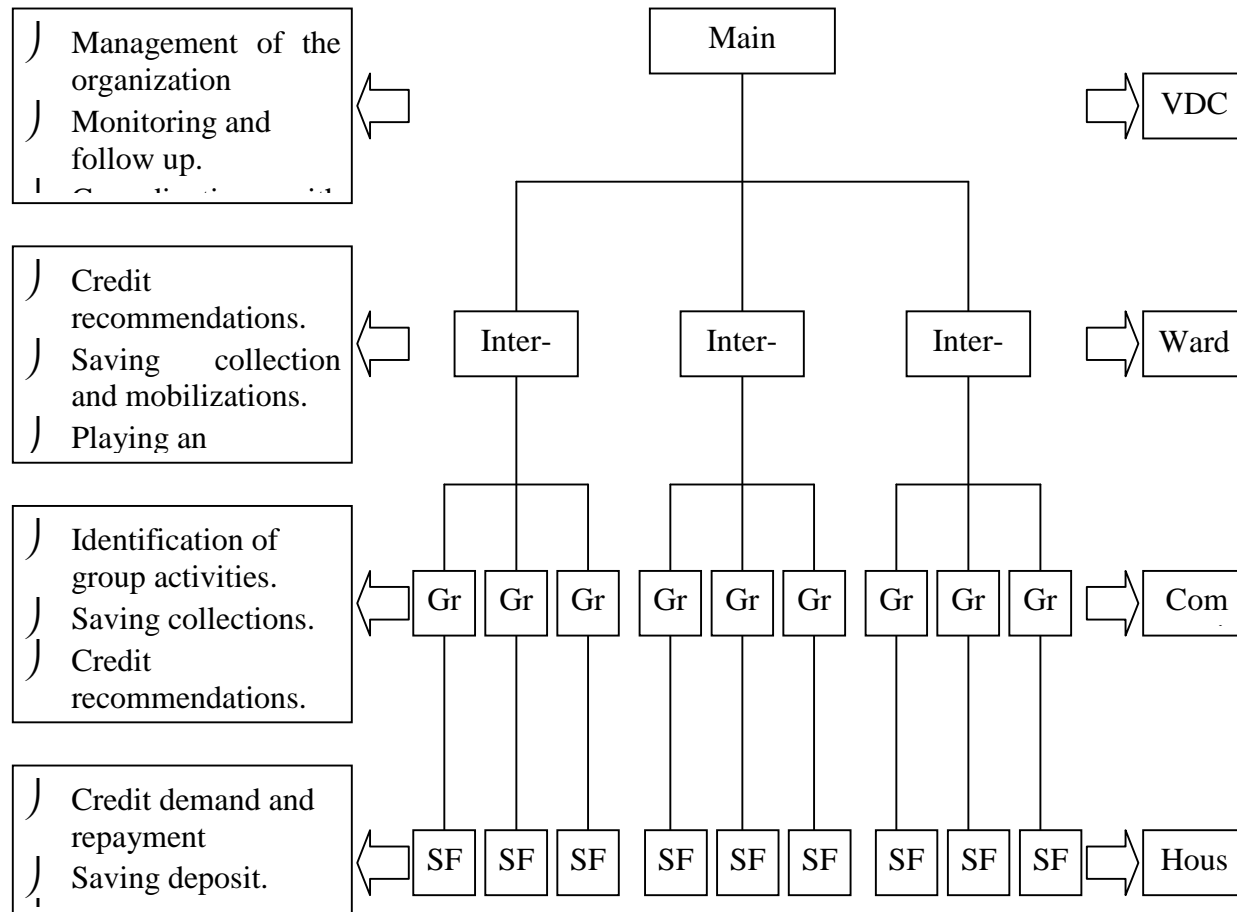
SFCLS have the same general organizational structure as other financial institution, i.e. management body for daily business, a board of directions with a chair person on the top as control organ, and representative of the member- owners the annual general assembly (G.A) ensure that the ultimate control of the co-operative lies within its membership. A unique feature however it its three-tired structure. Representative of several small farmer groups (SFC) constitute an inter-group (IG). All IG chairpersons or other representative from each IG form main committee (MC).

Figure 2.2: Organizational Hierarchy of SFCL

Activities

Organization

Levels



2.3.7 General Assembly

The general assembly (GA) meets once a year after the end of the fiscal year (FY). To conduct this meeting, a quorum of 25 percent of co-operatives members must attend the meeting. To take decisions, at least 51 percent of members must be present, normally, actual attendance far exceeds these numbers.

The major tasks of the GA are to approve the budget plan for the next year, exonerate the management from the previous years, financial report, appoint an external auditor, and present the auditor's report. In addition, the assembly discusses and decides upon new loan and saving policies, strategies for the expansion of SFCL's business, guidelines for the main committee and the distribution of profit. Furthermore, new board members and members of the account and supervision committee are elected.

2.3.8 Main Committee

The main committee is the board of directors, the highest elected body in this member-based organization. It is as a steering committee, ultimately responsible for the SFCL's management. The chairperson usually is a farmer with high prestige and a good reputation. Vice-chairman acts as his or her deputy preferably they can read and write, and in addition to chair person and vice chairperson, there are more than seven members who can read and write. The main committee appoints all SFCL- staff and provides them with terms of reference for the daily management of the SFCL. New members have to be approved, and resignations are accepted by this committee. It ensures the implementation of policy guidelines. It is also in charge of asset management, monitoring the performance of member loan portfolios, and enforcing repayments. In the case of natural disasters, it can also allow for rescheduling of loans.

MC-member does not get any remuneration for their work as long as the SFCL is not profitable. Later allowances can be granted by the decision of the general assembly on the basis of their commitment. Members are elected in every two to three years. During the month MC-meeting, they are asked whether they assume responsibility for loans given out in their respective inter-group.

2.3.9 Inter-Groups

Inter-groups are composed of one representative of each SF-group. The official positions in the inter group are chairperson, vice- chairperson, secretary and treasurer. An inter-group member can be elected s representative in the main committee. These individuals play central roles as mediators between the main committee and SF-group positioned at a ward level, they co-ordinate community development and saving and loan activities. In cases of new members and formation of new groups, they verify and recommend to the main committee.

Final decision regarding provision of loans to members will in general practice be taken at the IG level, even of the ultimate responsibility lies with the main committee. The inter-group also plays a very active role in the loan enforcement process.

2.3.10 Small Farmers Groups

Small farmers groups are often formed without external help or initiative. A group of people further join the SFDP since they have similar demand for its services; they jointly approach the SFCL and finally get approved by it. SF-groups generally have the following structure; they are headed by the chairperson, and as his or her deputy, the vice-chairperson. These individuals are responsible for convening and chairing meeting, leading discussion and facilitating consensus building. The secretary, mainly obliged to do the paper work, and the treasurer, who bears total responsibility for the group saving account, assist them. Elections are held when the need arises, i.e. someone dose not want to or cannot carry out the job any longer. At the monthly meeting of these groups a minimum number of members have to be present. The meetings not only serve the purpose of deciding financial issues, but also make it possible to mutually exchange experience on such issues as farming, sanitation or, environment. The SF-groups also organize social actives.

2.3.11 Committees

A very important sub-committee in the SFCL system is the loan sub-committee, consisting of the chairperson as co-ordination the institutional manager and the

representative of inter-group ward committee. On behalf of chairperson, this sub-committee plays a very crucial role in swift and flexible approval of loan demands,

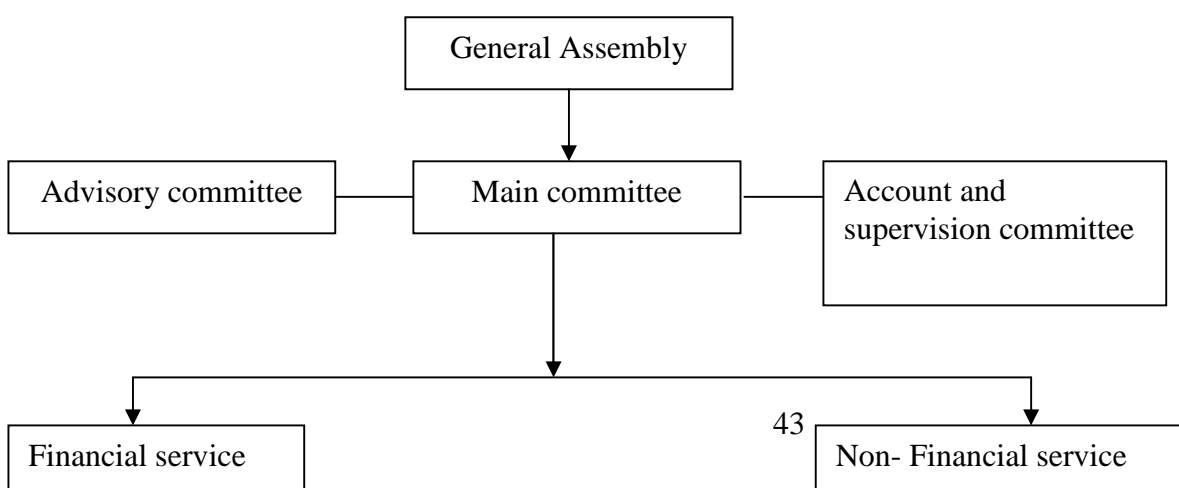
Another committee is the account and supervision committee. Its members are elected by the general assembly and are responsible for internal control. It checks the accounts on a quarterly basis prepare the progress report for the main committee, and the preliminary selection of the external auditor to be approved by the GA. Membership of this committee consists of a co-coordinator and two assistants. Any member of the SFCL can be elected, yet he or she should possess general knowledge of accounting. The co-ordinator must be a board member.

SFCLS offers a live stock insurance scheme there is a livestock insurance committee. Its introduction is supported by a government subsidy paid on premiums. The premium is 5% from members and 5% from government via the ADB/N.

The livestock insurance committee is composed of one member from each ward who is elected by the participants in the scheme. The committee is in charge of managing this scheme. It is responsible for the inspection of livestock and setting of prices, the control over the utilization of funds, and evaluation of compensation claims. The maximum amount refunded in case of death of livestock is 80% of the livestock's estimated value. If death of live stock is due to negligence or carelessness no compensation is paid.

The yearly evaluation of livestock takes into consideration the age, health condition and number of previous deliveries of the particular livestock in question. Premiums are based on this value. Possible livestock to be insured includes buffalo, oxen, lambs and goats. The advisory committee, composed of renowned people from the respective VDCs, lives the Branch manager of the ADBN and former vice-chairperson of the VDC, and other reputed person in the VDC level.

Service delivery structure



2.3.12 Credit Delivery Process

2.3.12.1 Planning of credit demand of members

Members have three months time to announce their annual credit demand. These demand have to be broken down according to the different loan sub-categories (e.g. vegetable loan, paddy loan, livestock loan). In subgroup meeting, the annual demands are discussed and, either approved or doubled each member has to explain in public credit demands. After approval by the group, the same will be repeated at the inter-group in ward level. At the same time the IG- meeting will verify their accounts and past performance record. Finally, all credit demands of members will be present before the main committee to get final approval, therefore, by the beginning of the new fiscal year, the SFDB should be aware of the accumulated credit demands of all SFCLS in the country.

3.3.12.2 Loan disbursement and control of loan use

At the MC-level the individual loan demand is checked against the annual credit demand the borrower has applied for. It has been reported that it can occasionally be easier to decrease the amount of individual loans at this level since the borrower is not present.

SFCLs (MC, manager in-group) have tried to guard against misuse of funds by not paying out cash, but giving out inputs like fertilizer. This practice, of course, is very much prone to fraud. Sometimes members of an IG will visit a prospective borrower at home before

their loan is disbursed. They can group members do not generally require such a visit since all members possess profound knowledge regarding their neighbors anyway.

