

CHAPTER - I

INTRODUCTION

1.1 Background

Nepal, The Himalayan kingdom, is popularly known for its' natural and cultural heritage. The country is endowed mountains, lush valleys, gushing rivers, crystal clear lakes, traditional rural life and diverse ethnic culture. Although it's reality that agriculture dominancy involvement of more than 80% people in agriculture occupation. Massive Poverty has become the identity of country. The economic condition of country directly relates upon the type of economy and availability and distribution of the resources of the nation. Poverty has occupied all over of the world but the extent or magnitude of poverty is varied. Massive poverty in rural area as well as in urban area occurred due to dependency over limited resources and less opportunity of employment.

In the context of Nepal, the level of agricultural productivity per unit of land is very minimum level. It has resulted that farmers are situating in subsistence level and hardly save some amount of their farm income and are perpetually in debt with the result that the conditions of land cultivated by them stand hardly any change of improvement. Economically majority of rural reside are in vulnerable level because of the continuous pressure of raising population being exerted on agriculture. This result in a relentless and growing build up of surplus labor in rural Nepal.

According to National Population Census, 2001 85.5 percent of Nepal's population live in rural areas (National population Census, 2001).The majority of the population (65.2%) depend on agriculture for their livelihood (MOA, 2005:371) the pressure of population on agriculture is high.69.4% has below 1 hectare of landholders (Nepal population and Environment, facts and figure, 2001) This shows the Nepali farmers fall in the category of small and marginal farmers. The population is growing at the rate of 2.25% but the food production is not keeping pace with the increase in population. 31% of the people are below the poverty line (CBS, 2005)

Nature is gracious in her gift here; productive soil and adequate rain for agriculture, diverse climatic condition and topography has opened the potentiality of crop diversity. The southern part of country with fertile soil is remarkably potential for agronomy, vegetable farming and horticulture mainly the tropical and sub tropical varieties.

Similarly, the middle part of country with varied climate, combination of mountains, river basins, tars are also moderately appropriate for agronomy and highly potential for vegetable farming and horticulture as well as animal husbandry/livestock. The northern side of country is largely occupied with high mountains and less favorable for agriculture but potential for livestock. The high Himalayas representing richness in biological and cultural diversity have contributed to great prosperity and progress of the nation. In spite of this, the country is unable to absorb its property for the multidimensional development aspects of the nation. The country has been consistently ranked as one of the poorest countries on the world. Poverty is characterized by low income, which is the cause and effect of unemployment, underemployment, and many other basic needs. The latest report reveals that Nepal' poverty headcounts remained 30.85 percent in 2003/004 with a per capita income of \$269(CBS, 2004, MOF, 2004) or \$230 (World Bank, 2004).

More than 85 percent of the total population is residing in rural areas (CBS, 2002). In terms of employment structure, 78 percent of its population directly depends on primary sectors (MOF, 2004) due to the low productivity and lacking of commercial farming. There is a great challenge to the nation to eliminate the massive poverty of the country through traditional agriculture system. Agriculture productivity is not remarkably increased due to the weak institutional set up to supply input like technology, fertilizer, improved seed, and agriculture credit as well market.

Due to the excessive land fragmentation and unequal distribution of land, commercial farming is being less potential. Land under the ownership of big farmers is becoming less productive. So land reform program also requires modernizing agriculture.

The agriculture prospective plan has emphasized to increase agriculture productivity and alleviate poverty as well as to achieve significant improvement in the standard of living through the expanded employment opportunities. APP's goals to achieve agriculture growth rate of 5% from a present level of 3% per annum, by reducing poverty level to 14% & increasing food grain production per capita per annum to 426 kg from the level of 276 kg require a set of input like agriculture credit, improved seed, fertilizer and agriculture market for all small and middle class farmers.

The data shows that the population growth rate is 2.25 % (census, 2002) and agriculture production's growth rate is 2.6 but the issue that agriculture productions' growth rate is mainly through cropland expansion and this growth rate does not contribute significantly

in GDP is remarkable. Agriculture sector has contributed 40% of GDP although 60% of total population is involved in this sector.

During the time of periodic plan in Nepalese history, great effort has been given to promote agriculture sector as major sector of economy. Ministry of Agriculture and Cooperative, Department, Nepal Agriculture Research Council (NARC) and Agriculture Development Bank (ADBN) are the institutional set up for agriculture development. Agriculture Development Bank Nepal has been the major source of agriculture credit. So far as the distribution of the credit is concern, about four fifth of the loan is to have gone to large farmers.

At 1975, a survey jointly held by UNDP and FAO in 9 developing countries of Asia had made common consensus to improve the governmental ongoing programs in favor of small farmers and bring them in the mainstream of development process (Kunwar, 2004:178) and the Nepal Government had made initiation to launch the target program for small and marginal farmers as intensive program. The Small Farmer Development Program (SFDP) was also the effective program under target group approach and was introduced as a pilot project in Dhanusa and Nuwakot in Terai and hill respectively with support of FAO/UNDP and ADBN at the mid of 1970s'. Due to its positive impact the program was extended nation wide and the number of sub project Offices of SFDP reached a maximum of 459 in 1993, benefiting about two hundred thousand small farmers' households, which is more than 1.2 million population below poverty line, scattered over 649 VDCs of 75 districts (ADBN-2005:1).

The main objective of SFDP was to improve the socio economic condition of small farmers living in the rural areas of hill and Terai by providing financial and non financial services. In 1987 an innovative idea to transfer SFDPs into fully administered and managed cooperatives of small farmers was introduced by ADBN. As a result, in 1993 four Small Farmers Cooperative Limited were formed, and since then 154 SFCLs have been established in 36 district of the country.

Small Farmers Cooperative Limited is principally formed by the provision of cooperative and designed to deliver primarily financial as well as non financial services to its members in rural areas.

In global context, first of all, cooperative was introduced in 1844 by Rochdale Society in Britain. It was the initial movement of cooperative initiated by workers of factories to protect themselves from cunning businessmen of contemporary environment.

In Nepal, many informal institutions like Dhikuri, Guthi, Parma and Bhajaita are prevailed as a symbol of cooperation. These institutions are pioneer informal community based institutions guided by mutual cooperation. Formally first initiation was taken from the establishment of Cooperative Department under the Ministry of Agriculture in 1953. After the promulgation of cooperative act 2016 cooperative began to institutionalize. In Rapti dun valley initially cooperative was introduced as an activity of resettlement program .Thereafter, HMG emphasized to promote Cooperative like consumer cooperative, multipurpose cooperatives as well as saving credit cooperative. Although the history of cooperative is not successful in Nepal the importance of cooperative is significant. Small Farmers Cooperative Limited is a pioneer institution in Nepalese soil with bright future behind it to play as an institution aimed to supply services related agriculture business/enterprise to small farmers of rural area.

After the registration of SKBB in July 2001, the new hope has germinated to institutionalize the SFCL more effectively. It has aimed to developed professional skill and sustainable financing institution in rural and remote area. Now, GTZ/RUFIN has been aiding and financing to equip the SKDB both in central and Area offices of SKDB.

Such type of community based institution can play significant role in economic development of poor people by providing agriculture inputs like agriculture credit, improved seed and seedling fertilizer, technology and managing market.

1.2 Statement of the Problem

Agriculture is the backbone of economic development of developing countries like Nepal. However, agriculture as the main occupation is mostly unproductive; it is carried on in an old fashion with the obsolete and out dated method of production (Karna, 2005:469). It is very difficult to develop or modernize agriculture and adopt it commercially in rural sector. Due to the insufficient credit facilities, small pieces of land, unavailability of improved seed and fertilizer as well as technology, agriculture is in subsistence level and the economy of the nation is also subsistence.

Cooperative movement in Nepal began with the holistic objectives to augment socio economic status of the underprivileged rural sector people having no access to the socio

economic means. This was the perfect system that provided members' strength to compete against the exploitative forces of capitalist economy and to function in democratic manner.

Cooperatives are still lacking entrepreneurship capacity to diversify their socio - economic activities through various supports by the state to the cooperatives have been provided from the beginning. Basically the rural based agriculture cooperative societies have had much more financial and business development problems as they were supported, controlled and directed by the state. They are still lacking the activities to harness the opportunities provided by the new cooperative act, 1992 which was recognized the cooperative as an autonomous, self controlled member based strong business entity.

To improve the economic level of Baireni's small farmers, income level should be increased through development of entrepreneurship as well as improving the conventional type of farm practices. To enhance the given term certain opportunities and input requires. Improvement of agriculture is possible in such circumstances, when farmers can get all sorts of input like improved and healthy seed, Chemical fertilizer, irrigation facilities, training and market of the product etc. The facilities generally offered by government could not reached to small farmers because of their low accessibility, or due to the lack of education and poor economic condition, not only this the cumbersome administrative process to get the services. They are so poor and can not by new techniques. Due to the lack of collateral and good security it is impossible to get credit from bank.

Considering this, Government has launched many programmes for small farmers. To improve the socio economic condition of the rural people of Baireni VDC, The ADBN had launched the SFDP since 2052 B.S., and it was institutionalized as form of cooperative managed by small farmers of the area. Due to the lack of managerial skill, large coverage, ethnic diversity in members and limited resources some tribulations are raised and cooperative management is also being problematic. Services like micro credit, technical services like training and counseling, irrigation facilities, providing seed, fertilizer and marketing is not sufficiently supplied. It may hamper the mobilization of the farmers and level of trust may be decreased.

The study has been focused on criterion of credit facility, its' activities related to entrepreneurship development and other non financial services. This study is concerned the performance of the institution as well the socio economic impact on the farmers of Baireni VDC.

Small Farmer Cooperatives are formed and operated in village level by farmers. Principally, Small Farmers Cooperative Limited is a multi purpose cooperative designed to deliver primarily financial and non financial services to its members in rural areas and basically it aims at promoting farmers' economic status and its self sustenance. To achieve identified objective, better understanding between members and commitment on cooperative principle as well as institutional behavior is very crucial. The economic and social betterment of the members is prime objectives of SFCLs. This concept was introduced by Agriculture Development Bank-Nepal and supported by GTZ and initially SFDP was transformed into SFCL in Chhhatreurali VDC of Dhading district as piloting. Presently, SFCL's number has reached 147 which are working throughout the country (ADBN-2005:11).

Initially, SFCL was introduced as an exit strategy of Small Farmers Development Program and now it is emerging as a small bank managed by small and poor rural people. So there is a significant role of such type of financial institution and it is necessary to study the role of SFCL relating it with rural economic development. There are 18 SFCLs in Dhading district. The study has been focused on criterion of credit facility, its' activities related to entrepreneurship development and other non financial services. This study is concerned the performance of the institution as well the socio economic impact on the farmers of Baireni VDC.

Basically, this study is being done to identify the role of Small Farmer Cooperative Limited's role in entrepreneurship development and income generation among its members. The SFCL is a significant poverty alleviating institution with ground foundation. It is emerged with aims of increase productivity, income and improving the life standard of poor farmers through the rural financing. Small Farmers Cooperatives are service provider, In case of Dhading these institutions seem to be devoted to provide financial and non financial services but the effectiveness has not been measured yet. Its effectiveness can be studied in. Baireni SFCL. It was established in 2056 and regularly providing services to its shareholders. This study was carried to examine its role in rural economic development.