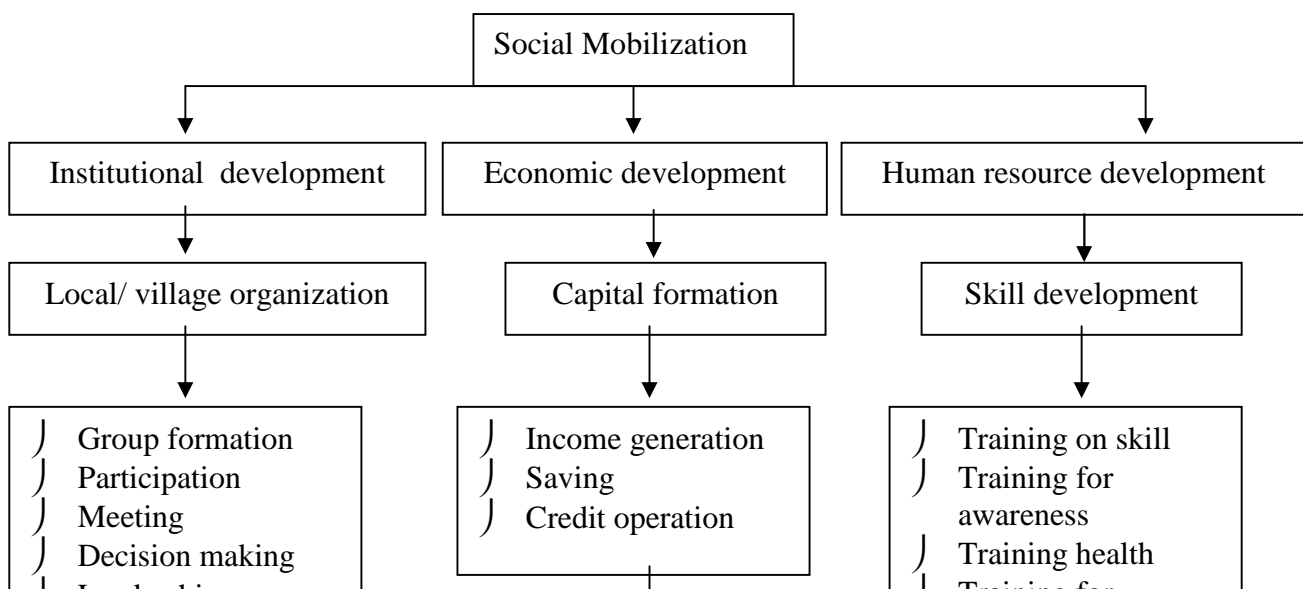
2.3.13 Main Activities of SFCL

To meet the objectives of the SFCL, various activities are carried out depending upon the needs and potentials of the small formers. These activities could be classified broadly into 7 cases.

(1) Economic activities

Distribution of land in Nepal is highly skewed in favour of big farmers. So the small farmers are not in position to produce enough for their families from the small size of land holding. So the SFCL are adopted following policies:

1. To grant credit to small farmers for such income generating process which yield very quickly.
 2. To grant credit to the small farmer in order to increase their productive assets.
 3. To grant credit for the community and family programmes those are essential for developing the infrastructure for increasing the productivity of the small farmers' families.
 4. To grant credit for the formation of capital necessary to enhance the employment as well as production through the maximum utilization of local resources and skills.
 5. To grant credit to small farmers considering capability to make its proper utilization.
- On the basis of the policies described above credit is being granted to the small farmers both male and female at individual group and inter group levels for the different purpose i.e. agricultural production, irrigation, livestock, horticulture, land improvement, cottage industries, marketing etc.



2) Social and Community Development Activities

Social welfare activities are carried out in order to improve the social status and living condition of the small farmer. The social activities initiated by the SFCL are sanitation, health, and nutrition improvement, population education, elimination of the social evils, family planning, child care and maternal welfare with women development program. etc.

(3) Group Saving

Group saving provision is one of the fundamental characteristics of SFCL. The main purpose of group saving is to enable small farmers manage some emergencies such as death, illness etc, some time small farmers use this fund for food consumption when they have scarcity of food.

The main basis of the group saving approach is to help small farmers to save and mobilize their own resources to meet their emergency needs, without having to depend upon the local money lender paying very high interest rates.

(4) Livestock Insurance

Livestock insurance is one of the major activities of SFCL. The basic feature of the scheme is its management through member farmer own associations. Para-Veterinary personnel have been deployed from among the farmers themselves so that the reliance on them would be ascertained at any moment. The important feature of the scheme is self-insurance by livestock owners. It is entirely voluntary. As for the primary it is being replenished by 50 percent matching fund by ADB/N using government's subsidy.

(5) Training programmes

Training is one of the most important components of the SFCL for human capital formation. The SFCL philosophy which aims at the self reliance approach of rural development must be supported by adequate training programmes to aid the illiterate group members for the effective operation and implementation of their income generation projects and basic concept of group approach for making the group cohesive and workable in nature.

By importing skill and knowledge to the people directly concerned with the SFCL such as. Line agencies staff, group organizers and associate, small farmers etc. their efficiency in running the SFCL is increased. Various training programmes have been arranged in different field for these people.

(6) Creation of Productive Assets

Irrigation development program is imperative to increase agriculture productivity and protect small farmers from the vagaries of monsoon. So the SFCL has been emphasizing the construction of irrigation schemes since when the programme was started.

(7) Market arrangement

Varies types of marketing arrangements have been made. These differ from one SFG area to another depending on the geographical situation. For examples, milk has been sold through milk collection centers established in potential areas by the dairy development corporation at the request of SFCL.

2.4 Review of Previous Studies

Individual researchers and institutional have conducted so many studies on the SFDP and its Institutional Development Programme (IDP).

Mcnamura pointed out the importance of small farmers and rural development by observing “without Rapid progress in small holders agriculture through the development world there is little hope either of achieving long term stable economic growth or reducing the level of absolute poverty” (Mcnamura, 1972).

APROSC pointed out that SFDP has increased living standard of group members and helped them to develop from the landless into small farmers and from small farmers into big farmers. Group members have been benefited from the given literacy, using family planning facilities and higher level of per capita income than of non-members (APROSC, 1980).

NRB in its evaluation study observed that (NRB, 1982):

1. Beneficiary small farmers receive 4% higher income than non-beneficiary ones from non-agricultural enterprises.
2. Beneficiary small farmers gain 19% more profit than non-beneficiary ones from crops through higher yields by use of higher inputs.
3. Beneficiary small farmers derive 62% of their total need through institutional loans whereas non-beneficiary small farmers derive only 13% of their total need through these sources.
4. Beneficiary small farmers spend 21.95% higher amount than non-beneficiary ones.
5. Beneficiary households consume 628 kilo calorie more cereals on average, than non-beneficiary one. Hence the beneficiary small farmers derive more nutrition than the latter.

ADB/N concluded that the small farmers' development programme is one of the unique programmes launched in Nepal. It is expected that it will certainly raise the socio-economic status of small farmers in due course of time. It is also hoped that this programme will embrace more people's participation in the overall development of the rural poor. This programme will be expanded gradually so that it could cover more farm families of small farmers and engage them in the development activities of the country as a whole in the long run. Hence the outcome of the programme can only be valued and judged after a couple of years of its implementation at the field level (ADB/N, 1986).

ADB/N recognize that it was necessary to bring about suitable change in production structure since then the small development group have been functional exceedingly well in both economic and social terms. Family income with substantial group saving have been generated and properly utilized for both social and economic needs of individual member, group production plans have been made, leading to the release by ADB/N of production credit loan repayment have been successfully launched, democratically elected members to the government have promoted varieties of social activities including literacy classes, improve drinking water system, family pit latrine and family planning. To this list must be added, intangibles such as self respect, sense of community and nation, self reliance, release of initiative and desire to think and Plan months and even years ahead instead of day by day as before (ADB/N, 1986).

The ADB/N, another study pointed out that the SFDP is a first step 'Started in Nepal to uplift the socio-economic status of small farmers it is hoped that this scheme will be

helpful in making the small farmers conscious and improve their social and economic conditions. This programme will encourage them to participate activities in the task of national development activities. It is intended to expand the programme gradually so that it will cover smaller farmer, families in due course of time. Hence, it is imperative that the full impact of this programme will only become apparent after a number of years of practical experience at the field level and its success judged by its acceptance by the small farmers themselves (ADB/N, 1982).

Again APROSC has conducted a research and pointed out that the general inference deduced from the SFDP activities in terms of return from the credit expanded to the small farmers for credit expanded to the small farmers for various income generating activities are encouraging. In terms of returns to credit the ratio is highest of those involved in irrigation development in the Terai and lowest for cottage industry and agro-processing activity in the same region further it may be added that in terms of productivity i.e. return per labour is highest for those who involved the cottage industry and agro-processing activity form the same region. Likewise, for every 1000 Rs. Invested nearly 124 labour days are created in the cottage industry and agro-processing activity in the Terai and lowest i.e. 0.44 labour day in the cash crop activity in the same region (APROSC, 1989).

APROSC conducted next study in requested of ADB/N, IFAD and UNICEF and shows that credit amount given in income generating activities should be justified on the ground of profitability of the proposal activities so that strict loan repayment schedule can be maintained. Among the economic activities, it gave a great emphasis to crop production as 48 percent total loan was disbursed to livestock raising, there felt a need of qualitative livestock husbandry. The fourth to two fourth of total household income were derived from non-farm source which focus on the development of non-farm employment activities (APROSC, 1983).

Smith S. study that improvement in small farmers productivity and rural liking condition can make more available. Slow the follow of unemployed people of the cities provide a large market for labour intensive products such as hand tools, textiles and shoes by increasing the purchasing power of the poor majority and provides the large number of non-farm jobs a small loan labour intensive industries. This than is the concept of development support for small farmers as an investment support for small farmers as an

investment in future national employment and income rather than welfare of subsidy programme (Smith, 1974).

IFAD has stressed that the SFDP has been an extremely successful system for bringing credit to small farmers in order to buy the inputs to improve their technology. The study has also found that the SFDP members were doing much better than non-member in both economic and social terms. SFDP members were adopting improved farming practices and diversifying their farming system. So the farm income as well as total income level of programme were considerably increased in comparison with non-member. The level of education the awareness about family planning health and nutrition were found to be higher among the programme members (IFAD, 1983).

APROSC conducted another research and the findings of this study are (APROSC, 1984):

1. SFDP has been successful in reaching many small farmers though it is still not very successful in reaching the poorest households of the sampled SFOs.
2. Quality group should be preferred to increasing number of groups.
3. No evidence was found as to the lack of homogeneity among group members adversely affected the development of the groups in terms of their movement towards self-reliance.
4. There seemed to be over reliance on group pressure to repay loans.

APROSC conducted another research found that the SFDP was found to have performed better in social activities relative to economic activities (SFDP-I Evaluation) though no such comparative judgment could be made from SFDP-II. It was found that the project was fairly successful in the social sector, else where a survey of Gos showed that demand for participation outstrips SFDP's capability to expand by a wide margin, the Gos also made frank admission that the most disadvantaged groups in the village face relatively more difficulty in participation using to various reasons (APROSC, 1989).

Another study of NRB pointed out a research on "Impact Evaluation of the Small Farmer Development Programme of Nepal" in November 1991 has concluded that farmers lent among themselves from their savings between 18% and 36%. And it was interesting to know that interest charge on social and consumption loan was much lower than on

productive purpose, which showed that farmers discriminated rates of interest on the basis of potential returns from the borrow capital (NRB, 1991).

Lohoni pointed out that the most pressing need of the poor is credit. The promise of credit is therefore the greatest incentive for group formation. Once farmers organize themselves into groups for the purpose of acquiring credit, they start gradually realizing that there are many more things they can do collectively which they had not though before (Lohoni, 1980).

Adhikari studied that in view of the complexity involved in determining the eligibility of industrial households and the skill as well as information required for accounting income from different sources a simples approach of assessment may be appropriate. Ranking individual households in an area in order of poverty through Participatory Rapid Rural Appraisal (PRRA) to identify the eligible households seem to be a more practical approach. Households that can at least meet that basic need can be separated from others that cannot assess eligibility (Adhikari, 1994).