1.3 Objectives of the Study

The general objective of the study is to analyze the role of SFCL in economic development and employment generation of rural people.

The specific objectives are as follows:

1. To analyze the financial and non financial services of Small Farmer Cooperative Limited (SFCL) to its members regarding to economic development of poor people.
2. To examine the role of SFCL in income generation in rural community.
3. To examine the employment opportunities by SFCL interventions.

1.4 Importance of the Study

Cooperatives must have certain principles, which are also set of rules and regulation to regulate and govern the activities of cooperatives business/enterprise. There have been 3 types of cooperative systems, rochdale system, Raiffersen system and Schulze system. Raifferson system is concerned with farmers (Badal, 2004:57-60).

In the context of Nepal Small farmers' cooperative limited is new concept & still it is in pioneer stage here. The objective of SFCL is to deliver financial and non financial services to its members in rural area. The core vision of handover program was to give continuity of SFDP through self farmers managed grass root institution and the mission to increase the accessibility of poor and women to micro credit and other subsidiary activities. The institutional development activity transforming the SFDP into SFCL and it is expanding through out the country, but its role in economic development is not examined. Cooperative as community based institution and principally one for all and all for one needs to be responsible to its share holders/members. High level of trust and professional competency is urgently required otherwise the institutional viability may be lost, due to frustration among members cooperative can not function as cooperative principle and norms. So, for the sake of analyzing the SFCLs' role in business/entrepreneurship development, micro enterprise development and employment generation, as well as to suggest the appropriate method of improvement and accelerate farmer cooperative movement into better path, this study is being done. Beside this, millions of rupees have been disbursed on small farmers even after handover of SFDP, So

examination of SFCL as rural financing institution and its role in rural economy is essential, to sketch the reality of circumstances this study is done.

1.5 Limitation of the Study

The study area is said to be representation of the mid hills of Nepal. However, the research findings can not be generalized though the result of the study will match many other SFCL in the area. Basically this research is concerned to examine the role of SFCL for supplying inputs like credit and other non financial services. Entrepreneurship development and commercialization emerged in rural area, livestock status and income level of small farmers is circumstances of the study.

1.6 Organization of the Study

This dissertation has been divided into six chapters. The first chapter includes introduction of the study. Similarly the second and third chapter briefly deal with literature review and research methodology respectively.

The fourth chapter mainly deals with introduction of the study area as well as introduction of the Baireni Small Farmer Cooperative Limited. The fifth chapter includes the data analysis and interpretation. The concluding part (summary, conclusion and recommendation) of the dissertation is summed up in chapter six.

CHAPTER - II

REVIEW OF THE LITERATURES

Background:

Literature review consists of reviewing both the theoretical and previous related studies to shape to the present study. Different documents related to Agriculture and Economy of Nepal, Concept of Cooperative, emergence and performance Small Farmers Cooperative & management practices, services provided by farmers cooperative and its institutional performance are reviewed briefly. Its aim is to apply reflection to existing achievements and problems relating to social, institutional and economic sphere. Literature review chore has been fragmented into several sub chapters to simplify the work. To proof the rationale of study a brief note on view of literate persons is remarked here under Agriculture and rural economy, Cooperative movement, Small Farmer Development Program, Small Farmer Cooperative Limited and Small Farmer.

2.1 Agricultural Economy

The rural development particularly emphasizes on improvement of the economic disparity and poverty. The rural development should voice the other sources of the development like political and social factor going out of the agriculture economics. If the agriculture development could be done in such a country where most of the people live in rural areas and their livelihood is depend in agriculture, there will be development of rural areas naturally (Kunwar, 2003:56)

A tentative sketch of poverty in the country can be felt that 81 percent of the economically active population are engaged in agriculture, 70 percent farm families hold less than 1 hectare of land, average land productivity (cereals) is less than 2 ton per hectare and disguised employment is 40 percent. The size of rural household varies from 4.5 person incase of landless class to 11 in case of large land holdings class, the average being 5.6. Two third of rural population being to the working age group of 10-59 years (Pokhrel, 2004)

Agriculture and credit play very important role in poverty alleviation and in the creation of employment in the village by promoting agricultural and other business. There have been enough achievements as target from the agricultural programs. Lack of easy access

to receive loan, in adequate institution expansion, lack of security, excessive indirect expenditure to receive loan and high interest loan have been observed as the obstacles in the development of this sector. To create opportunities for income generation activities and employment by removing these obstacles it is necessary to agricultural and rural credit system easily accessible to the general public (NPC, 2002)

Agriculture Credit: The flow of the agriculture credit playing an important role on agriculture production has been given continuation. In fiscal year 2004/2005, about Rs.11,817.00 million worth of agricultural loan has been disbursed by Agriculture Development Bank and on the part of recovery amount to Rs. 10,330.9 million both of which amounted to a total agriculture loan of Rs. 21,173.00 million in arrear at the end of the fiscal year. In the first eight months period of fiscal year 2004/2005 about Rs. 6,915.4 million worth of agriculture loan was disbursed followed by an increase in the amount of loan disbursement during the same period of fiscal year 2005/2006(2062/63) that amount to Rs. 8,503.3 million. Largely loan investment is made on the sector of agriculture industry, buying and selling and warehouse construction that accounts about 50% of the total loan disbursement and least amount of loan investments set aside for tea and coffee(Economic Survey, 2005/2006:117)

2.2 Cooperative

Cooperative movement in Nepal began with establishment of Cooperative department in 1993 under the ministry of agriculture. In the beginning of cooperative movement in the real sense was geared up with the establishment of 13 credit cooperative societies as part of resettlement program for the flood stricken people in Rapti Dun basin under the active support of USAID/Nepal on experimental basis. These cooperatives were registered under an executive order of his majesty's government of Nepal (Cooperative Development Board, 2061:13)

The word Cooperative has defined differently by different institution and scholars. The International Cooperative Alliance's meeting held at Manchester England in 1995 defined "A cooperative is an autonomous economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise".

The definition given by International Labor Organization has covered the most of the principles of cooperative as such it can be considered to be the most comprehensive one. Cooperative society is "An association of the economically weak who voluntarily

associate on the basis of equal right and equal responsibility transfer to an undertaking one for several of their functions, corresponding to one of several of their economic needs which are common to them all but which each of them is unable fully to satisfy by his own individual efforts and manage and use such undertakings in mutual collaborations to their common material and moral advantage.

In Nepalese context, Cooperative is introduced as supporting institution for agriculture development. After the restoration of Multiparty democracy, saving credit Cooperatives are widely opened in urban area of the country. The periodic plan and policies of HMG has given due emphasis on agricultural sector particularly production aspect, although benefits have been largely shared by a minority group of big farmers. Historically Cooperative was started in 1954 for resettlement project. The main objective was to channel aid for agriculture as well as small scale and cottage industries.

From the beginning of periodic plan in 1956 cooperative development has significantly addressed, different types of cooperatives like farmers cooperative, consumers cooperative and guided cooperative were introduced. Although numerically large volume of cooperative opened but quality aspect of those institution was not considered. At the end of 8th 5 years plan, the need of qualitative cooperative was realized for providing services to uplift the rural economy.

The tenth 5 years' plan has emphasized for quality improvement of cooperatives. The role of cooperative in rural economic development is significantly identified and policy is mentioned as "The small farmers group community based organization in the remote setting will be encouraged to take up initiation for providing improved seed and other inputs by providing technical support to them".

The concept of "Agriculture cooperative" refers to the conventional classification of cooperatives according to economic sector (Helm,1968).It is an association of farmers and other rural households who have voluntarily joined together to fulfill a common socio economic objectives(basically raising income) by undertaking suitable business activities, making contribution to the capital required and accepting fair share of the risk and benefits of the business according to the principle of cooperation as reformulated by International Cooperative Alliance. The Cooperative can operate and expand their business and service activities through the process of networking as primary, secondary or tertiary cooperative. It should be effective in this connection that village level primary

agriculture cooperatives need to adjust their size and scope of activity in accordance with the demands of members to meet their complex requirements of planning, production and off farm activities(Acharya, 2005:40).

The philosophy of the mutual help through collective effort is the corner stone of the cooperative movement. The key principles that guide it are: voluntary and open membership without discrimination, democratic control by members through one person one vote modality, economic participation by members for capital resources, operational independence and autonomy, continuous education, training and information for competency development, mutual help among cooperatives of community (Rai, 2005:35)

Prof.Dr. Govinda Ram Agrawal has clearly mentioned the problems of small business cooperatives in Nepal:

1. Management: Most small business cooperatives suffer from inadequate management. They lack professional management, reflected by:-

)Lack of clear vision, strategies and plans for future road map

)Traditional management practice

)Ineffective leadership of part time members in the management committees

)Poor quality and competencies of employees due to poor training and development.
Hiring of employees tend to be based on relations and connections of the members of management committees.

1 Technology: Most small business cooperatives in Nepal make low use of improved technology. The use of information communication technology is poor. Procurement is also costly and time consuming.

2 Marketing: Small business Cooperatives in Nepal generally cater to local markets. They face intense competition from large business enterprises. They also face difficulty in marketing their products. Globalization has also added challenges to small business cooperative.

3 Finance: Small business cooperative suffers from inadequate financing. Credit facilities are not easily available from banks and financial institutions. They suffer from low credit worthiness.

4 *Government policies and regulations:* Small business cooperatives in Nepal need to cope with changing government policies. They are burdened by some government policies, regulation and procedures. They suffer from excessive dependence on government. This has led to political interference in their operations.

Acharya Bishow Mohan has clearly emphasized the importance of participation in Farmers cooperative in this way:

Cooperative are participative self help organization in that the member are also co-owners and have both the rights and obligations of participation in goal setting, decision making and control or evaluation process of their cooperative. Members decide upon the services to be provided and benefit from what is produced or obtained by the cooperative. There should be incentives for them to contribute their own resource (capital, labor, produce) to the development of the cooperative. (Cooperative Development Board, 2062:40)

2.3 History of Co operative Movement:

The Journal called SAHAKARI SAMBAD Published by cooperative Development Board has mentioned the historical development of cooperative in Nepal.

Date	Activity
1953	Cooperative department established
1956	13 saving and credit cooperative societies formation in Rapti valley of Chitwan district
1959	Promulgation of first cooperative act
1961	Promulgation of first cooperative regulation
1962	Establishment of cooperative training centre and Sajha Yatayat
1963	Establishment of cooperative bank
1966	Department of cooperative put under the ministry of land reform ,food and agriculture
1967	Central investigation committee constituted. Cooperative emphasized in back to the village campaign, cooperative bank converted into agriculture bank
1968	Administration of cooperative put under land reform department.
1969	Department of cooperative put under the ministry of land reform, guided cooperative scheme implemented

1970	Revitalization program implemented setting up of central and district cooperatives revitalization committees
1976	Cooperative program extended nationwide
1978	Management of cooperative entrusted to management committee, withdrawing from agriculture development bank, Government emphasized determination to raise quality of cooperative services.
1980	Initiation of separate cooperative for small farmers
1983	By laws and program of national cooperative federation passed by convention of 33 district cooperative union
1984	Promulgation of cooperative society Act.
1986	Promulgation of cooperative society regulation
1987	High level cooperative development central coordination committee constituted. Department of cooperative brought under the ministry of agriculture
1991	Dissolve of Shajha central office ,Formation of National Cooperative board
1992	Commencement of Cooperative Act and Cooperative regulation
1993	Formation of Central users Cooperative Union, Formation of NEFSCUN, Formation of National Cooperative Union
1997	National cooperative Union obtained membership of ICA(International Cooperative Alliance)
2000	Restructure of Agriculture and cooperative ministry
2004	Restructure of prevailed Cooperative office and establishment of 38 Division office

2.4 Small Farmers Development Program

The Agriculture Development Bank Nepal, implementer of the SFDP has explained Small Farmer Development Program. The small farmer development program, it is the first group based poverty alleviation program of the country. First of all, the program was initiated as a pilot test in the Dhanusa and Nuwakot district of the country in the mid seventies. The success of the pilot test in Terai and the hill with support of FAO/UNDP encouraged the policy makers and Agriculture Development Bank, Nepal to gradually

expand the program. The number of sub project offices (SPOs) of SFDP reached a maximum of 459 in 1993. The main objective of Small Farmer Development Program to improve the socio-economic condition of small farmers living in rural areas of hills and Terai by providing financial and non financial services. The SFDP gained popularity comparatively more in Terai and hills with huge demand to establish SPOs in the villages. However the programme encountered several constraints such as high overhead cost, low repayment rate and lack of competent staff in the field level in the mid of 80's (ADBN, 2005:5).

2.5 Small Farmers Cooperative Limited

Small farmers' cooperative limited was introduced as exit strategy of SFDP in Nepal; SFCL is graduated form of SFDP moving towards village bank. It is one of the pioneer programs for poverty alleviation in Nepal (Kunwar, 2003:276).

In 1987, the ADBN introduce an action research institutional development program(IDP) with the support of German Technical Cooperation(GTZ).The objective of the IDP was to transfer the ADBN run SPOs into fully administered and managed cooperatives of small farmers.

A small Farmer Cooperative limited is a multi service cooperative designed to deliver primarily financial but also non financial services to its members in rural areas. SFCLs are civil society organization that pool their resources to meet basic needs defend interest of theirs members. The ownership lies with the members of SFCL, which has an open door membership policy towards "poor" farmers.

Small Farmers Cooperative Limited has unique identity than other type of cooperative with its differentiating system approach. The three tired structure with small farmers groups, inter groups, and he main committee as the three pillars. Small farmer groups are set up as joint liability groups at the village level, usually consisting of 5 to 10 members. These bodies allow members to start and operate financial and non financial services required by the group and/group members. From each small farmer group with in a defined area, one representative members joins the so called inter group. It functions as an intermediary between the groups and the main committee. One representatives of each inter groups join the main committee at the VDC level. The members of the main committee approve the program of the SFCL and decides on the implementation of any

projects like, consumer store, livestock insurance scheme and building construction etc (ADBN).

A study done by Ishwor Nath Mishra “Role of SFCL in alleviation of Poverty, focusing to Dumarawana VDC of Bara district (2005:76) has summed up the findings: The SFCL Dumarawana has provided two types of loan- short term and medium term loan in different 8 portfolios, the higher amount of loan is disbursed for cereal crops, cash crops, agriculture marketing and live stock purpose and smaller amount of loan for agriculture tools, irrigation, bio gas and cottage industries purpose during the fiscal year 2001/2002 to 2003/2004 the out standing amount of disbursed loan is also higher in highly invested portfolio in comparison of low investment portfolio, as well as overdue amount/percentage is also in same ratio.

CHAPTER -III

RESEARCH METHODOLOGY

3.1 Research Design

The sole purpose of this thesis was to diagnose and describe the impact/ role of Small Farmer Cooperative Limited on livelihood and economic development of the rural small farmers. Mainly it was focused to examine the economic performance of the Cooperative and its role in entrepreneurship among shareholders. In order to meet the objective of this study, the descriptive and diagnostic method of research has been used. Both primary and secondary data/ information have been used in this study, but research was heavily based on primary data.

3.2 Rationale of the Selection of the Study Area

SFDP for the first time was introduced in Tupche VDC of Nuwakot district in hill and Mahendra nagar of Dhanusa district in Terai. But for the first time SFCL was introduced as exit strategy of SFDP in Chhatre deurali VDC of Dhading. Now there are 18 SFCL working in rural area of Dhading district. One of them Baireni SFCL is devoted to provide agriculture related inputs and other social services since 2053. Dhading is adjoining district of capital city Kathmandu. Dhading district is expanded from Mahabharat Mountain in southern aspect to boarder of Tibet in north with varied climate and topography. It has been shelter place of Chepang community in southern to large volume of Tamang in Northern hilly area.

The diversified topographical feature has provided great potentiality of agriculture business. Fertile tar and river basins along the Trishuli River, Netrawoti river, Belkhu river & Malekhu river are most potential for vegetable farming and grain production and hilly area/terrace land is favorable for horticulture as well as milk production. Capital city Kathmandu is a big market of agriculture products. Frithvi and Tribhuvan highway are backbone for transportation facilities. So there is great potentiality of commercial farming of different types which can contribute to reduce the rural poverty and promote the national economy. It seems that Community based organizations like SFCL can play significant role to provide technical, financial and marketing facilities to rural people. The rationale of the selection of this area for study is to analyze the services of this cooperative in rural economic development effort as well as suggest ideas to strengthen

forward and backward linkage of SFCL. Such type of study has never been conducted and study signifies on economic development of study area.

3.3 Sources of Data Collection

The information collected was both qualitative and quantitative in nature. Both the primary and secondary data were collected and assessed. Field survey was done by the researcher to investigate information related to services delivered by Small Farmers Cooperative as well as to gather the social, economic and livelihood status and source of income of the farmers of study area. Survey research was approached through the methods of personal interview, direct observation, questionnaires and checklist. Secondary data were obtained from SFCL office, Baireni VDC office, DADO, SKDB, ADBN, GTZ and other related office.

3.4 Sampling Procedure

The total 9 wards of the VDC were working area of the SFCL, 5 wards were considered for sample ward. 5-10 people from each ward were selected as sample for study purpose. The total shareholder numbers of the cooperative 457 out of them 40 households were considered as sample. Among 40 respondents 12 from ward No. 9, 8 from 7, 6 from ward No. 8, 7 from ward no 1 & 5 from ward No. 5 which is 9.5% of the universe. Sample h/hs were selected from specified random sampling. The respondent consists of male and female, from different ethnic groups. Ward No.7, 8 & 9 were adjoining wards with Prithvi Highway and ward no 1&5 were nonattached with Highway.

3.5 Data Collection tools and technique

For the information and data of primary type, the researcher concentrated to the members of SFCLs Baireni, for which household survey, Focus group discussion and observation technique was implied. Similarly, the questionnaires, questioning routes checklist were used as tools for data collection were applied as instruments. Visit Study area, meet with beneficiaries and non beneficiaries and viewed the response of farmers toward Small Farmer Cooperative Limited.

3.6 Data Processing and Analysis

Data collected in the field and secondary sources were processed and analyzed by using different statistical tools. Different excel files are created to enable efficient handling, storage and management of collected data. Table, bar diagram and pie charts are used to

present data. Most of the data are presented in tabular form out of which some are also presented in graphs also. After analyzing the collected data, outcomes have also analyzed. To improve the affectivity of SDCL and to overcome the problems the necessary recommendations have been put forth.

CHAPTER- IV

STUDY AREA PROFILE

4.1 General Features of the Study District

4.1.1 Location

Dhading District lies in the Central development region of Nepal. It is bounded by Kathmandu, Nuwakot and Rasuwa district to the east, Gorkha district to the west, Nuwakot district and Tibet (China) to the North, and Chitwan and Makwanpur district to the south. The total area of this district is 1926 Sq.KM. It has 50 village development committee. Dhading Bensi is the district headquarter of the district. The district lies between the elevation of 488-7409m. The major rivers in the district are Trishuli, Budhi Gandaki, Ankhukhola, Belkhu, Malekhu, Thopal and Mahesh etc. The district has subtropical, temperate and alpine climate.

Topographically the district can be distributed into three areas. High Himalayas, High mountain and mid mountain. Among its total area 44388 hectare land is cultivated and 92856 hectare land is under the forest cover. (District Agriculture Development Office Dhading, 2005)

4.1.2 Demographic Profile of Dhading

As per the projection, total population of Dhading district is 338,658. Among them 165,864 are male and 172,194 are female. The total number of household is 62,759, with the average household size of 5.4 the literacy rate of 6 years and above is 36.5 and the population density per sq.km. is 158.5 (CBS, 2004).

4.1.3 Geographical location and Demographic Profile of Baireni VDC

Baireni VDC is situated on southern centric part of the district. This VDC is bordered by Bhumisthan and Goganpani to east, Kalleri to North, Pida and Kiranchok to the west and Kiranchok and Makwanpur district to the south. Baireni bazaar is the headquarter of Baireni VDC and it is two hour drive from Kathmandu.

Baireni VDC has diverse cast/ethnicity such as Bramhin, Chhetri, Tamang, Newar and other occupational cast. The total household of VDC is 2135 with the total population of 6014 male and 5807 female, with the 5.32 average size of household. The majority of the population is followed by Bramhin/Chhetri. The literacy rate of this VDC is only 49%. The average land holding size per household is 0.21 hectare.

(Source: Rastriya Shram Prastisthan Nepal 2004)

4.1.4 Source of Economy of Baireni VDC

Baireni VDC is predominantly agriculture VDC. Almost 92% of the population considers agriculture as main occupation. Most of the people have raised livestock as embedded occupation with agriculture. 45% of the total land is covered by forest land and 21 community forests are handed over to User groups in this VDC. The VDC has limited electricity in road head area, Health post and telephone facilities are available in the Prithvi highway sides. There are three secondary schools, 1 higher secondary School and 10 primary school.

(Source: Baireni VDC office)

4.2 Introduction of Baireni SFCL

4.2.1 Emergence of Small Farmer Cooperative Limited:

The small Farmer Cooperative is really as an outcome of Small farmer Development program. According to implementer of the small farmer development program, it is the first group based poverty alleviation program of the country. First of all, the program was initiated as a pilot test in the Dhanusa and Nuwakot district of the country in the mid seventies. The success of the pilot test in terai and the hill with support of FAO/UNDP encouraged the policy makers and Agriculture Development Bank, Nepal to gradually expand the program. The number of sub project offices (SPOs) of SFDP reached a maximum of 459 in 1993. The main objective of SFDP to improve the socio-economic condition of small farmers living in rural areas of hills and terai by providing financial and Non financial services. The SFDP gained popularity comparatively more in terai and hills with huge demand to establish SPOs in the villages. However the programme

encountered several constraints such as high overhead cost, low repayment rate and lack of competent staff in the field level in the mid of 80's.

In 1987, the ADBN introduced an action research institutional development program (IDP) with the support of German Technical Cooperation (GTZ). The objective of the IDP was to transfer the ADBN run SPOs into fully administered and managed cooperatives of small farmers.