Adhikari made a study on the topic “A Study on the Institutional Development of SFDP in Nepal” has been concluded that SFDP has completed twenty years of its operation as a major poverty alleviation strategy in Nepal. Experience gathered over the years through the process of implementation of the SFDP provides two basic conclusions are:

1. SFDP Philosophy has been successful in directing the basic development services to the target population and it could be one of the effective poverty alleviation strategies in the country. So keeping in view the extent of rural poverty in Nepal. It is straggly needed that the SFDP should be rapidly expanded to cover the large population of the needs small farmers all over the country.
2. During twenty years of continuous operation it has been suffering from various operational as well as implementation weakness. The overhead cost of SFDP in increasing, the loan repayment rate is deteriorating, supervision and coordination of SFDP have become vague and complicated and above all the group as well as, “Planning from below” concept of SFDP is deviating from its basic principle in practice. Under the circumstance there is a crying need that SFDP in Nepal should consolidate and strengthened (Adhikari, 1996).

GTZ conducted a research that SFCLs are clearly emerging as viable grass roots organization of small farmers. The organizations are small farmers. The organization are well managed and have been able to meet credit requirements of its members most satisfactorily. They have been able to take timely decisions that are acceptable to most of its members. There is a high degree of confidence amongst its members that SFCL as an organization has a bright future. Their perception is that the organization is well on its way to be a viable organization (GTZ, 2000).

The economic and social well being of farmer have improved after being a member of SFDP/SFCL. Most of the members are forthright in the respect. This vary positive feature on the cooperatives. There are strong indications that suggest attitudinal change in the small farmer. Whether one can ascribe all this change to being a member of SFCLs or not may be a matter of debate, but what is noted worthy is that these changes are conducive to improving the quality of life of rural people.

ADB/N shows that Institutional Development Programme” of SFDP that the IDP is gradually providing its contribution towards developing confidence among small farmers to take initiative to involve their own viable local organization. ADB/N is quite optimistic that SFDP implemented under IDP model will be attuned to provide demand based services to a target number of real rural poor of the country in short span of time and its also will help to significantly reduce the overhead costs involved in SFDP implementation. Finally, IDP will be instrumental in Fostering Small Farmers lead local institutions that could manifest rapid economic growth of poor thereby reducing rural poverty and inequalities prevailing in the country (ADB/N, 1996).

Stefan Stachen conducted next study in requested GTZ (RUFIN) Rural Finance Nepal, study shows that small farmer cooperative limited in Nepal have drawn a vary positive picture of these small, member based institutions both in terms of impact and viability. The SFDP of the Agricultural Development Bank of Nepal ADB/N has been praised as exemplary for its successful reform of a mainly supply led and credit-driven programme into sustainable poverty oriented rural financial institutions (GTZ, 2001).

Ulrich Wehnert and Roshan Shakya study has arrived at the following major findings (GTZ, 20003):

1. With around 73000 rural household member, the 125 SFCLs could expand their share in the rural financial market to more then 10%.Despite the relative slow transformation process, SFCLs are one of Nepal's fastest growing grassroots micro-finance models.
2. The path towards profitability of SFCLs, as seen prior to the year 2000 is clearly interrupted major financial indicators such as the financial and operational self sufficient ration. The loan portfolio quality and financial margin have decrease over the last couple of years. The average financial self sufficiency ratio for our 77 SFCLs sample stands now at 85% as of July 2002 compared to 104% by July 2000.

CHAPTER III

RESEARCH METHODOLOGY

The SFCL had been implemented for the economic well being of the small farmers in the project area. This study tries to examine the success and problems of the programme in the Far Western Nepal, Kanchanpur district.

Suda, Daiji and Tribhuvan basti have 2166 households of which 1500 are small farmers and land less. Out of them 742 households are involved in SFCL. There are 119 groups of small farmers including 43 female groups organized by SFCL.

3.1 Research Design

A research design is a plan for the collection and analysis of data. It presents a series of guide posts to enable researcher to progress in the right direction in order to achieve the goal. The design may be a specific presentation of the various steps in the research process. These steps include the selection of a research problem, presentation of the problem, formulation of hypothesis, conceptual clarity, and methodology, survey of literature and documentation, bibliography, data collection, listing of the hypothesis, interpretation, presentation and report writing.

A research design is the specification of methods and procedure for acquiring the information needed. It is the overall operational pattern of framework of the project that stipulates what information is to be collected from it will ensure that the information obtained is relevant to the research questions and that it was collected by objective and economical procedure. The basis objective of this study is to find out the sustainability and finance viability; of SFCL Mahendranagar and facing change of society SFCL. Some systematic research methodology has been used. This study is based on secondary and primary data. Information was obtained from micro-finance division of ADB/N and field office from manager, other staff and members. Some data and information are collected from telephones, field observations and interviews. Descriptive and inferential financial percentage and statistical procedures are applied in this study.

3.2 Selection of Households

To carry out the impact study of SFCL Kanchanpur district as already said, Suda, Daiji and Tribhuvan basti Project was selected. The analysis has been undertaken in between participants (beneficiary farmers of SFCL and non participants (non beneficiary) farmers of SFCL. For this purpose (55) fifty-five beneficiary families and 50 non-beneficiary families have been selected. The selected families are having land holdings less than 2 Bighas (1.3 ha.) beneficiary and non-beneficiary family were selected from 9 wards of VDC assuming each wards as a stratum. Each 105 members of beneficiary and non-beneficiary of sample group were interviewed on the basis of judgmental sampling. To find out facts and real evidences judgmental sampling is adopted from the population of each and every group activities.

3.3 Population and Sample

The population of this study is all the members who are engaged in the concerning activities and the respective activities in Kanchanpur districts. Suda, Daiji and Tribhuvan basti have 2166 households of which 1500 are small farmers and land less are considered as the population. In this study, the total members of SFCL are taken as the population of the study. To find out facts and real evidences judgmental sampling is adopted from the population of each and every group activities. The fifty-five beneficiary families and fifty non-beneficiary families have been selected as sample.

3.4 Sources of Data

Both primary and secondary data were used in this study, secondary data were obtained from ADB/N, APROSC, Nepal Rastra Bank, Central Bureau of Statistics, Suda, Daiji and Tribhuvan basti VDCs Office, Publication of Institutional Division of ADB/N Head Office related Journal books and SFCL itself.

Primary data were collected from the sampling survey through a questionnaire pertaining to stated objectives. As far as possible all members of sample groups were tried for an interview but only 105 persons were interviewed. Researcher himself was involved in the field survey. Information derived from the field survey had been plotted in master chart and then necessary primary data for the study were taken out from this chart.

3.5 Method of Data Collection

Data different methods of data collection were used mainly; the data were collected by interview with group member, local farmers and SFCL staff. The collected data were triangulated for cross verification.

Focus group interview was conducted to collect most of the information. The SFCL and IG chairman, other officials and group representatives and SFCL employees formed the main sources of information for interviewing. At times, interviews were taken. Most of the interviews were conducted in the SFCL offices. Each interview took 3-4 hours. On an average, there were nearly 10 persons in each meeting in each of the SFCL.

3.5.1 Interview

A set of questions has been prepared and directly asked among the participants. It is also noted that the participants reflected in their experience and lied clearly. The group members are selected randomly according to the above sample size. The actual reflections of participants are focused on the tables.

3.5.2 Questionnaire

To get facts and figures, questions revealing different aspects of small farmers development programmed are prepared for the chief of the SFDP branch office. Similarly questions are prepared for the participants and for the group leaders. The researcher has been individually approaching to each and every individual selected on the sample basis. Basically interview schedule procedure has been utilized in order to get response from the respondents.

3.5.3 Observation

Each activity of the group and SFDP are observed for research work. Many important facts and figure has been found by observation of the different activities carried out by the group and SFDP. Actual situations and conditions are understood and informed by the observations.

3.6 Description of Variables

3.6.1 Household

Household is designed as an economic limit, mortality, poverty and non-institutional. It may consist of single individual alone or more than one member living together.

3.6.2 Family

It is composed of individuals related by blood, marriage and unrelated persons living together during reference year. Those family members who are away from home for six months or more are excluded from this definition.

3.6.3 Total Household Income

The income which is earned by family members from different sources is defined as total household income. In this study, it is the sum total of net income from agricultural production, livestock, labour, business, service, rent, cottage industry and income from borrowing. Total net income is derived by subtracting the expenditure made of cost involved from the total income by the item.

3.6.4 Total Household Consumption

It includes the expenses on food and non-food items made by the family members of the household within a given time frame.

3.6.5 Size of Land Holding

The land holdings considered as cultivated land, including both the rented and own occupied farm land is classified into two, Khet and Bari.

3.6.6 Literate, Educated and Illiterate

A person with ability to read and write Nepali language is considered as literate and who are SLC or above are considered as educated and otherwise illiterate.

3.6.7 Small Farmer

A small farmers is cultivator, tenant and share cropper, fisherman, landless labourers and those who are engage in cottage industries whose per capital annual income does not exceed Rs. 2500.

3.6.8 Main Occupation

Main occupation is considered to be that particular occupation which contributes the major share in total income of the household.

3.6.9 Group Formation

At the grass root level, the small farmers are organized into group and one group consists of 5-15 members those belong to small farmers.

3.7 Statistical Tools Adopted

The collected data have been analyzed applying statistical tools like simple average, Proportion and percentage. Besides these the following tools are applied.

1. The Lorenz Curve and the Ginni Coefficient
2. Correlation Analysis
3. Diagram

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

4.1 Activities of Kanchanpur Small Farmer Co-operative Limited (SFCL)

In order to meet the objectives of the cooperative services, various activities are being conducted depending upon the need and potential of small farmers. The different activities implemented in Suda, Daiji and Tribhuvan basti SFCL are mainly classified as follows:

- Economic Activities
- Social Activities
- Community Activities
- Specified Activities
- Training

4.1.1 Economic Activities

Numbers of agricultural and non-agricultural activities are carried out by small farmers (at individual/group/community level) under the assistance of SFCL. These are designed to raise their income. The economic activities launched in these VDCs are:

(i) Credit activities

1. Cereals and cash crop production
2. Livestock development
3. Irrigation project
4. Cottage and rural industries
5. Marketing of agricultural and cottage industrial products.
6. Farm mechanization
7. Bio-gas

(ii) Non-credit Activities

a. Group Saving Programme

Group members decide certain amount to be deposited in group saving fund. Contribution to the fund is compulsory in some cases while it is voluntary in others. The deposits are

made from their own income. The funds of this saving programme can be utilized by the group members themselves to meet emergency need i.e. medical expenses social obligations, education expenses etc. It is also used to finance the group member's (individual/group level) small scale economic activities. This scheme reflects the effort of small farmers towards attaining self-reliance. The saving programme is managed by the group members themselves and the community workers help or guide them.

4.1.2 Social Activities

Social activities implemented by SFCL not only supplement economic activities but also integrate all development activities. Following are the social activities run by the cooperative.

1. Latrine construction
2. Drinking water programme
3. Sanitation, Health and Nutrition Improvement.
4. Elimination of social Evil practices.
5. Adult Education.
6. Population Education and family planning.

4.1.3 Community Activities

These activities are mainly the development efforts of the group for the benefit of the community as a whole. They are as follow:

1. Road, Bridge and culvert construction and their maintenance.
2. Construction of Irrigation project and their maintenance.
3. Construction of drinking water projects and their maintenance.

4.1.4 Special Activities

This SFCL has implemented the following activities as special programme:

1. Women development programme
2. Environment conservation programme
3. Child care and maternal welfare.

4. Livestock insurance programme.

4.1.5 Training

Training is one of the most important components of the SFCL for human capital formation. By imparting skills and knowledge to the people by providing related trainings, their efficiency in running the programme is increased. Following are some training fields of the SFCL.

1. Group Concept
2. Cash Crops Production
3. Saving mobilization and collection
4. Livestock treatment and livestock development
5. Group planning, record keeping, decision making etc.

4.2 Group Formation and Coverage

It is realized that men and women have a vital and equal in family economy, the men and women need to be equally encouraged joining the programme of cooperative. At the time of handover Magh 2057 there were 31 females groups with 215 members and 64 males groups with 399 members. By FY 2063/64 the number of female group had reached 43 whereas male groups were 76. The table 5.1 shows the year wise and sexwise group formation of Suda, Daiji and Tribhuvan basti.