Small Farmer Cooperative Limited is a multi service cooperative designed to deliver primarily financial but also non-financial services to its members in rural areas. SFCLs are civil society organizations that pool their resources to meet basic needs and defend the interests of their members. The ownership lies with the members of SFCL, which has an open door membership policy towards "poor" farmers.

Small Farmers Cooperative Limited has a unique identity than other types of cooperative with its differentiating system approach. The three-tiered structure with small farmer groups, inter groups, and the main committee as the three pillars. Small farmer groups are set up as joint liability groups at the village level, usually consisting of 5 to 10 members. These bodies allow members to start and operate financial and non-financial services required by the group and group members. From each small farmer group within a defined area, one representative member joins the so-called inter group. It functions as an intermediary between the groups and the main committee. One representative of each inter group joins the main committee at the VDC level. The members of the main committee approve the program of the SFCL and decide on the implementation of any projects like, consumer store, livestock insurance scheme and building construction etc.

4.2.2 Shareholders/members of SFCL Baireni

Baireni SFCL is a common institution of 457 members/shareholders tied with each other influenced by the motto of 'Each for all and all for each'. Among them 160 are female and 297 are male. The coverage of the institution is the whole area of VDC. On the basis of participation of the shareholders in SFCL ward No. 9 is in first position with total 95 members. Like this the lowest representation is from ward No. 24. The total 9 wards of VDC are the working area. The representation ratio of shareholder is not similar in ward basis. The members' participation data is given in table No. 4.2.

Table 4.2 Shareholders and representation from different wards

Ward.	Female	%	Male	%	Total
1	12	34.29	23	65.71	35
2	10	41.6	14	58.33	24
3	18	32.7	37	67.22	55
4	21	53.8	18	46.15	39
5	10	25.64	29	74.36	39
6	12	33.3	24	66.67	36
7	22	33.3	44	66.67	66
8	28	41.18	40	58.82	68
9	27	28.4	68	71.58	95

Source: Field Survey 2006

Baireni SFCL is a field level communal entity. 457 small farmers tied with each other influenced by the motto of “each for all and all for each.” There are 457 members/shareholders. Among them 297 are male and 160 are female. The table No. 4.2 and figure No.4.1 shows the representation scenario of male and female members from 9 ward. There is the highest representation from ward No.9 which consist 95 farmers (male 71.5% & female 28.5%). Like this the ward No. 2 has slightest representation having number of total 24 (male 58% and female 42%). The highest female participation from ward No.8 is 28 personal and lowest female participants from ward No. 2 is 10.

4.2.3 Source of SFCL Capital

From the starting phase of SFDP, ADBN is providing both financial and non financial support to it. ADBN is implementer of this development programme. After the transformation of SPOs into self administered, self managed institution Small Farmer Cooperative Limited, & it has tried financially self sustained through the arrangement of provision like individual saving, group saving, share capital. Although, due to the large scale of credit demand by farmers internal source was not sufficient. Considering the fact bilateral agreement between ADBN and SFCL has been made and ADBN is providing credit facilities to SFCL in annual basis, so the major source of finance is ADBN. Beside

this grant for development work is providing by Cooperative Union, District Development committee and VDC. Now SFDBL has been established and financing to SFCL regularly. In case of Baireni SFCL ADBN is the main source of capital, Share capital and group saving fund is self generated capital of the cooperative.

4.2.4 Organizational Structure

Small farmer cooperative limited is an output of induced development programme called Small Development programme and has formed under the frame of cooperative provision registered in district cooperative office. SFCL has consisted new dimension like farmer group, intergroup and participation from each inter group in management committee. Now there are 457 members as share holders in this cooperative and 9 members in main committee representation from each inter group.

Table 4.1 Organizational Structure of SFCL

SFCL is community based small farmer managed institution and farmer groups formed in the tole level are the initial informal institution. The table given below shows the intuitional/organizational set of the SFCL.

Table 4.1 Organizational Structure of SFCL:

Level	Features of Organization	Functions
VDC	Main committee (Representation from inter groups)	<ul style="list-style-type: none">)Amend the policy through general assembly, Implement it preparing effective guideline)Institutional management in general)Establish good relationship with line agencies through proper liaisoning.)Mechanize Monitoring and evaluation procedure and regularize follow up)Provide collective leadership and Direct properly the institution

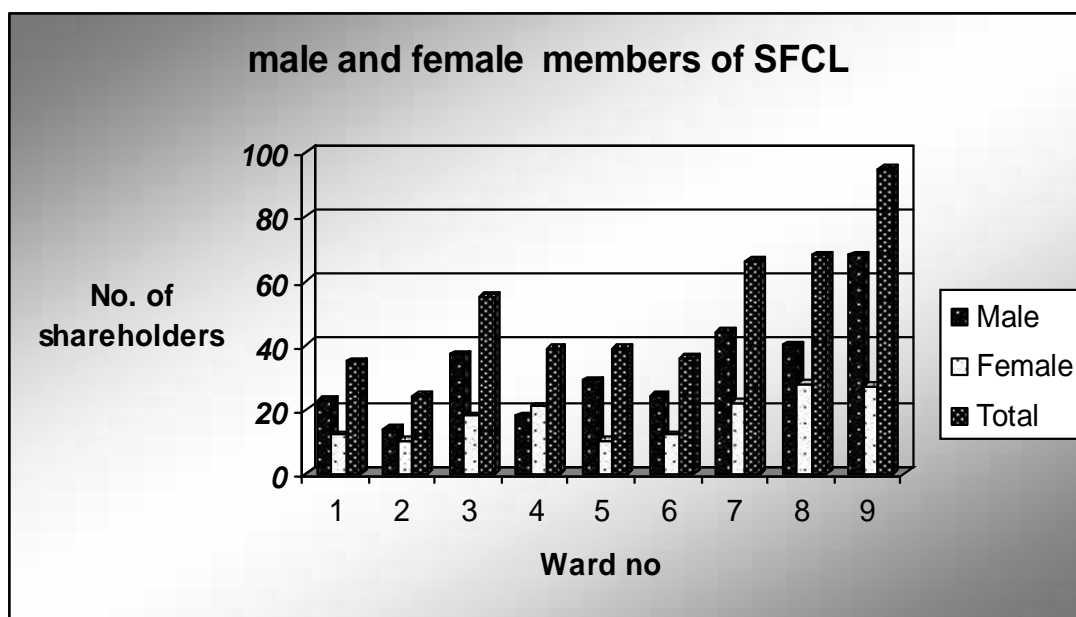
Ward	Inter Group (Representation from different small farmers groups)	<ul style="list-style-type: none">) Implementation of CD activities) Saving collection and mobilization/ ward level) Intermediary role between main committee and groups) Recommend the credit
Committee	Group (Participation of small farmers)	<ul style="list-style-type: none">) Saving collection) Implementation of development activities) Credit recommendation) Identification of groups
Household	Small farmers	<ul style="list-style-type: none"> Credit demand and repayment Saving deposit Be an active member

Source: SFCL Office, Baireni

Figure No.4.1 Organizational structure of SFCL Baireni

Source: SFCL Baireni

Figure 4.2 Shareholders of the Baireni SFCL



Source: Field Survey 2006

4.2.5 Ward wise group numbers

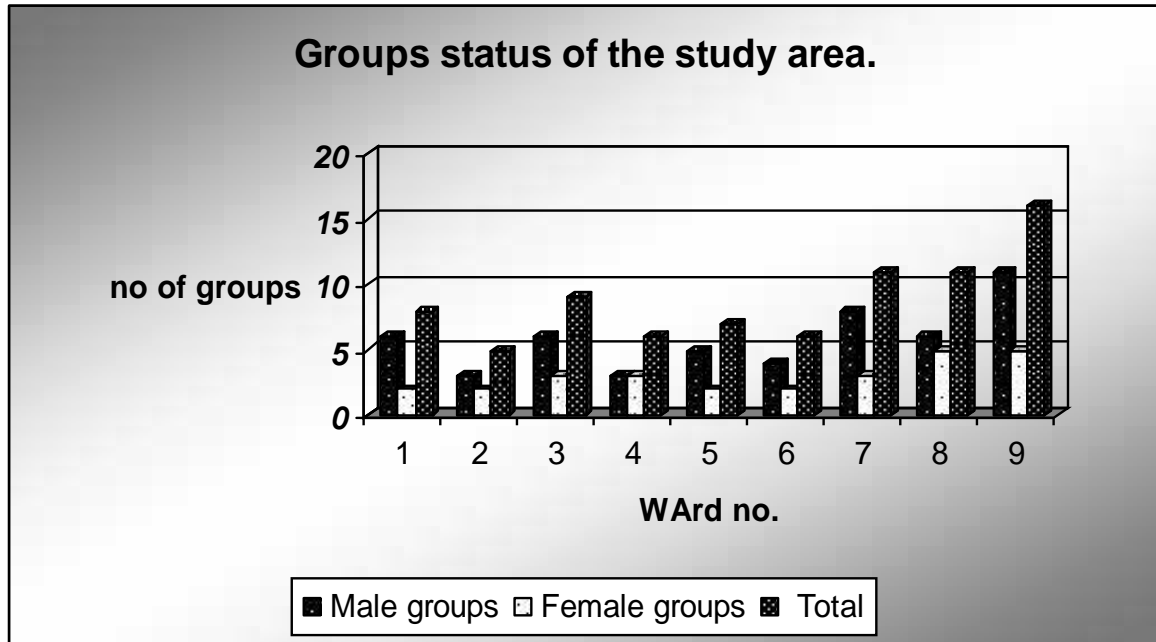
Farmers groups are the primary and No.n formal institution in community level which had been provided strong foundation to the SFCL. The record of groups is given under in tabular form

Table 4.3 Ward wise group numbers

Ward No.	Male groups	Female groups	Total
1	6	2	8
2	3	2	5
3	6	3	9
4	3	3	6
5	5	2	7
6	4	2	6
7	8	3	11
8	6	5	11
9	11	5	16
total	52	27	79

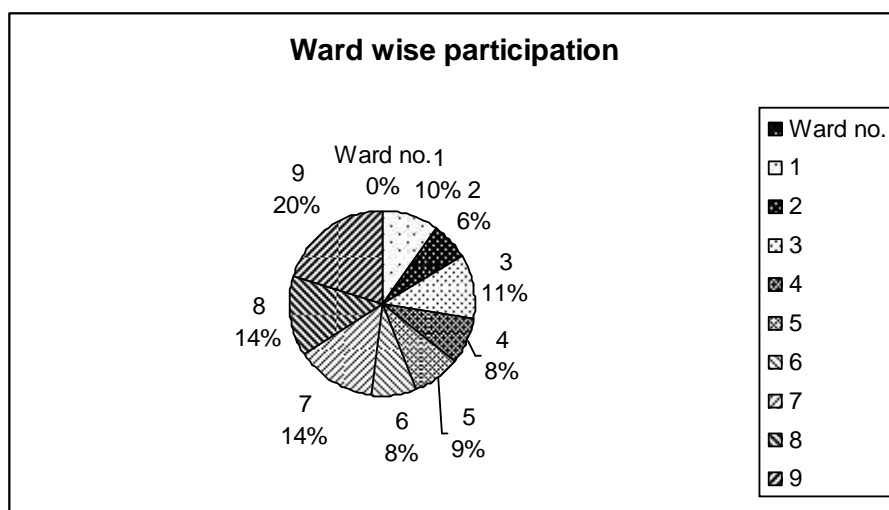
Source: Field Survey 2006

Figure 4.3 Group number – ward wise



Baireni SFCL is a grass root financial institution of this VDC. There are 457 household joined with SFCL Baireni. There is vigorous participation from each ward of VDC. Baireni SFCL has its own premises and office is sited near Baireni Bazaar in ward No. 9. Although whole VDC is its working area but intensity seems (table No.4.3 and figure No.4.3) shows the number of farmer groups in different ward from 1 to 9. There are 79 farmer groups existed which are joined institutionally with SFCL. Ward No.9 ranked greatest with highest number of 16 groups. Ward No. 8 and 7 have similar profile with equal groups of 11 and ward No. 2 has only 5 groups.

Figure 4.4



4.3 Trained Man Power of SFCL Baireni

It is universally accepted that training (either on the job training or other formal and informal training) helps to upgrade the performance level of people. The institutional sustainability and service quality depends upon the quality manpower of organization. For organizational smooth acceleration quality leadership is lubricant. Visionary leadership and proper management depend on academic, behavioral, attitudinal performance of the vital posted members. The data of trained manpower is given below:

Table 4.5 Trained Man Power of SFCL Baireni

SN	Specification	No.
1	Organizational Management	3
2	Account and record keeping	1
3	Group facilitation	2
4	Entrepreneurship development	1
5	Business plan preparation	1
6	Group management	4
7	Off farm vegetable farming	10
8	TOT on micro Credit management	1
9	Cooperative management	1
10	Total	24

Source: Secondary Source

CHAPTER -V

DATA ANALYSIS AND INTERPRETATION

5.1 Demographic Characteristics

5.1.1 Caste composition and Religion

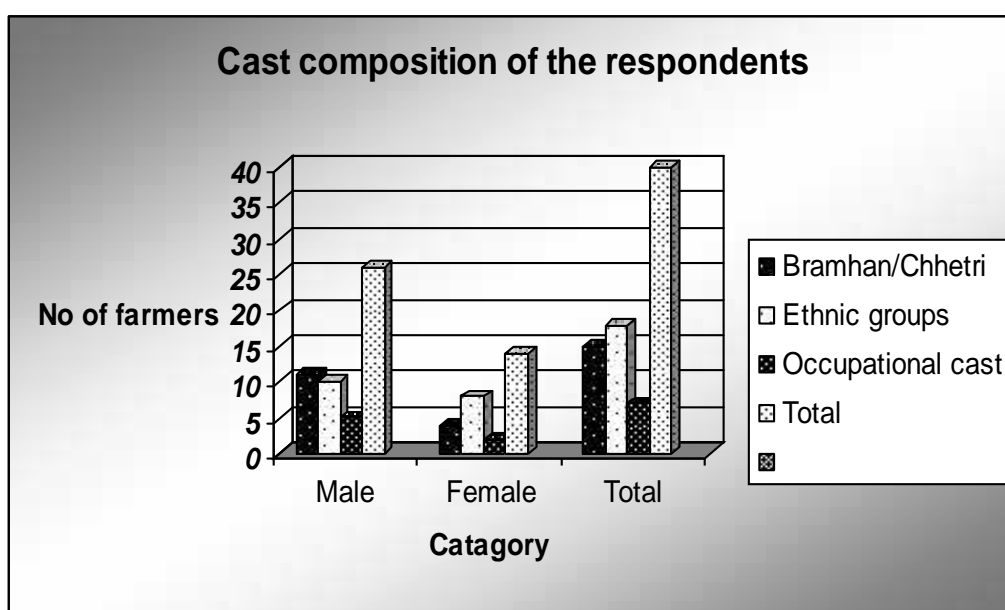
The table below shows the ethnicity of respondent. Among the respondents, the representation of Bramhin/ Chhetri is 37.5%. Like this, representation of ethnic groups is 45% and remaining part is positioned by occupational cast. Among the 40 respondent were 26 male (65%) and 14 were female (35%). Among 40 respondents, 18 % were Buddhist and rest of all were Hindus.

Table 5.1 Caste composition of the Respondents

Category	Male	Female	Total	%
Bramhan/Chhetri	11	4	15	38
Ethnic groups	10	8	18	44
Occupational cast	5	2	7	18
Total	26	14	40	100
Percentage	65	35	100	

Source: Field Survey, 2006.

Figure 5.1 Caste composition of the respondents.



The table no 5.1 and figure No.5.1 shows that population of ethnic groups with majority of Tamang is highest (44%). Bramhin and Chhetri consists 38% with second positioning and occupational cast seems 18%.

5.1.2 Educational status of the Respondents

The educational status determines the social status of the people. To analyze the education status of the respondents' level of education was asked with all respondents.

The condition of literacy/education is given in table below.

Table 5.2 Educational status of the respondents:

Classification	male	%	female	%	Total
Illiterate	8	31	5	36	13
Up to 5	10	38	6	43	16
5 to 10	5	19	3	21	8
Above 10	3	12			3
Total	26	100	14	100	40

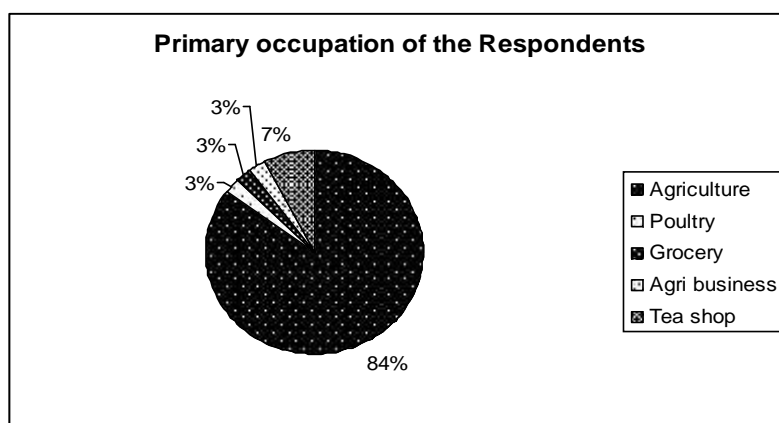
Source: Field survey 2006.

Among 26 male respondent 69% are literate and 12 % farmers are comparatively well educated with education above 10 class.19% farmers have moderately literate with the education class of 5 to 10. 38% male farmers are simply literate with the education below 5 classes. The figure presented below shows that among 14 female respondents 36% are illiterate and 43% are simply literate with the education of bellow 5 class or from the informal education classes. 21% female have seemed as better educated with the education ranging 5 to 10 class.

5.2 Occupation of the Respondents

Among 40 respondents all are attached with agriculture primarily or secondarily. 84% of the population primarily involved in agriculture including livestock. 7% have tea shop installed but also involved in agriculture and agribusiness, grocery and poultry seemed 3% in each.

Figure 5.2 Primary Occupations of the Respondents:



5.3 Land holding Size of the Respondents

Land is major source of income in rural area. Due to insufficient land holding of farmers and deficiency of input like fertilizer, irrigation and technical know how farmers have become unable to increase the productivity of land. To acquire the record of landholding size of the respondents a question was asked in tabular form. The details of land availability are shown in table and bar diagram under:

Table 5.3 Land holding size of the Respondents:

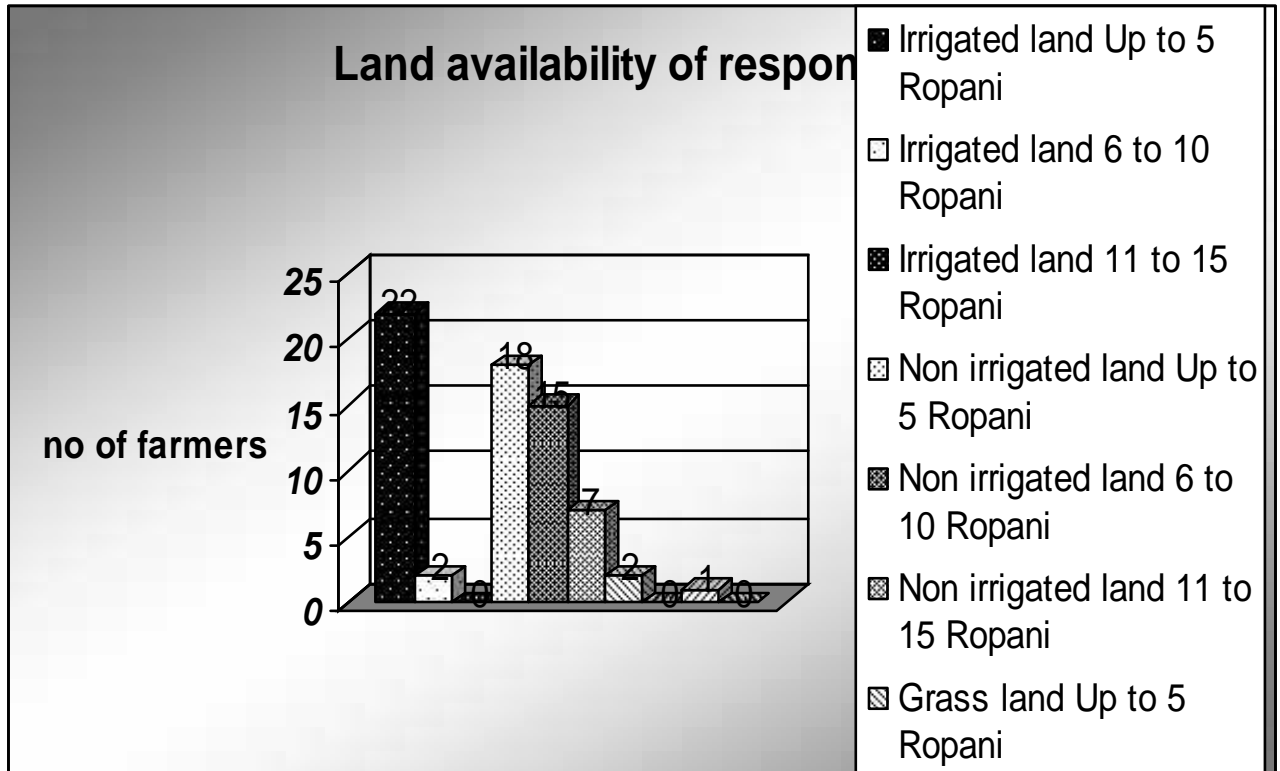
Type of land	Size	Households
Irrigated land	Up to 5 Ropani	22
	6 to 10 Ropani	2
	11 to 15 Ropani	0
Non irrigated land	Up to 5 Ropani	18
	6 to 10 Ropani	15
	11 to 15 Ropani	7
Grass land	Up to 5 Ropani	2
	6 to 10 Ropani	0
Barren land	Up to 5 Ropani	1
	6 to 10 Ropani	0

Source: Field Survey 2006.

The above table shows that the average land holding size of the study area is 6.8 Ropani (Bari or non irrigated land) and 2.33 Ropani (Khet) irrigated land. Comprising both irrigated and non irrigated land, the average land holding size is 4.55 Ropani. The

size of non irrigated land is greater than irrigated land. Only 60% farmers have irrigated land with average of 3.5 Ropani. In case of non irrigated land cultivated land 45% farmers have below 5 Ropani of land and 37.5 farmers with 8 Ropani land holding size. Like this 17.5 % of farmers have owned more than 11 Ropani of land.