Table No. 4.1
Yearwise Group Formation and Sexwise Coverage

Year	Group Formation			Member Coverage		
	Female	Male	Total	Female	Male	Total
Handover	31	64	95	215	399	614
057/58	-	4	4	-	21	21
058/59	1	-	1	9	-	9
059/60	2	-	2	8	-	8
060/61	2	4	6	13	28	41
061/62	5	4	9	20	29	49
062/63	1	-	1	-	-	-
063/64	1	-	1	-	-	-
Total	43	76	119	265	477	742

Source: SFCL Kanchanpur, 2008.

Table 4.1 shows that the total group formation made was 119 with 43 female and 76 male groups. The female groups covered 36% percent and 64% of male group. The rate of increase in group formation of male and female are equal. The formation of group both female and male has no uniformity.

The numbers of members covered were 742 with 265 female and 477 male. The female members covered 35.71 percent and male members covered 64.29 percent. The number of male were higher then that of the female members after handover of the SFDP. But the participation of female in SFCL Suda, Daiji and Tribhuvan basti is considered satisfactory.

4.3 Group Saving and Mobilization

Group saving programme of SFCL is one of important programmes. The group members contribute their saving to a fund monthly with a fixed amount decided by the group. The group members demand their saving fund for emergency requirement and production activities. The lending activity, repayment schedule and the interest rate are fixed by the group decision.

The year wise collection of saving fund, mobilization and balance of the fund at SFCL are given in the following table 4.2.

Table 4.2
Year wise Saving Collection and Mobilizations

Particular	Hand over	Amount in '000'							Total
		2057/58	2058/59	2059/60	2060/61	2061/62	2062/63	2063/64	
Group Saving Collection	762	398	228	304	485	556	414	307	3454
Group Saving Mobilization	388	171	52	106	296	346	201	112	1672
Balance at SFCL	374	227	176	198	189	210	213	195	1782
Growth Rate of Saving Collection	-	56.7	-42.7	33.4	59.5	14.6	-25.5	-25.8	

Source: SFCL Kanchanpur, 2008.

The table 4.2 clearly indicates that group saving collection in the 1st year after handover shows positive growth rate and thereafter it shows negative growth rate for FY 2058/059.

After 2058/59, saving collection of group shows positive growth which is an indication of efforts made by SFCL. Then there is again negative growth which can be solely attributed to ongoing conflicts in the country. Therefore, to improve the saving collection of group, SFCL should implement successful program to encourage saving habit of non-beneficiary also.

In overall, group saving collection shows mixed trend, i.e. negative as well as positive trend. In average growth rate of saving collection is 32.3% per year.

4.4 Loan Disbursement and Collection Pattern

One of the main purposes of the present study is to study the loan disbursement and collection pattern of SFCL on various purposes. Since its establishment, the project has tried to improve socio-economic condition of farmers by providing loan on different purposes. Loan disbursement and collection pattern is given in the Table 4.3.

Table 4.3

Purpose wise and Year wise Loan Disbursement, Collection and Outstanding Pattern

Amount in Rs. '000'

Purpose	FY	Handover	2057/58			2058/59			2059/60			2060/61			2061/62			2062/63			2063/64		
			O.S.	LD	Coll ⁿ	O.S.	LD	Coll ⁿ	O.S.	LD	Coll ⁿ	O.S.	LD	Coll ⁿ	O.S.	LD	Coll ⁿ	O.S.	LD	Coll ⁿ	O.S.	LD	Coll ⁿ
Cereel Crops (foods)		861	871	650	1082	1410	850	1642	1508	1152	1998	1497	1149	2346	1974	1847	2473	1870	1760	2583	1707	1553	2737
Cash Crops		253	195	200	248	600	500	348	850	773	425	753	654	524	842	772	594	756	663	687	504	594	597
Special crops		26	133	85	74	150	150	74	205	70	209	193	75	327	250	253	324	170	203	291	150	195	246
Marketing Loans		453	200	103	350	500	341	709	381	619	671	362	262	771	794	681	884	852	579	1157	649	619	1189
Total Short term		1593	1399	1038	1954	2660	1841	2773	3144	2614	3303	2805	2140	3968	3864	3553	4275	3648	3205	1718	3010	2959	4769
Livestock		1765	250	296	1719	364	392	1691	503	547	1647	493	507	1633	586	443	1776	450	368	1858	200	411	1617
Cottage-industry		90	105	85	110	90	80	120	102	93	129	105	82	152	94	85	161	60	73	148	50	69	129
Irrigation		349	200	75	474	50	70	454	200	90	564	182	92	654	175	99	730	75	55	750	75	63	762
Agro-tools		1405	250	290	1365	400	401	1364	610	716	1258	594	693	1159	590	620	1129	200	403	926	246	351	821
Bio-Gas		99	52	30	121	200	175	146	232	140	238	131	59	310	110	60	360	49	40	369	40	50	359
Total median term		3708	857	776	3789	1104	1118	3775	1647	1586	3836	1505	1433	3908	1555	1307	4156	834	939	1051	611	944	3718
Internal source		0	810	78	732	335	345	922	456	512	866	350	245	971	569	467	1073	410	431	1052	333	412	973
Total Loan Disbursement/ Collection/Outstanding		5301	3066	1892	6475	4299	3304	7460	5247	4712	8005	4660	3818	8847	5984	5327	9504	4892	4575	9821	3954	4315	9460

Source: SFCL Kanchanpur, 2008.

LD = Loan Disbursement, Colⁿ = Collection, O.S. = Outstanding.

During 2057/58 to 2063/64 total disbursement is the highest (Rs 10837) in case of cereal crops, it is followed by Rs. 4500 in cash crops (4500) marketing loan (3938) and special crops (1551) respectively. This clearly shows that the focus of SFCL programme is to improve the traditional way doing farming on cereal crops and cash crops. Being an agricultural country, the basic needs of small farmers can be fulfilled by cereal crops and cash crops, so SFCL, Kanchanpur has focused its attention towards cereal crops and cash crops.

In all the cases of short-term financing, there is an increasing trend in loan disbursement and collection pattern except last two fiscal year. The slight decline in the disbursement and collection pattern can be solely attributed to ongoing conflict in the country. Even after the conflict, the small farmers are highly encouraged to participate in the SFCL programme.

In case of medium term financing the main focus of SFCL Kanchanpur is on agro-tools, live stock and irrigation respectively. To do farming in an improved manner agro-tools and irrigation plays a vital role which ultimately increases income level and thereby living standard of the farmers.

The loan disbursement and collection pattern clearly indicates that the loan disbursement in agro-tools, livestock, irrigation bio-gas and cottage industry are after handover are Rs 2890, Rs 2846, Rs 9,57, Rs. 814 and Rs 606 respectively whereas total collection in cases of agro-tools livestock irrigation bio-gas and cottage industry are Rs 3474, Rs 2964, Rs 544, Rs 554 and Rs 567 respectively.

Table 4.4
Disbursement and Collection Growth Rate

FY	L.D.	Growth amount	Growth rate	Coll.	Growth amount	Growth rate
Handover	2270	-	-	1634	-	-
2057/58	3066	796	35%	1892	258	15%
2058/59	4299	1233	40%	3304	1412	75%
2059/60	5247	948	22%	4712	1408	43%
2060/61	4660	-587	-11%	3818	-894	-19%
2061/62	5984	1324	28%	5327	1509	32%
2062/63	4892	-1092	-18%	4575	-752	-14%
2063/64	3954	-938	-19%	4315	-260	-6%

Source: SFCL Kanchanpur, 2008

The above table shows mixed trend in loan disbursement and collection pattern. This indicates that SFCL is facing some difficulties which should be overcome by implementing other various programme. Beneficiary as well as non-beneficiary should be encouraged to take part in SFCL programme so that they can perceive direct impact on their income level and living standard by taking part in SFCL programme. With this effort, growth rate can be maintained at comfortable level.

The following table shows the trend loan disbursement and collection pattern.

Table No. 4.5
Trend on Loan Disbursement and Collection Pattern

Short term	At Hand over		Disbursement		Collection		Outstanding	
	Amount	%	Amount	%	Amount	%	Amount	%
Cereal crops	861	16.24	10837	33.76	8961	32.07	2737	28.93
Cash crops	253	4.77	4500	14.02	4156	14.87	597	6.32
Special	26	0.5	1251	3.89	1031	3.68	246	2.60
Marketing	453	8.55	3938	12.27	3202	11.45	1189	12.57
Total	1593		20526		17350		4769	
Livestock	1765	33.29	2746	8.87	2964	10.61	1647	17.42
Cottage industry	90	1.70	606	1.88	567	2.04	129	1.36
Irrigation	349	6.58	957	2.98	544	1.95	762	8.05
Agro-tools	1405	26.5	2890	9.00	3474	12.44	821	9.68
Bio-Gas	99	1.87	814	2.55	554	1.98	359	3.79
Total	3708		8113		8103		3718	
Internal Source			3463	10.78	2490	8.91	973	10.28
Total	5301	100	32102	100	27943	100	9460	100

Source: SFCL Kanchanpur, 2008.

The above table 4.5 clearly shows that out of total disbursement for cereal crops account for 33.76%, followed by cash crops 14.02% and marketing 12.27% respectively.

In case of medium term loan agro tools account for 9%, livestock account for 8.87% and irrigation account for 2.98% out of total loan disbursement.

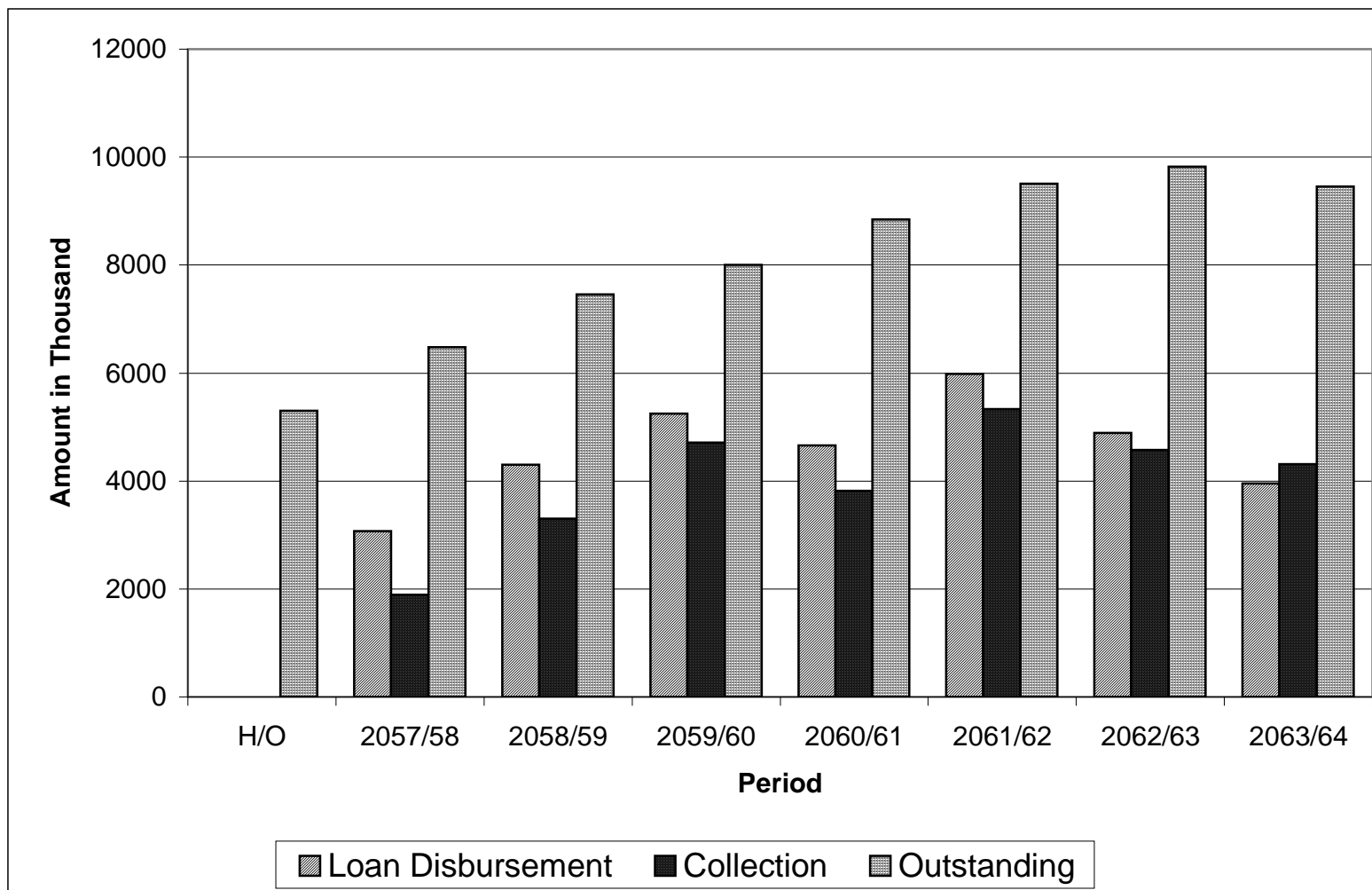
But the trend in outstanding has increased in case of cereal crops (from 16.24% to 28.93%), cash crops (from 4.77% to 6.33%) special crops (0.5% to 2.60%), marketing loan (from 8.55% to 12.57%), irrigation (from 6.58% to 8.05%) and Bio-gas (from 1.87% to 3.79%).

On the other hand, outstanding has decreased in case of livestock (from 33.29% to 17.42%), cottage industry (from 1.70% to 1.36%) and agro-tools (from 26.50% to 8.68).

In order to examine the correlation between year wise loan disbursement and collection pattern, correlation coefficient has been calculated. As seen in the above table, the correlation coefficient between loan disbursement and collection is 0.873. It is shows that the high degree of positive correlation between the loan disbursement and collection. The solution is satisfactory one because generally the loan collections are the sources of investment so this notion is working here. The calculation of correlation coefficient is shown in Appendix-II by using SPSS computer software.

Thus, above table indicates that collection policy of SFCL is satisfactory.

Figure 4.1
Year wise Outstanding, Investment and Collection



4.5 Impacts of SFCL

4.5.1 Impact of Employment

One of the major objectives of the programme is to generate additional employment opportunity among participant (beneficiary) small farmers. Thus, assessment of employment situation under the economic undertaking is the key instrument in order to measure the impact of the cooperative. The impact of the programme on employment has been assessed in terms of man days of employment per year of beneficiary person. The total of workers has been computed 8 hours per day per worker. The table 4.6 shows the average annual day of Employment of person (man) of Kanchanpur SFCL's participant families.

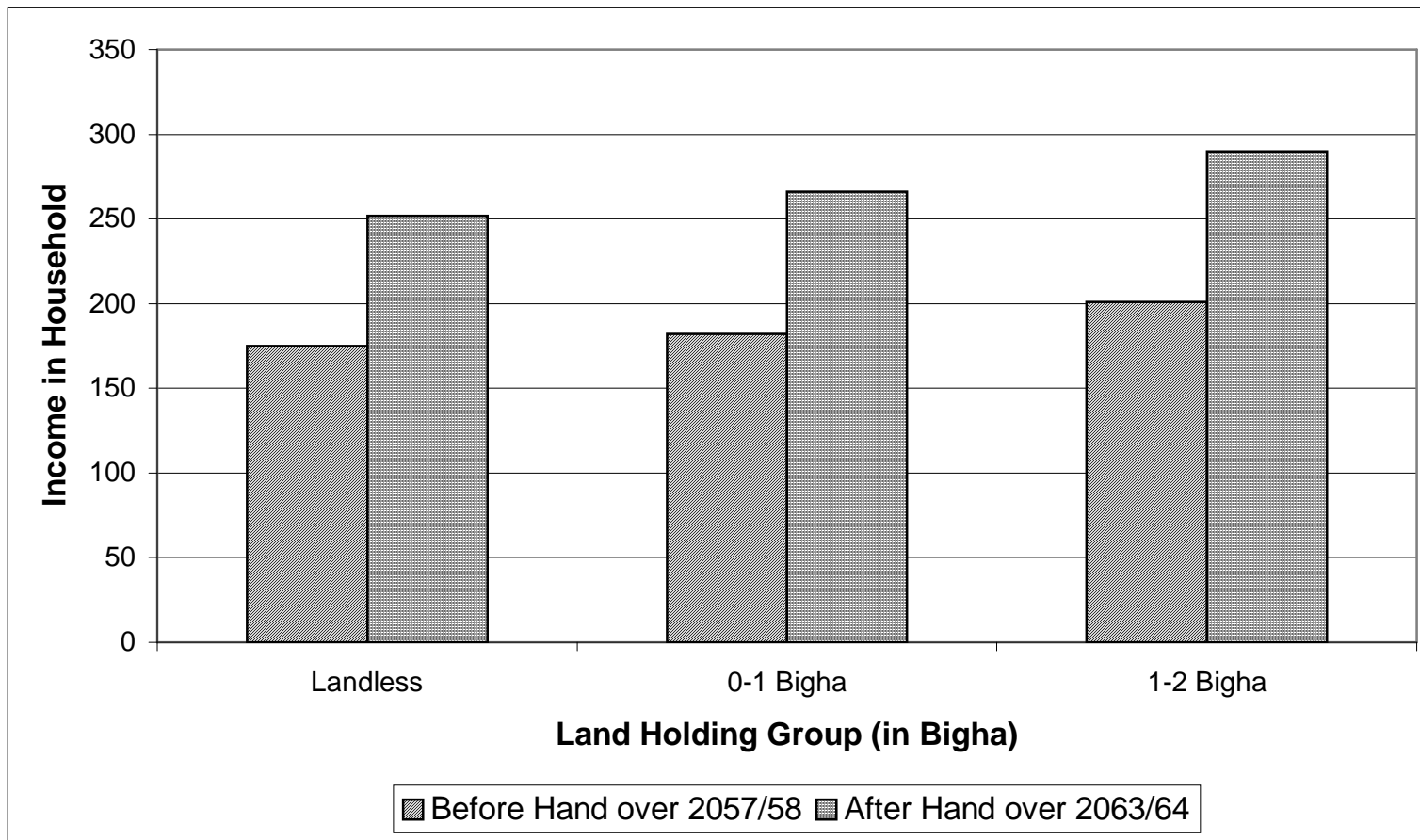
Table 4.6
Average Annual Days of Employment

Land holding group (in bigha)	Before Hand over 2057/58 (Figures in man days)					After Hand over 2063/64					% increase
	Agri	Live stock	Labour	Other	Total	Agri	Live stock	Labour	Other	Total	
Landless	15	24	128	8	175 (31.36%)	23	49	165	15	252 (31.18%)	44
0-1	35	42	93	12	182 (32.61%)	52	79	115	20	266 (32.92%)	46
1-2	103	59	21	18	201 (36.02%)	143	97	24	27	290 (35.8%)	44.27
Total					558 (100%)					808 (100%)	

Source: Field Survey 2008.

The table 4.6 reveals that employment opportunity of the beneficiary families increased after the hand over. The employment of the landless families has increased by 44 percent as against 46 percent of families holding land 0-1 bighas and 44.27 percent of the 1-2 bigha (0.68-1.3 ha) landholding families. The share of the landless families, 0-1 bigha land holding families and 1-2 bigha (0.68-1.3 ha) land holding families before handover were 31.36 percent, 32.61 percent and 36.02 percent respectively, which has turned into 31.18 percent 32.92 percent and 35.89 percent in 2063/64 respectively after handover. The increase of the employment has been due to intensive cropping when irrigation facilities were extended and secondly where more crops were grown both by the application of fertilizer and irrigation and so more labour is needed for weeding, harvesting operations etc. Increase in employment of small farmers can be presented as in the diagram:

Figure 4.2
Average Annual Days of Employment



4.5.2 Impact on Income

The main objective of SFCL is to increase the economic condition of small farmers. To fulfill this objective various income generation activities are carried out by SFCL Kanchanpur. The change of income of household during hand over (FY Magh 2057) to FY 063/64 is shown by the income impact of SFCL on small farmers.

The impact of income of the SFCL on small farmers has been assessed in terms of average earning per year by beneficiary households.

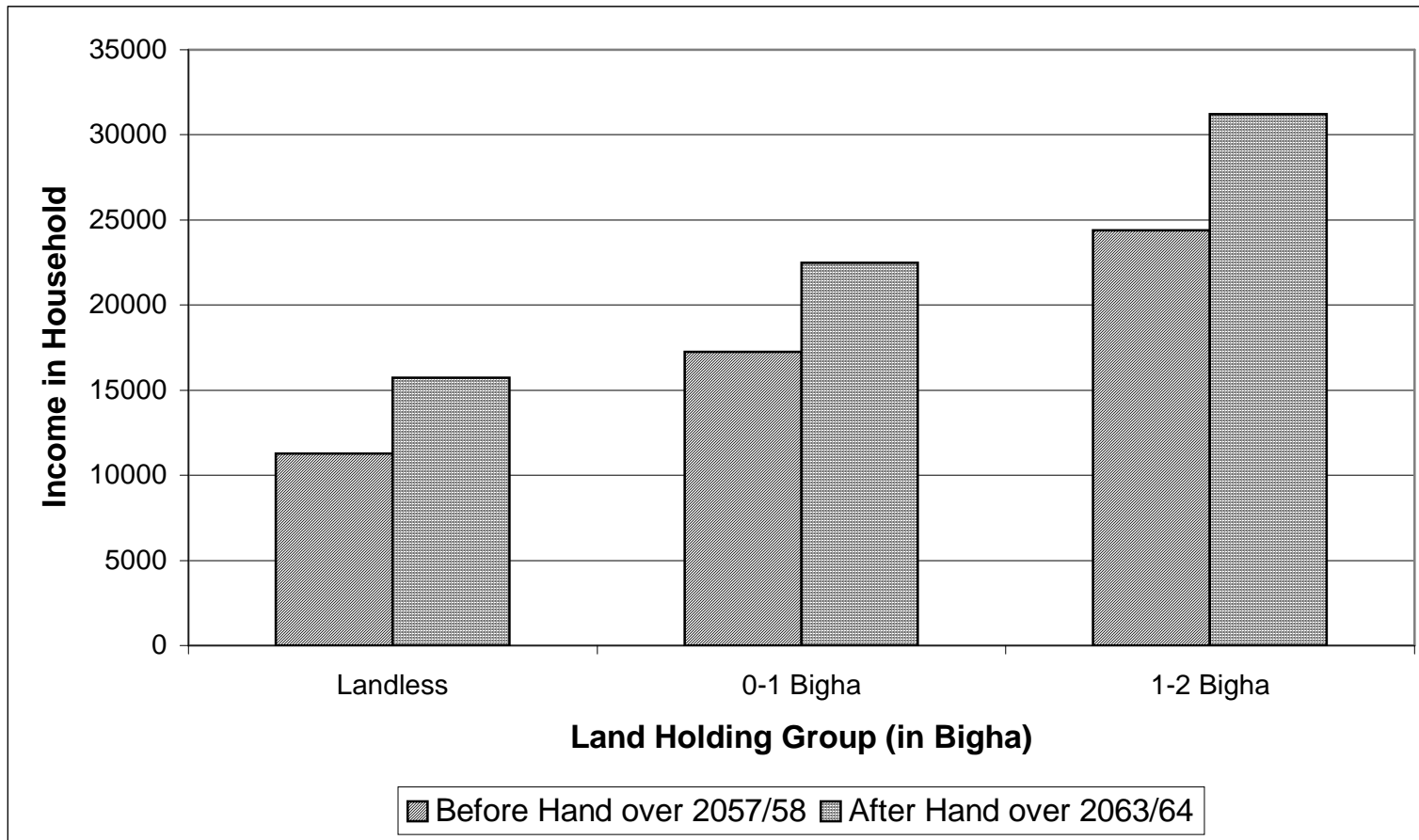
Table 4.7
Average Annual Income of Households

Land holding group (in bigha)	Before Hand over 2057/58					After Hand over 2063/64					% increase in annual income
	Agri	Live stock	Labour	Other	Total	Agri	Live stock	Labour	Other	Total	
Landless	3400	2200	3650	2040	11290	4980	3325	4520	2890	15715	39.07
0-1	9750	2640	2010	2850	17250	12750	3630	2630	3610	22500	30.43
1-2	16840	3510	525	3225	24400	21510	4480	640	4550	31200	27.86

Source: Field Survey 2008.