Figure 5.3 Land availability of respondent (Both irrigated and non irrigated):



Source: Field Survey, 2006.

5.4 Services of SFCL

Mainly Cooperative provides services to its members. In case of Small farmers cooperative Limited, it provides financial services to its members and community development services/activities to both members and non members of the community. SFCL has been providing credit facilities to small farmers/ shareholders categorizing it into three terms: Short term, (Refund with in 1 year), medium term (Refund with in 3 years) and long term (more time than 3 years). Main portfolios of lending are vegetable farming, Livestock keeping (buffalo, goat, ox) cash crop like zinger, tea shop, grocery, agro processing mill, cereal crops. The main feature of SFCL is to provide credit without any procedural complexities or administrative difficulties. The field survey shows that 90 % farmers are benefited from credit services of the SFCL. Like this the trend of borrowing credit from formal institution is increased vastly.

Table 5.4 Source of Credit of small farmers:

source of credit	Before SFCL	After SFCL
ADB	2	-
Money lender	21	2
Land lord	11	-
Neighbor	5	-
SFCL	-	38

Source: Field Survey, 2006

The above table shows the source of credit before and after the commencement of SFCL in study area. Among 40 respondent 38 farmers are have been borrowing loan from SFCL merely. The record shows that, before SFCL only 5% people were benefited from formal source of credit. Procedural complexities and cumbersome administrative temperament was the reason that people dislike go ahead for loan from Bank source. The circumstances after the establishment of SFCL has changed and people are benefiting from the credit facilities and access of female also has augmented to such financial and non financial institution has increased.

5.5 Functional area, loan coverage of Baireni SFCL

SFCL Baireni is a community based grass root institutions managed and controlled by local people/small farmers of the VDC. More than 450 thresholds are joined with it and the significant participation from all 9 wards people has increased the coverage of area. Credit facility is the key service of SFCL. The provision of loan sub committee under the main committee has made the credit procedure more easy and effective, like this supervision and follow up sub committee is also existed according to SFCL constitution. The intermediary body of SFCL organization called inter group formed in ward level helps to provide loan to right applicant in equal basis liasioning between main committee and groups.

5.6 Major activities of SFCL

5.6.1 Financial activities

SFCL is credit institution and providing credit services is the major activities of SFCL. SFCL has been providing credit or business loan in easy process to its members. More than 90% of share holders have benefited from those activities.

5.6.2 Community development activities

SFCL has been supporting to communities providing small grants for the maintenance of drinking water system, to improve the condition of small irrigation channel. Like this school roofing, trial improvement and plantation in barren land are community support. The SFCL is providing coordination services among communities and development organization for technical and financial services required to communities.

5.6.3 Social activities

Baireni SFCL has conducted adult and women literacy class coordinating with Leasehold forestry program. Like this training on saving and credit management, micro entrepreneurship development, institutional management and group management is being conducting coordinating with ADO, DFO, District cottage industry development committee, VDC and DDC.

5.6.4 Special activity

SFCL is providing livestock insurance, fodder and grass seed providing to small farmers are the special activities.

5.7 Housing status before and after SFCL

Housing pattern or roofing materials of houses greatly symbolizes the household status in rural area. Houses were categorized under four types. The housing condition of respondents is vastly changed after the commencement of the SFCL. The table presented below shows the reality.

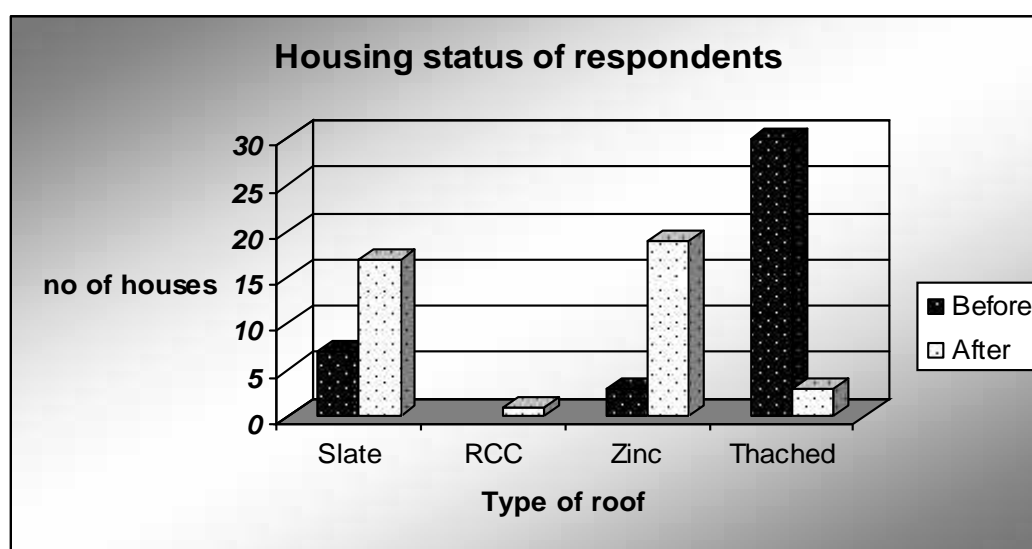
Table 5.5 Housing status before and after SFCL:

Type	Before	After
Slate	7	17
RCC	-	1
Zinc slate	3	19
Thatched	30	3

Source: Field Survey 2006.

Housing status remarkably symbolized the status of rural settlers. In case of this study area, housing/ roofing pattern has vastly changed after the intervention/commencement of SFCL. Among 75% houses with thatched roofing, now it is decreased into 7.5% and zinc covered houses grown into 47.5%. Slate /tiled roofed houses have grown from 17.5% to 42.5% 17 after the support of SFCL and 2.5% houses are RCC structured.

Figure 5.4 Housing status of the Respondents:



Source: Field Survey, 2006.

5.8 Source of Drinking water

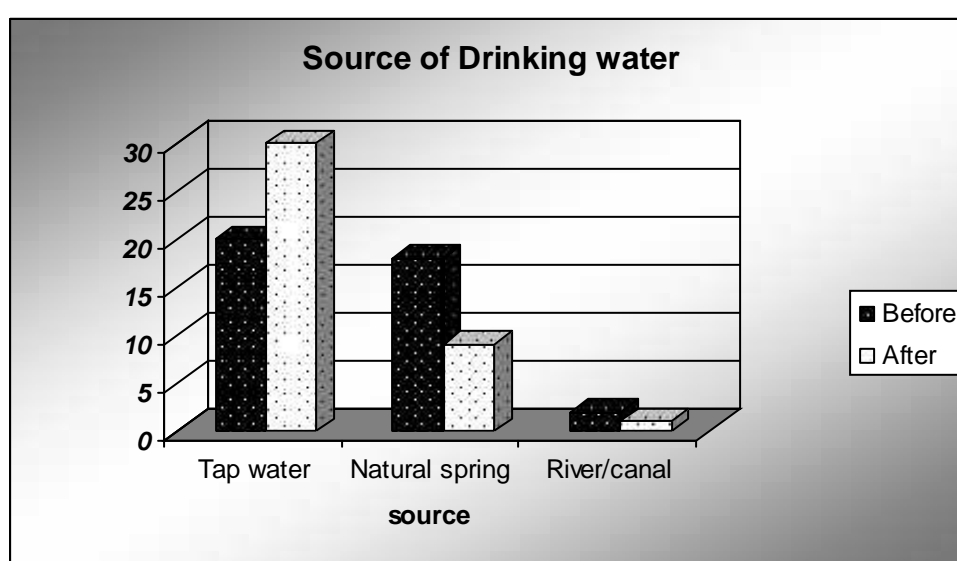
Drinking water is the basic need and most essential element for survival of human beings. People in rural area have suffered from various diseases due to lack of safe drinking water. The diagram shows the status of access of safe drinking water before and after commencement of SFCL.

Table 5.6 Source of drinking water:

Source	Before	%	After	%
Tap water	20	50	30	74
Natural spring	18	45	9	23
River/canal	2	5	1	3
	40	100	40	100

Source: Field Survey, 2006.

Figure 5.5 Source of Drinking water:



Source: Field Survey, 2006.

The table No. 5.5 and figure No. 5.6 shows that before commencement of SFCL 50 % of the respondents were depended on natural spring and river/canal. After the introducing of SFCL 74% respondents are using facility of tap water which is more safe and near from the settlement.

5.9 Income Source of the Respondents

The identity of rural area is agrarian economy. Basically, primary sector is the major source of economy and in the context of Nepal and subsistence type of agriculture has become the profession of rural people. Due to the lacking of commercial farming and entrepreneurship farmers are becoming marginal. Economic condition of the people do not accelerate with out entrepreneurship development and commercial farming and of crops of different types. Entrepreneurship means adoption of creative and productive

work or any effort to boost the economic condition of initiators primarily. Seeking new business, investing as the situation of market and imagination and innovative nature are the qualities of entrepreneurs. Entrepreneurship boosts people both socially and economically. Most of the questions were related to the profession, productivity and enterprises of the small farmers. SFCL is the source of credit and inspiration of entrepreneurship in case of Bairenis' small farmers. Small farmers are self employed entrepreneurs and constituting an individual enterprise either agro based or livestock. SFCL has been fulfilling the capital scarcity of small farmers and continuously feed backing for new venture. The detail structure of the entrepreneurship and income status comparing after and before SFCL is given below.

5.9.1 Before SFCL major source of income of Respondents

Income of the household is the important indicator of economic condition of the people. The level of income determines the purchasing power of the people and they can invest money in education and other essential sector properly. The nutrient quality and health maintenance also depends on the economic condition of the people. The income source of small farmers before and after SFCL is analyzed here.

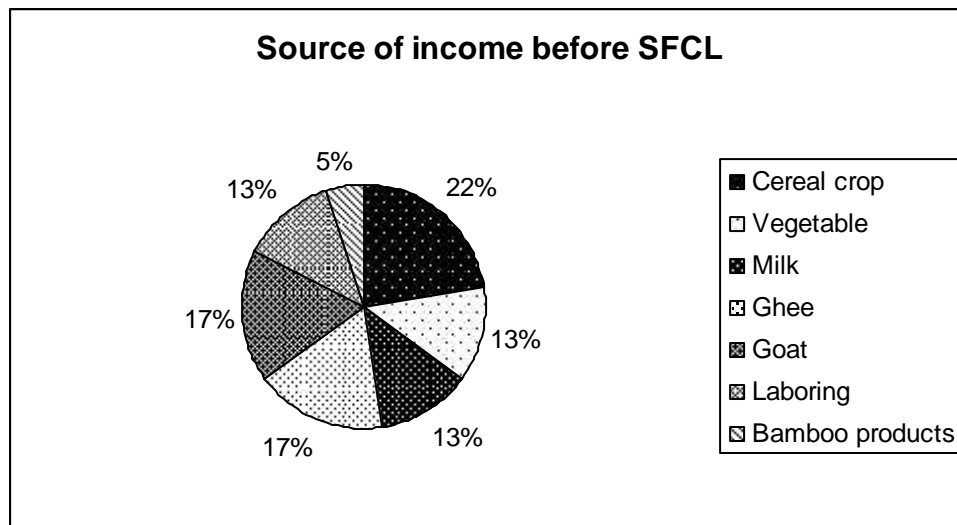
Table 5.7 Respondents' income before SFCL

Source	Farmers	Average income
Cereal crop	9	5000
Vegetable	5	11700
Milk	5	6000
Ghee	7	2000
Goat	7	7000
Labouring	5	3000
Bamboo products	2	5500

Source: Field Survey, 2006.

The above table shows the income source and average income of the respondents before commencement of the SFCL. Among 40 respondents 9 had intensively taken cereal cropping as major source of income and 2 farmers were involved in handicrafts enterprise with the average income of R.5500.

Figure 5.6 Respondents' income before SFCL



Majority of the small farmers were unconscious with income generating activities and commercial production of agriculture products as well as livestock seems very little before intervention of SFCL. The above table shows that production side was not for commercial purpose and income. Subsistence was the genuine issue in rural area. It is interesting to interpret that 22% of farmer have accepted agronomy as major source of income but the average annual income was Rs. 5000 per year. Only 12.5% small farmers practiced vegetable farming with average income of Rs.11700. Like this 12.5% people were benefited from buffalo raising selling milk in local tea shop and earned Rs.6000 in average. 17.5 % rural settler relatively in difficult spatial location and far from the transportation facility were closely tied with goat raising as primary source of income with average income of Rs. 7000 annually. Another 17.5% farmers of remote ward loved ghee making as source of income but they use to exchange rice in spite of selling it in the market, they earned Rs. 2000 in average. 5% people were depended in (bamboo products) handicrafts like doko, dalo Nanglo etc. with average income of 5500 annually. 12.5 % were depended in seasonal labour in the during agriculture planting, growing and harvesting.

5.9.2 Average income status of the Respondents after SFCL

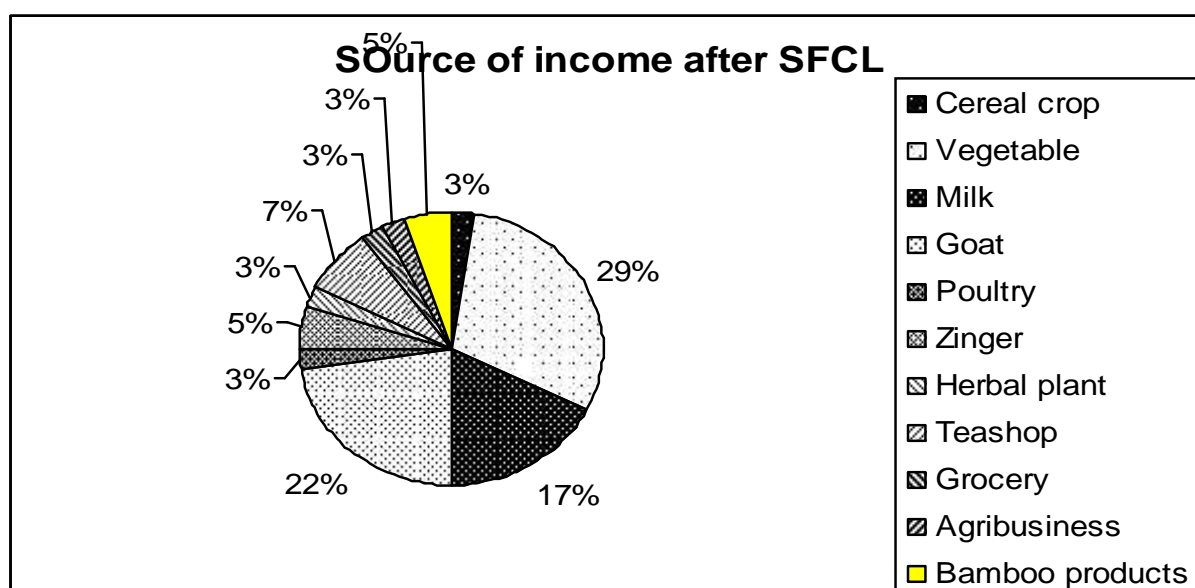
After the commencement of SFCL source diversity and increased level of income of respondents is vividly shown. The source of income and amount is given below in tabular form.

Table 5.8 After SFCL Source of Income

Source	No of Farmers	Average income (Rs)
Cereal crop	1	10000
Vegetable	12	20000
Milk	7	13500
Goat	9	12000
Poultry	1	40000
Zinger	2	15000
Herbal plant	1	7000
Teashop	3	36000
Grocery	1	50000
Agribusiness	1	45000
Bamboo products	2	15000

Source: Field Survey, 2006.

Figure 5.7 Number of the farmers and major source of income after SFCL



Source: Field Survey, 2006.

After the member ship of SFCL, the entrepreneurship pattern and income from livestock and agriculture is remarkably increased and commercialized.30% of total household shifted their profession into off season vegetable farming with average income of Rs.20, 000 annually. The average income of vegetable farmer has considerably

increased with 7.3% growth rate. Like this number of vegetable farmers has also grown at 5.21%

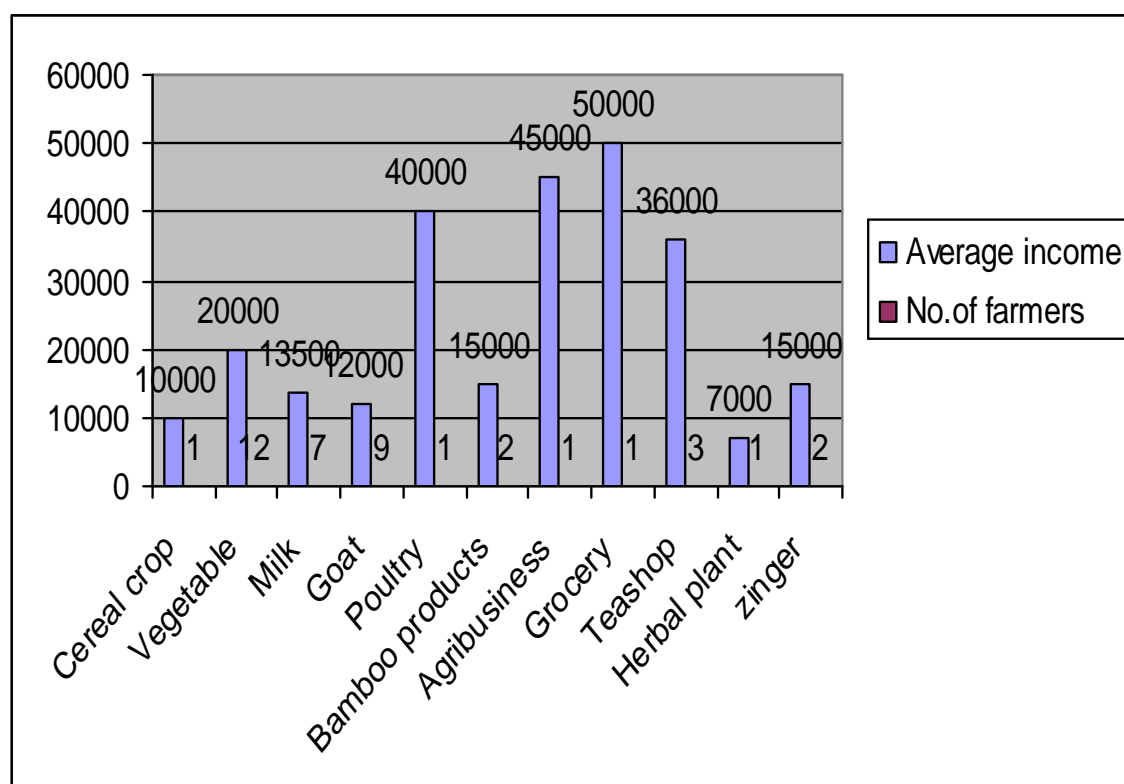
In this dimension other remarkable progress after the commencement of SFCL is diverse business adopted by the small farmers. New business like medicinal plant cultivation, teashop installation, grocery management, zinger cultivation and sericulture have appeared and these has attracted the face of farmers. Poultry farming, agribusiness, and grocery has extra charm with average income of Rs. 40000, Rs 45000 and 50000 respectively.

Cereal crop is applied to fulfill the yearly feeding purpose. Livestock mainly buffalo is seems attractive source of income and food balance/balance diet as well as and dietary need of the children and aged guardians of rural sector. 17.5% of population has benefited producing milk with average income of Rs. 13500. They produce 1000 kg milk in average for marketing/commercial purpose and equal for household purpose. 22.5 % of people are benefited from goat rising as cashing source with average income of Rs. 12000.

The table given below, explicitly pictures the reality of increased product condition of agro and livestock base business.

The above table and figure shows that small farmers have shown willingness to shift the business pattern with in the Agriculture and livestock arena. They have sensitized and acquired the ability to screen the potential business for generating income. Another remarkable progress is shown that the emergence of new types of business like grocery management, tea shop installation has explored the new sector. Some of the farmers are trying new enterprises like medicinal plants cultivation and fisheries. Sericulture is also emerging as tertiary source of income.

Figure 5.8 Average income After the SFCL



Source: Field Survey, 2006.

5.9.3 Meat Production quantity and Annual Income

Traditionally, goat keeping has been embedded with agriculture in hilly area of Nepal. The status of goat raising was asked with 40 respondents during the field visit, most of the farmers have raised goat in traditional way and local breeds as well. Among 40 respondents 34 (85%) farmers replied the queries. The information of goat keeping and average income is given in tabular form:

Table 5.9 Meat Production quantity and Annual Income

Species	Amount in average	H/H	H/H consumption/kg	Marketable amount	Average income(Rs.)
Goat	Below 30 KG	20	10	10	2000
	40 KG	5	10	30	6000
	75 KG	9	14	61	12000
Pig	42 KG	3	15	27	2600
Poultry	4100 KG	1	100	4000	40000

Source: Field Survey, 2006.

The table shows that goat keeping has positioned the best livestock profession for meat purpose. Among the 34 respondents 20 respondents produce only 20 kg meat of goat annually and earn only Rs. 2000. 9 farmers produce 75 kg goat meat with 61 kg marketable amount and get Rs. 12000 annually. The Pig keeping is not in commercial form and poultry is in very low volume in number but seems most attractive.