The table 4.7 shows that average earning increased in all households groups in 2061/62 as compared to handover period (Magh 2057). The largest percentage increased (39.07%) in income is shown in the landless group and the lowest percentage increase (27.86%) in income in the landholding groups of 1 to 2 bigha. This shows that the level of income in all groups has been increased due to SFCL and is more successful to low income group than others. This can also be shown in the following diagram:

Figure 4.3
Average Annual Income of Households



4.5.3 Impact on Income Distribution

The ranking of the size distribution of income in programme area at the time of handover to 2063/64 is presented in the following table.

Table 4.8

Relative Share of Income Received by Various Group in Project Area

Land holding (Bigha)	Frequency	Cumulative Percentage	Income of H.O. Period (Rs. '000)	Cumulative % of income of HO Period	Income of 2060/61	Cumulative percentage of income 2060/61
Landless	10 (18.18)	18.18	79.18 (10.55)	10.55	110.00 (11.29)	11.30
0-1	25 (45.45)	63.63	327.75 (43.78)	54.36	427.5 (43.87)	55.16
1-2	20 (36.37)	100	341.6 (45.64)	100	436.8 (44.84)	100
Total	55 (100)	100	748.35	100	976.30 (100)	100

Source: Field Survey 2008.

The table 4.7 clearly indicates that at the time of handover the share of income received by landless families were 10.55 percent which has been increased to 11.30 percent in 2063/64. On the other hand, the share of income received by landholding group 1 to 2 bighas (0.68 to 1.38 ha.) dropped from 45.64 percent to 44.84 in 2063/64. This increase in the share of the landless families and the decline in the share of largest landholding group of programme from handover time to 2063/64 indicates an improvement in the distribution of income in the project area over study period.

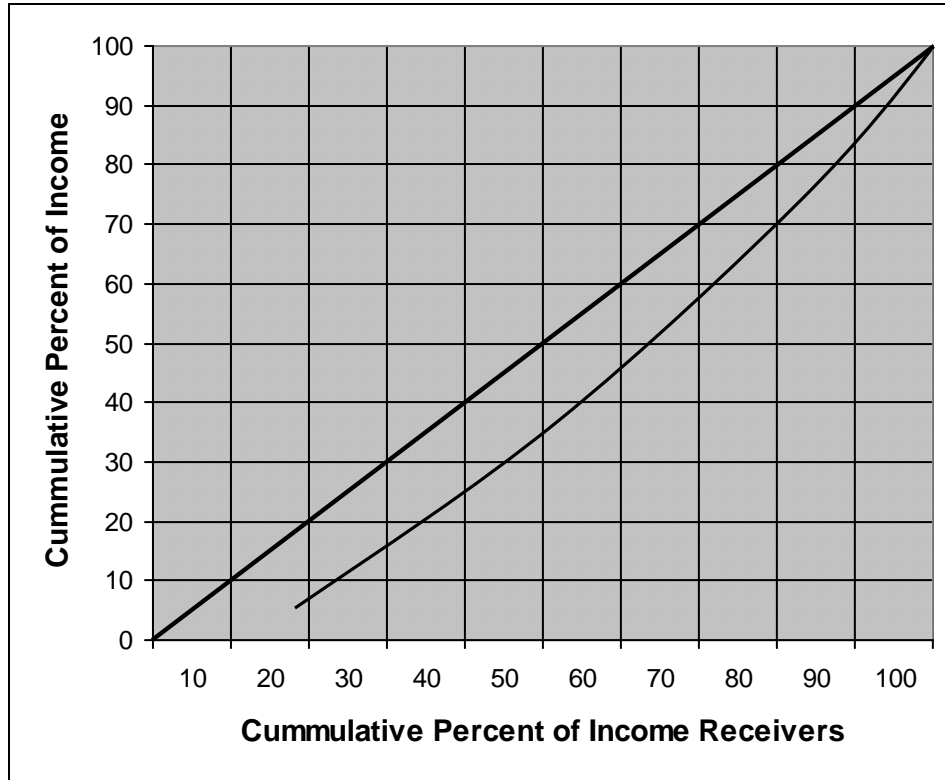


Figure 4.4: Lorenz Curve of Handover Time

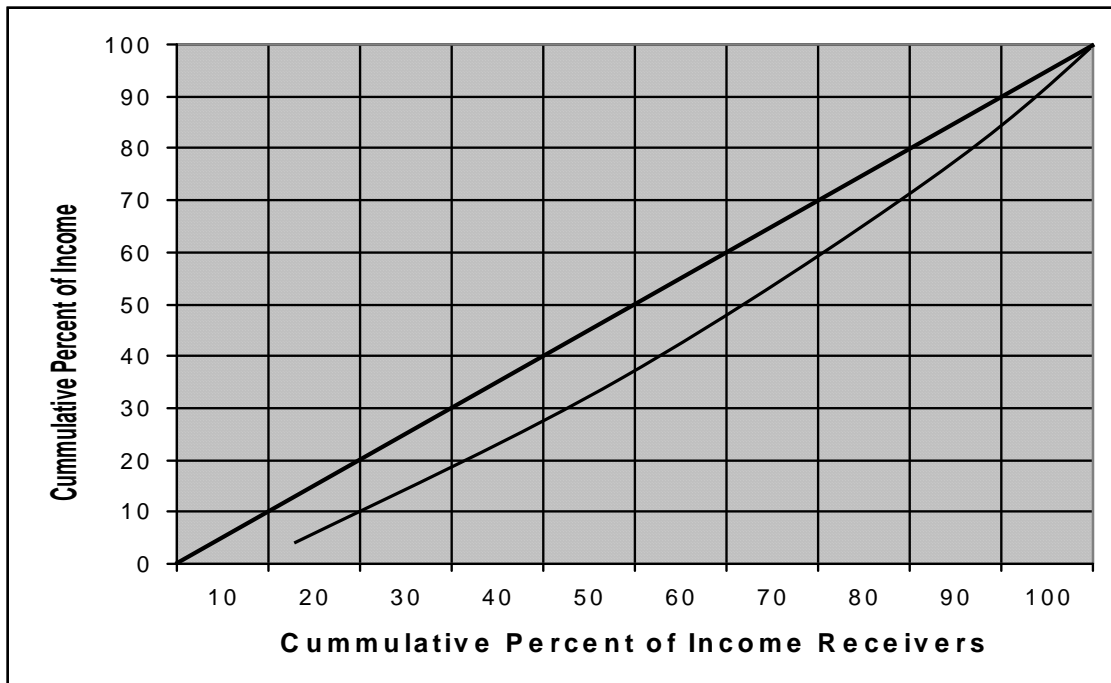


Figure 4.5: Lorenz Curve of 2063/64

The data in the table 4.8 are used to draw the Lorenz Curve shown. The figure shows that the Lorenz curve 2063/64 lies above the Lorenz curve of handover time. Since the Lorenz curve of 2063/64 lies above the Lorenz curve of handover time period and the average income in 2063/64 seems to be more equitably distributed than that in the handover period. The SFCL has reduced the income gap in the case of beneficiary families in Kanchanpur SFCL.

The data in the table 4.8 are also used to calculate the Gini Coefficient. The value of the Gini Coefficient are 0.1243 and 0.1136 in handover period (2057/58) and 2063/64 respectively. Since the Gini Coefficient of 2063/64 is less than handover period, the income distribution in 2063/64 is more equal than in the time of handover period of the SFCL. The calculation of the Gini Coefficient is shown in Annex I.

4.6 Comparative Study between Beneficiaries and Non-beneficiaries of SFCL

4.6.1 Economic Indicators

The economic indicators of small farmers are production of high yield variety (HYV) of crops, cash crops, cropping intensity, use of fertilizer and pesticides, working capital, average income of all sources and employment condition, which are shown in the table 4.9.

Table 4.9
Economic Indicators of Small Farmers in Kanchanpur

SN	Particular	Beneficiary	Non-Beneficiary	Mean difference
1	Percentage of area under HYV to total operated area	69	58	11
2	Percentage area under cash crops to total operated area	43	30	13
3	Cropping intensity (percentage)	82	46	36
4	Percentage of household who uses fertilizer	75	55	20
5	Percentage of household who uses pesticides	45	20	25
6	Percentage of borrowing loan from SFCL to total loan borrowing	95	25	70
7	Average income (000)	24.33	19.33	5
8	Per man per annum employed	304	264	30

Source: Field Survey, 2008.

The table 4.9 shows that with the inception of the SFCL scheme, in average the economic indicators have shown better conditions of beneficiary small households as compared to non-beneficiary small households in Kanchanpur.

The above table clearly reveals that the cropping intensity of beneficiary is in a better position as compared to the non-beneficiary. This is due to the participation in the programme conducted by the SFCL. Similarly, in case of borrowing beneficiaries are able to borrow more as compared to non-beneficiaries. Thus, we can derive a conclusion that SFCL has direct impact on economic indicators of small farmers.

4.6.2 Social Status

4.6.2.1 Literacy level

The literacy programme has been included as an essential component in SFCL. It is designed to raise the awareness of small farmers, give them functional information and problem solving skills and teach them reading, writing and literacy.

Considering the prevalence of the high-degree of illiteracy in the rural areas. SFCL realizes the need to conduct the literacy programme so as to promote a sustained social and economic development of rural community. The rural people must be one to initiate positive change, if real development is to take place in the rural areas.

One of the objectives of the study is to analyze the role of SFCL to increase literacy rate of small farmers. The literacy rate of small farmers both participant in SFCL and non-participant in SFCL are given in the table 4.10.

Table 4.10
Literary Rate of Small Farmers in Kanchanpur

Category	Beneficiary SFS			Non-beneficiary SFS		
	Male	Female	Total	Male	Female	Total
Literate	102 (41.8)	59 (24.2)	161 (66)	80 (29)	36 (13)	116 (42)
Illiterate	30 (12.3)	53 (21.7)	83 (34)	69 (24.4)	92 (33.3)	160 (58)

Source: Field Survey 2008.

The table 4.10 shows that literacy rate among females is lower than male in both types of small farmers. But the female group who joined the SFCL has a higher literacy rate than non-beneficiary female group. The table also clearly shows that participant small farmers are 66 percent literate whereas non-participant farmers are only 42 percent literate. The participant small farmers, 161 number out of 244 are literate in which 102 (41.8%) are male and 59 (24.2%) are female. In the case of non-participant small farmers 116 out of 276 are literate in which 80 (29%) are male and 36 (13%) are female. The sources of education of small farmers are shown in the table 4.11.

Table 4.11
Sources of Education of Small Farmers

Source	Participant SFS		Non-participant SFS	
	No.	%	No.	%
Formal (School, Campus)	112	69.56	102	87.9
Informal (Adult education and other)	49	30.44	14	12.1
Total	161	100	116	100

Source: Field Survey 2008.

The table 4.11 shows that 112 number of participant small farmers got their education from formal sources i.e., from school and campus, 49 member are educated from informal i.e., adult education programme and other source by SFCL. In the case of non-participant SFs 87.9 percent formally literate and 12.1 are informally. The difference between informally literacy member of beneficiary small farmers and non-beneficiary small farmers is 18.3%. That means 18.3 more persons out of 100 are informally literate from the SFCL. It reflects that SFCL has played a vital role in education among small farmers.

4.6.3 Health Status

The situation of health condition can be seen by adoption of family planning devices, drinking water, sanitation and method of treatment by SFs.

4.6.3.1 Family Planning

To control population within a certain limit is also an important goal of SFCL. Family planning helps to improve the health condition of both the mother and child. The family planning status of the small farmers both participant and non-participant in SFCL is depicted in the table 4.12.

Table 4.12
Adoption of Family Planning

Categories	Total No.	Adoption of Family Planning	Percent	Non-adoption	Percent
Participant Small Farmers	55	32	58.18	23	41.82
Non-Participant Small Farmers	50	12	24	38	76

Source: Field Survey 2008.

The table 4.12 shows that 58.18 percent of participant small farmers (beneficiary SFs) has adopted family planning method including permanent as well as temporary. But only 24 percent of non-participant small farmers has adopted the family planning method.

4.6.3.2 Drinking Water

The provision of clean drinking water is an essential step in improving the health of poor communities. In Nepal, the high rate of infant and child mortality is due to contamination of drinking water. It is commonly accepted that the general health of the rural people substantially improves by the provision of safe drinking water. Since 1984 SFDP of ADB/N has been establishing water supply system. In the study area, the most common source of drinking water is tube well. And, after handover to SFCL, the trainings programs and other activities have been made to aware the people of the area.

4.6.3.3 Sanitation

The cycle of infections and diseases is mainly the result of poor sanitation practices. Facilities for the disposal of human excreta are usually not found in the villages. Improved sanitation with an aim of increasing standard of health is one of the activity introduced under SFCL.

In Kanchanpur, the use of latrine by small farmers is shown as table 4.13.

Table 4.13
Categories wise use of Latrine

Categories	Participant SFs		Non-Participant SFs		Total
	No	Percent	No	Percent	
Modern latrine (Safety)	40	72.72	15	30	55 (52.38%)
Tradition (Open)	15	27.28	35	70	50 (47.62%)

Source: Field Survey 2008.

The table clears that the use of modern latrine by participant small farmers are higher than non-participant small farmers. The use of safety latrine of participant SFs has reached to 72.72 percent against 30 percent of the non-participant families.

4.6.3.4 Treatment Methods

The treatment method of diseases shows the level of health education of small farmers. Mostly illiterate villagers believe local faith healer (Dhami-Jhankri). The treatment method of diseases is shown in the table 4.14.

Table 4.14
Treatment Methods Adopted

Categories	Method of Treatment		Source of Knowing Modern Method		
	Modern	Local	SFCL	Villagers	Self
Participant SFs	39	16	20 (51.28)	7 (17.94)	12 (30.78)
Non-participant SFs	26	24	-	14 (53.84)	12 (46.15)

Source: Field Survey 2008.

The table 4.14 shows that about 61.90 percent of the respondents use modern health services (health post, hospitals and clinics) and the rest 38.1 percent resort to local faith healers. Encouragement for the use of modern medicine is derived from SFCL 51.28 percent followed by self consciousness 30.78% and villagers cum friends 17.94% in the case of participant SFs. In the case of non-participant small farmers 53.84 percent respondents are encourage by villagers and friends. Practices of employing the services of local Dhami-Jhankri is higher in non-participant small farmers group than that of participant small farmers.

4.7 Problems Identification

This section tries to interpret the problems of Kanchanpur SFCL. In order to meet the objectives of the study questionnaire was developed for collecting necessary information from the concerned sources. The following table deals about the problems presented by responses at the time of field survey and the table has represented number and percentage of responses at Kanchanpur showing the problems of higher interest rates and complicated official procedure together responses representing an objectionable trait.

Table 4.15
Problems of Kanchanpur SFCL

Problem	Sample Size	No. of responses	Percentage
Higher interest rate	55	20	36.36
Complicate official procedure	55	25	45.45
No problem at all	55	10	18.19

Source: Field Survey, 2008.

From the above table 4.15 it is cleared that out of 55 beneficiary respondents, 36.36 percent respondents problem is higher interest rate. Similarly 45.45 and 18.19 percent respondents indicated the problem of complicated official procedure and no problem at all respectively.

4.8 Popularity of SFCL

It is necessary to know that whether the programme is in favour of small farmers or not. The popularity of SFCL is the major objective of this study. Attitude of the small farmers who have joined the programme towards SFCL determines the popularity of it. So the following table shows the attitude of small farmers.

Table 4.16
Attitude of Small Farmers in Kanchanpur SFCL

Attitude	Sample size	No. of respondents	Percentage
Positive	55	48	87.27
Negative	55	7	12.73

Source: Field Survey, 2008.

From the above table 4.16 it is cleared that only 12.73 percent or 7 persons out of 55 respondents have a negative attitude. This might be the case of decrease in the income level due to misuse of loan. This controversy could have cropped up due to their inefficiency in loan investment.

4.9 Causes of Non Participation in the Programme

SFCL programme is the concept developed for the upliftment of the socio-economic status of small farmers, even if, in the study area some of the small farmers did not join the programme. So it is necessary to know why they did not want to join in the programme. Causes of these small farmers who did not join the programme are presented below.

Table 4.17
Causes of Non-participation

S.N.	Causes	No. of respondents	Percentage
1.	No. Knowledge	22	44
2.	Difficult procedure	18	36
3.	Due to difficult in group formation	10	20
	Total	50	100

Source: Field Survey, 2008.

Causes of non participation in the SFCL programme of Kanchanpur cleared from the above Table. There are so many causes but effective causes which inspired to stay without join is difficulty in procedure or process for 36 percent out of 50 respondents 20 percent of respondents reveals their problem that is difficulty in group formation and 44 percent of the total respondents did not know about SFCL programme. The percentage of participants will be increased in large amount, if above mentioned problems will be reduced from the side of SFCL.

4.10 Major Findings of the Study

From the analysis of the data collected from various sources following findings have been made.

The evaluation studies of this program have positive impact on social as well as economic well being of the beneficiary population. This study has clearly demonstrated the ability of the programme to meet its objectives and social and economic upliftment of rural poor. Thus the overall feedback derived from the analysis is summarized below.

1. 85.34% population out of total population depends on agriculture in the study area.
2. The SFCL Kanchanpur has also launched non-credit activities. The only purpose of this scheme is the capital formation.
3. From this study, it is clearly that the maximum loan has been distributed on cereal crops which are 33.76%. Similarly, the second field, loan disbursement has been done on cash crops which are 14.02%. So it can be concluded that the farmers are more interested in the production of cereal crops and cash crops rather than the other activities.
4. The highest proportion of loan collection sectors are cereal crops, cash, Agro-tools marketing and livestock which are 32.07%, 14.87%, 12.44, 11.45% and 10.61% respectively. Likewise the lowest proportions of loan collection sectors are irrigation, Bio-Gas and cottage industry which are 1.95%, 1.98% and 2.04%

respectively.

5. The level of income of participants has been increased by 39.07% in case of landless, 30.43% in case of small farmers holding 0-1 bigha and 27.86 percent in case of small farmers holding 1 to 2 bigha.
6. After handover the program the over all position of the income gap of beneficiary family has reduced as indicated by the Lorenz curve.
7. After handover of the program average annual days of employment of small farmers have increased because of successful participative program implemented by the SFCL.
8. After handover of the program, the study reveals that the literacy rate of beneficiary small farmer is found to be greater (i.e. 66%) as compared to the non-beneficiary farmers (i.e. 42%) which is an indication of social awareness and increased enrollment of children (both boys and girls) in school.
9. After handover of the program, beneficiary small farmers are highly encouraged to adopt family planning, use of modern medicine treatment, and use of safe drinking water. The study shows that 58.18% of participants' families adopt family planning as compared to 24% of non-participant families. Similarly 72.72% of participant families use modern latrine as compared to 30% of non-participant families.
10. After handover of the program, the formation of group has increased (from 95 to 119) similarly coverage of members (male as well as female) has increased from 614 to 742.
11. Savings collection and mobilization of funds have increased substantially after handover of the program. The group saving collection at handover was Rs. 672 thousand which is Rs. 3454 thousand on 2063/64, which means total savings have increased by more than 3.5 times of savings at handover. Similarly SFCL have increased by more than 3.5 times. This clearly shows the activities of small

farmers have increased as compared to the non-participation farmers.

12. In spite of its popularity, there are still some corners which are criticized by non-participating small farmers. Out of total 50 respondents the causes of non-participation is 44% due to lack of knowledge, 36% due to difficult procedure and 20% due to difficulty in group formation.
13. At last, it can be said that the performance of SFCL Kanchanpur is very satisfactory after handover of the program.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The Small Farmer Development Programme (SFDP) has been poverty alleviation programme in Nepal implemented by the Agricultural Development Bank, Nepal (ADB/N) since 1975. The main objective of the programme is to improve the socio economic condition of the small and landless farmers including women, and to eliminate rural poverty by providing them the basic inputs such as credit, technologies and training in group basis.

SFDP is considered as one of the effective agricultural and rural development programme in delivering services to the rural poor by seeking their direct participation especially in the socio-economic development front. This led to the realization of a need to conceive an institutional development programmes aimed at evolving local self-help organization of the poor, which can take upon retail delivery of services on their own interest. For this, institutional development programme experimentation, a five-year field based "Action Research" project was designed in fiscal year 1987/88 by the effort of ADB/N and GTZ, which was implemented in a few SFDP in Dhading district. This followed a continuous process of training group leaders, promoters and community workers commensurate with the objective of handing over the operational responsibilities of SFCL.

The crucial fact that has been conceived at present is that small farmers who constitute the largest segment of the population have always been by passed from the mainstream of development process in almost all underdeveloped countries. Although certain progress towards the development of economy has been made due to planned efforts, yet the benefits of development have largely been derived by the relatively well-to-do sector. The gap between large and small farmers has continued to widen. Under such circumstances, economists have arrived at the consensus that the pace of development could be augmented through the participation of income and employment assumes to be significant.

Positive impact of programme is improvement of socio-economic status of the rural poverty led to the expansion of the programme all over the country. However, as a financial institution, the Bank is more cautious about strengthening as well as making financial viability of the programme considering this fact, ADB/N has initiated the consideration of SFDP in which some non-performing and non-viable SFDP merged in the neighboring performing SFDP or branch/sub branch of ADB/N as unit.

The Small Farmer Co-operative limited (SFCL) Suda, Daiji and Tribhuvan basti is situated in the terai region of the Kanchanpur district. The agricultural Development Bank Nepal (ADB/N) implemented the Small Farmer Development Program in 1975. At that time, the VDC did not have infrastructure facilities like today. Most of the people were migrants from the hill areas. In the meantime through the program, the people built community roads, irrigation and water supply schemes. Social activities implemented by SFCL not only supplement economic activities but also integrate all development activities.

It is found that men and women have a vital and equal in family economy, the men and women need to be equally encouraged joining the programme of cooperative. At the time of handover Magh 2057 there were 31 females groups with 215 members and 64 males groups with 399 members. By FY 2063/64 the number of female group had reached 43 whereas male groups were 76.

Group saving programme of SFCL is one of important programmes. The group members contribute their saving to a fund monthly with a fixed amount decided by the group. The group members demand their saving fund for emergency requirement and production activities. The lending activity, repayment schedule and the interest rate are fixed by the group decision. Since its establishment, the project has tried to improve socio-economic condition of farmers by providing loan on different purposes.

During 2057/58 to 2063/64 total disbursement is the highest (Rs 10837) in case of cereal crops, it is followed by Rs. 4500 in cash crops (4500) marketing loan (3938)

and special crops (1551) respectively. This clearly shows that the focus of SFCL programme is to improve the traditional way doing farming on cereal crops and cash crops. Being an agricultural country, the basic needs of small farmers can be fulfilled by cereal crops and cash crops, so SFCL, Kanchanpur has focused its attention towards cereal crops and cash crops.

In all the cases of short-term financing, there is an increasing trend in loan disbursement and collection pattern except last two fiscal year. The slight decline in the disbursement and collection pattern can be solely attributed to ongoing conflict in the country. Even after the conflict, the small farmers are highly encouraged to participate in the SFCL programme.

In case of medium term financing the main focus of SFCL Kanchanpur is on agro-tools, live stock and irrigation respectively. To do farming in an improved manner agro-tools and irrigation plays a vital role which ultimately increases income level and thereby living standard of the farmers.

The loan disbursement and collection pattern clearly indicates that the loan disbursement in agro-tools, livestock, irrigation bio-gas and cottage industry are after handover are Rs 2890, Rs 2846, Rs 9,57, Rs. 814 and Rs 606 respectively whereas total collection in cases of agro-tools livestock irrigation bio-gas and cottage industry are Rs 3474, Rs 2964, Rs 544, Rs 554 and Rs 567 respectively.

5.2 Conclusion

The evaluation studies of this program have positive impact on social as well as economic well being of the beneficiary population. This study has clearly demonstrated the ability of the programme to meet its objectives and social and economic upliftment of rural poor.

85.34% population out of total population depends on agriculture in the study area. The SFCL Kanchanpur has also launched non-credit activities. The only purpose of this

scheme is the capital formation. From this study, it is clearly that the maximum loan has been distributed on cereal crops which are 33.76%. Similarly, the second field, loan disbursement has been done on cash crops which are 14.02%. So it can be concluded that the farmers are more interested in the production of cereal crops and cash crops rather than the other activities.

The highest proportion of loan collection sectors are cereal crops, cash, Agro-tools marketing and livestock which are 32.07%, 14.87%, 12.44, 11.45% and 10.61% respectively. Likewise the lowest proportions of loan collection sectors are irrigation, Bio-Gas and cottage industry which are 1.95%, 1.98% and 2.04% respectively.

The level of income of participants has been increased by 39.07% in case of landless, 30.43% in case of small farmers holding 0-1 bigha and 27.86 percent in case of small farmers holding 1 to 2 bigha. After handover the program the over all position of the income gap of beneficiary family has reduced as indicated by the Lorenz curve. After handover of the program average annual days of employment of small farmers have increased because of successful participative program implemented by the SFCL.

After handover of the program, the study reveals that the literacy rate of beneficiary small farmer is found to be greater (i.e. 66%) as compared to the non-beneficiary farmers (i.e. 42%) which is an indication of social awareness and increased enrollment of children (both boys and girls) in school. After handover of the program, beneficiary small farmers are highly encouraged to adopt family planning, use of modern medicine treatment, and use of safe drinking water. The study shows that 58.18% of participants' families adopt family planning as compared to 24% of non-participant families. Similarly 72.72% of participant families use modern latrine as compared to 30% of non-participant families. After handover of the program, the formation of group has increased (from 95 to 119) similarly coverage of members (male as well as female) has increased from 614 to 742.

Savings collection and mobilization of funds have increased substantially after handover of the program. The group saving collection at handover was Rs. 672 thousand which is Rs. 3454 thousand on 2063/64, which means total savings have increased by more than 3.5 times of savings at handover. Similarly SFCL have increased by more than 3.5 times. This clearly shows the activities of small farmers have increased as compared to the non-participation farmers. In spite of its popularity, there are still some corners which are criticized by non-participating small farmers. Out of total 50 respondents the causes of non-participation is 44% due to lack of knowledge, 36% due to difficult procedure and 20% due to difficulty in group formation. In conclusion, it can be said that the performance of SFCL Kanchanpur is very satisfactory after handover of the program.

6.3 Recommendations

The achievement of SFCL is to uplift the socio-economic status of small farmers and overall impact of program is found to be positive. However, it has also some drawbacks which have to be overcome so as to meet the requirements of those small farmers who are still facing some problems in spite of having different privileges provided by it. In spite of its effort only 742 members out of 1500 members are beneficiary till now. So following measures should be implemented.

1. Importance and concept of the SFCL must be publicized to the small farmers through mobilizing the staff of SFCL and VDC members with kind behaviour
2. Arranging discussion programs about SFCL in different places in different times and adult literacy, healthy, sanitation such effective program must be carried out. That may encourage to the non participant small farmers to participate in the program.
3. The official process of loan disbursement should be made simple and effective. There must be adequate fund available in order to support the projected program. Existing interest rate seems to be high so it should be reduced. So that more

farmers can enjoy the outcome of the program. Providing more incentives such as providing grant, reduction in interest rate etc, to the farmers who take loans so that more farmers would join the program.

4. Management and administration efficiency should be enhanced so as to launch the program smoothly and meet the target within a specified time period.
5. Technical assistance on new farming methods should be introduced for raising the productivity of the local farming and group participation should be systematized by establishing a proper co-ordination among the participants and the officials.
6. The Small Farmer Co-operative Limited has not provided any managerial and technical training for its recourse utilization for the small farmers. So it should conduct training programmes.
7. The group formation system of SFCL is not praiseworthy. The number of male and female is equal in its total population but the number of groups of male is double of female groups. So it has not formed its groups equally. Hence, it should reorganize its groups according to its population category.
8. The SFCL has not started this programme toward agriculture market management. Without proper agricultural market, the investment in agricultural sector may be worthless. Any way I wish for all small farmers to grasp the opportunity provided by SFCL to uplift their social and economic status.

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APPENDIX - I

Calculation of the Gini-Coefficient

Cumulative frequency	Before SFCL (2057/58) Cumulative % of income	After SFCL Cumulative % of income
X_i	Y_i	Y_i
18.18	10.55	11.30
63.63	54.36	55.16
100	100	100

The Gini-Coefficient can be calculated as for before SFCL

$$\begin{aligned}
 G_c &= \frac{1}{100^2} \bullet \sum X_i \cdot Y_{i\Gamma} - \sum X_{i\Gamma} \cdot Y_i' \\
 &= \frac{1}{100^2} [(18.18 \times 54.36 + 63.63 \times 100) - (63.63 \times 10.55 + 100 \times 54.36)] \\
 &= \frac{1}{100^2} [(988.2648 + 6363) - (671.2965 + 5436)] \\
 &= \frac{1}{100^2} [7351.2648 - 6107.2965] \\
 &= \frac{1}{100^2} [1243.96831] \\
 &= 0.1243
 \end{aligned}$$

... The Gini-Coefficient of before SFCL is 0.1243.

For after SFCL

$$\begin{aligned}
 G_c &= \frac{1}{100^2} [(18.18 \times 55.16 + 63.63 \times 100) - (63.63 \times 11.30 + 100 \times 55.16)] \\
 &= \frac{1}{100^2} [(1002.8088 + 6363) - (719.019 + 5516)] \\
 &= \frac{1}{100^2} [7365.8088 - 6235.019] \\
 &= \frac{1}{100^2} [1130.7898] \\
 &= 0.1130
 \end{aligned}$$

... The Gini-Coefficient of before SFCL is 0.1130.

Appendix - II

Correlation Between Disbursement and Collection Pattern

Correlations

Descriptive Statistics

	Mean	Std. Deviation	N
DISBURSEMENT	4728.8571	1060.7995	7
COLLECTIONI	4006.1429	1127.8492	7

Correlations

		DISBURSEMENT	COLLECTIONI
DISBURSE	Pearson Correlation	1.000	.873
	Sig. (2-tailed)	.	.010
	N	7	7
COLLECTI	Pearson Correlation	.873	1.000
	Sig. (2-tailed)	.010	.
	N	7	7

* Correlation is significant at the 0.05 level (2-tailed).

APPENDIX-III

Questionnaire

1. General Introduction of Respondents

Name of Respondents :

Age Sex:

Name of Household Head:

SFCL Group No.:

Date of Interview:

2. Details about the family members of Respondents:

S.N.	Name	Age	Sex	Education			Occupation	Remarks
				School	Adult	Other		

3. How much land do you have?

(a)

Kattha	
Bigha	

(b)

Kattha	
Bigha	

4. Land use and cropping pattern.

S.N.	Crop	Area
1.	Paddy	
2.	Wheat	
3.	Maize	
4.	Vegetables	
5.	Others	

5. What is your production from the above?

1	2	3	4	5	6	7	8
---	---	---	---	---	---	---	---

6. How many days are engage in following?

Agriculture Labour

Livestock Other

7. If production increment is due to the adoption of modern Agriculture system which of the following have you used?

- (a) use of improved variety seeds.
- (b) chemical fertilizer
- (c) use of compost fertilizer
- (d) use of insecticide

8. What is your income before and after joint the SFCL?

(a) Before	(b) After
(i) Agriculture	(i) Agriculture
(ii) Livestock	(ii) Livestock
(iii) Labour	(iii) Labour
(iv) Other	(iv) Other

9. What is your source of credit?

(a) Before	(b) After
(i) SFCL	(i) SFCL
(ii) Private lender	(ii) Private lender
(iii) Both	(iii) Both

10. Are you feeling easy to get the loan from SFCL?

- (a) Yes (b) No

11. What is a treatment method?

- (a) Doctors (b) Quacks
(c) Witch Doctors (d) herbs

12. Do you know about family planning practices?

- (a) Yes (b) Villagers/friends
If yes where are you getting such suggestion?
(a) SFCL (b) Villagers/ Friends (c) Other

13. Do you have modern latrine facilities?

- (a) Yes (b) No
If yes, where are you getting support to contribute it?
(a) SFCL (b) Villagers (c) Others

14. Why didn't you join in the programs?

- (a) Without knowing (b) Do not like the procedure
(c) Difficulty in forming group

15. What is the source for drinking water?

- (a) Tube well (b) Wells (c) Others

16. What are the problems after launching the program?

- (a) Higher interest rate (b) Complicated official procedure
(c) No problem at all.

17. Any suggestions to SFCL?

- (a) Yes (b) No

if yes, what is this?

18. Livestock information

Livestock	Total No.	Total Value (Rs)
Buffalo		
Cow/Ox		
Goat		
Pig		
And other		

19. Attitude towards the programme.

- (a) Best (b) Good (c) Bad(d) Neutral

20. From where you get information?

- (a) JT/JTA (b) Neighbours and friends
(c) SFCL Staff (d) Other

21. Has you socio-economic condition been increased after you Joint the SFCL?

- (a) Yes (b) No

22. What affect do you find of the project in you village?

- (a) No any change.
(b) Good for poor.
(c) Good for rich.
(d) Good for both.

Only For non- beneficiary to ask the questions

23. Why they were not involved on the programme?

24. Are they willing to join in the group?

25. Why didn't you join in the programmes?

QUESTIONNAIRE (Only for SFCL In charge)

This questionnaire is developed for the purpose of thesis writing. The descriptions given below will be kept secretly. Therefore, I request kindly to write the true statements without any hesitation.

1. When SFCL Programmed has has been launched in Suda/Daiji/Tribhuvan basti VDC?
Ans:.....
2. Please differentiate between the large and small farmers on the basis of land and income in cash?
Ans:.....
3. What are the processes of forming a group?
Ans:.....
4. What sex you give more preference while forming a group?
Ans:.....
5. What are the criteria to be a group member?
Ans:.....
6. How many groups are being formed so far?
Ans:.....
7. What are the main objectives of the program?
Ans:.....
8. What activities are being conducted?
Ans:.....
9. What are the objectives of forming a group?
Ans:.....
10. What kinds of trainings are provided to the farmers?
Ans:.....
11. What are the criteria to select the participants for the training?
Ans:.....
12. How many participants utilize the knowledge of the training?
Ans:.....
13. What types of economic/social activities are carried out in Suda/Daiji/Tribhuvan VDC?
Ans:.....
14. What benefits does the farmers can get form this program?
Ans:.....
15. What do you think about the future of the program?
Ans:.....
16. How do you invest loan to the farmer?
Ans:.....
17. What is the maximum and minimum limit of loan amount?
Ans:.....
18. In which purpose there is high demand of loan?
Ans:.....
19. What is the rate of loan Overdue & default?

- Ans:.....
20. What are the major problems that you are facing to implement this program?
 Ans:.....
21. Do you think that this program can run for a long time?
 Ans:.....
22. What are your suggestions to conduct the SFCL program effectively in the future?
 Ans:.....

Name:.....
Post:.....
Office:.....
Address:.....
Phone no:.....

.....
**Signature of Data
 Collector**

QUESTIONNAIRE (For Group Members)

This questionnaire is developed for the purpose of thesis writing. The descriptions given below will be kept secretly. Therefore, I request kindly to write the true statements without any hesitation.

From when the SFCL activities are started in your VDC?

- Ans:.....
- 1 Are you involving in its activities, if yes, when and what kind activities?
) Name of Activities:.....
) From:.....(dd/mm/yy)
- 2 What are the process of forming a group ?
 Ans:.....
- 3 Please tick() mark against your qualification.
- | | |
|---------------------|--------------------|
| a) Literate | b)SLC passed |
| c)Intermediate Pass | d) Bachelor passed |

e) Master degree pass

f) Others

4 Do you take any training from SFDP program? If yes, please specify the name and duration of training.

Ans:.....