5.10 Employment situation of the Respondents

Employment and income directly relate to each other. The main problem of underdevelopment country is unemployment. To analyze the employment situation of the respondents some set of questions were asked. Questions were concerned with the works of farmers and man days in annual basis. The employment situation of the study area is presented below in table:

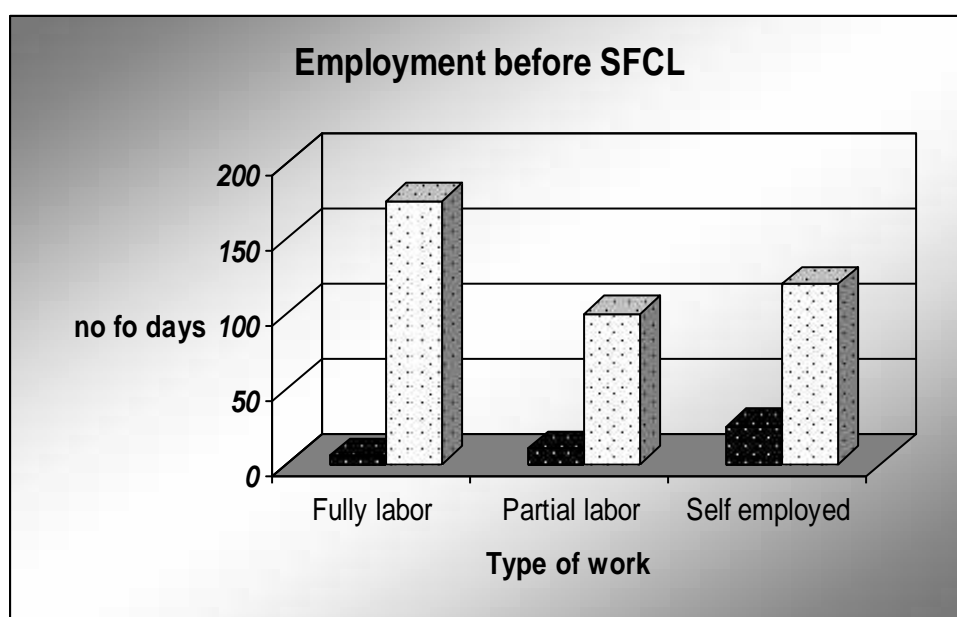
Table 5.10 Employment situation of the respondents

Type of work	Before	Work days	After	Work days
Fully labor	5	175	-	-
Partial labor	10	100	4	150
Self employed	25	120	36	320

Source: Field Survey, 2006.

The productivity ratio and income level of people directly depends on employment, either self employed or engaged as paid. After the commencement of SFCL the small farmers' working pattern has vastly differentiated. The figure given below shows that the number of seasonal labor has considerably decreased from 12.5% to 0 in case of full depend in laboring and 25% to 10% in case of partial labor. But the number of self employed farmer is in increasing trend. The data shows that it is increased from 62.5% to 90%. The average working time per year is also increased from 120 days to 320 days in case of self employed farmers. The working hour of partial labor is also increase from 100 days to 150 days per year.

Figure 5.9 Employment situation of the respondents



Source: Field Survey, 2006.

5.11 Saving trend of the respondents

SFCL has been providing saving services and has tried to bring members under saving scheme. Saving services is providing monthly and weekly basis by SFCL to its members only. Among the 40 respondents 35 respondents (85%) are involved in monthly saving scheme. The nature of saving is that, members can use the saved amount in personal work and social as well as community development work according to the decision made by group. Members used to save not exceeding than Rs. 30 per months and till this date they have saved Rs.2000-3000 cumulatively individually. The culture of saving and continuity of this unique scheme has made SFCL popular in grass root level. People of the rural area have also extremely motivated to involved in such type of scheme in theirs territory in informal basis assimilating with different types of groups like community forest user groups, mother groups, saving credit groups.

5.12 Expenditure pattern of Respondents

To analyze the expending the trend and system a question was asked and requested to divide it under different heading and allocate the percentage of amount. Only 36 respondents tried to estimate the expenses under different headings. The below table vividly pictures the expending pattern of the respondents:

Table 5.11 Expenditure pattern of respondents

Heading	No of H/H			
	10%	10-25%	25-50%	50%
Enlarge IGA	4	7	10	15
Study of family members	15	10		7
H/H work	3	8	15	10
Health	15	15	6	

Source: Field Survey, 2006.

The table shows that only 36 respondents became able to estimate the expenditure structure from their annual income. Most of them replied that they have no plan of expending money due to the uncertainty of income amount. So they are expending without any plan or in accidentally. The table shows that 15 farmers are expending 50% of their income to enlarge the IGA. The expenses or investment amount for Income Generating activities is increasing trend because of the increasing cost of improved seed, chemical fertilizer and labour. Only 7 household is expending 50 % of their annual income in education of their children, 25 respondent 67.5 % of respondents are investing below 25% of their annual income in education, this means only the few respondents are expending their income in higher education of the family members. 67.5 % respondent are expending more than 25% of income in household requirements. Like in education the expending pattern in health is low in comparison with other headings.

5.13 Change in Quality of life

The tangible or visible positive change is the symbol / indicator of human development. The population of rural scene is trying to obtain the improved life and SFCL is devoted for the sake of poor people's prosperity as well. So it is the issue of major concern whether the level of people is increased or not due to the interventions of SFCL. To analyze this theme a criteria of self evaluation was given asking direct question related to improvement of their life style. Among 40 respondents only 30 (75%) accept the role of SFCL for improving the life standard. The responses of respondents and significant change in condition are given below.

Table 5.12 Improved conditions of respondents due to the intervention of the SFCL

Indicator of improved condition	No of H/H	%
Housing & amenities	20	66.7
Land purchasing	1	3.3
Income increased from IGA	7	23.3
Increased access to service provider	2	6.7

Source: Field Survey, 2006.

Among 40 respondents only 30(75%) people accept the positive role of SFCL for their improved status. Among 30 respondents 66.7% have their improved houses and qualities amenities which are the indicators of improved life. 3.3% have purchased land and transferred into big farmer which is the subject of success. Like this 23.3 have become able to get better earn from commercial vegetable farming, livestock, poultry farm, grocery and tea shop etc. 6.7% farmers /members are satisfied for increasing access to other service provider institutions inside and outside the VDC.

5.14 Financial Analysis of SFCL Baireni

5.14.1 Loan Disbursement record of SFCL Baireni

SFCL has provided loan to small farmers in different portfolio in term basis: Short term lone, medium term loan and ling term. SFCL has developed the provision of loan disbursement. As the provision farmers submit scheme paper requesting type and amount of loan to inter group that existed in ward level. Inter group verifies request papers collected from farmers/shareholders and submits it to management committee. Finally Management committee approves it.

Table 5.13 Loan Disbursement record of SFCL Baireni

Headings	059/060		060/061			061/062		
	DIS	%	DIS	%	GR	DIS	%	GR
Vegetable	895700	40.0	845000	28	-6	1749100	48	106
Users	420000	18.7	640000	21.24	52	956000	26	49
Bio gas	0	---	0		0	40000	1	0
Land dev.	250000	11.18	0		0	0	0	0
Buffalo	120000	5.36	320000	10.62	156	60000	1	81
Goat	549000	---	1195000	38.66	118	786000	21	-31
Zinger	0	----	0		0	0	0	0
Ox	0	---	0	0.4	0	0	0	
Total	553470 0	100	3013000	100		3591100	100	

Source: Secondary Source

SFCL Baireni is a financial institution. The main motto of SFCL Baireni is to improve the socio economic condition of small farmers providing business loan. Since the handover phase, it has been providing business loan to micro entrepreneurs in different sectors like cereal crop production, vegetable production, livestock management and so on. The table above shows the disbursement trend of loan under different portfolios. The disbursement pattern of last three fiscal years has been calculated and analyzed. Loan disbursement amount from FY 059/060 to 061/062 has remarkably increased. In FY 059/060, total amount of Rs. 2234700 in 5 different portfolios (vegetable, users, and development, buffalo & goat) was disbursed. The largest amount Rs. 895700(40%) was provided for vegetable production and the smallest amount of Rs. 120000(5.36) was disbursed for buffalo keeping. Like this loan under user heading was about 420000(18.8%). And the loan under goat raising and land development scheme were Rs.549000 & Rs. 250000 respectively.

In the context of FY 060/061, Rs 3013000 was disbursed in the similar portfolios of previous years. The disbursement amount was highest (38.66%) on goat keeping scheme and 0.4% of the loan was given for ox purchasing. In this FY, vegetable production portfolio remained at second position with disbursement amount of Rs.845000 (28%). The amount was reduced at 5.66% in comparison to that of previous year. The growth

rate of disbursed amount was 156.6% in case of buffalo portfolio and 117.66% on goat keeping following the buffalo scheme.

Like this in FY 061/062 loan under vegetable portfolio had increased tremendously. Among the total loan disbursed of Rs. 3591100, Rs.1749100 was credited for vegetable which was 48.7% of total lent amount. The loan for goat keeping was Rs. 768000(21.88%).The credit disbursed for buffalo had shrunk dramatically in this FY, the total amount was only Rs. 60000 decreased at a rate was 81.25%. Loan under goat keeping was Rs. 786000(21.88%) decreased at the rate of 31.22%.

The data show that out of the total amount of loan, 35% has been disbursed for vegetable production. The disbursing ratio of credit in this sector is in increasing trend. Loan for goat and buffalo keeping are leading after it. Loan for land development is also remarkable and it was provided to the members of leasehold forest user groups for land development & off farm income generating activities.

5.14.2 Collection/Repayment of loan:

SFCL's ability to provide continual credit services depends upon the ability of loan collection/ repayment. A satisfactory loan repayment trend is crucial for smooth functioning of the entire credit machinery. If the farmers/shareholders repay the loan in time, the SFCL will be able to mobilize the collected amounts in other productive areas. The efficiency of the SFCL is measured by the timely collection of its due loan. The farmer can get some direct and indirect benefits if they follow the loan policy/ loan repayment rules and regulations of the SFCL. Firstly the SFCL helps such farmers by granting either required additional loan as per their need or concessional term loan. Secondly the farmers who are supposed to be confidential and respectable in the eyes of SFCL are more likely to be enjoying the facilities of the institution. On account of the said facilities the farmers enjoy, their economic burden tends to decrease leading to the upliftment of their economic status and hence it is necessary to analyze the collection of loan on sectoral basis.

Table 5.14 Collection/Repayment of loan:

Headings	059/060		060/061			061/062		
	Rp	%	Rp	%	GR	Rp	%	GR
Vegetable	179020	18.45	634160	28.63	2542	641995	27.95	1.23
Users	448300	46.22	645200	30.15	4.9	505000	21.98	- 21.72
Bio gas	1028	0.1	13200	0.6	184	16000	0.69	21.2
Land dev.	34000	3.5	5000	0.2	-85	27000	1.17	440
Buffalo	179200	18.47	443350	20.71	147	504050	21.94	13.69
Goat	102300	10.54	342950	16.02	235	590950	23.68	72.31
Zinger	17000	1.75	43000	1.46	152.9	5000	0.21	- 88.37
Ox	9000	0.9	13000	100		6668	0.23	-48.7
Total	969848		2139860			2296663		

Source: Source: Secondary Source

SFCL Baireni has been providing loan to small farmers and micro entrepreneurs from its internal source and Bank source. SFCL is profit motive business entity. Till this date SFCL is not involved in any types of business. So, its income source is only marginal amount of interest between ADB/N and farmers. So, repayment of principal amount and paid money as interest is the survival measure of SFCL. Administrative cost and income have been closely tied, and sustainability of institution is also depends on its progressive repayment rate. The repayment trend of SFCLs' loan is analyzed in reference of last three year. The above table clearly presents the repayment pattern of loan. In FY 059/060 Rs. 969848 was refunded which was is 40% of the disbursed amount of that year only (Outstanding amount of previous year is not included here). In FY 060/061 total amount of Rs. 2139860 was repaid which is 41% of the yearly disbursed amount. In FY 061/062 the amount of repayment was Rs.2296663 which is 54% of the disbursed amount.

5.14.3 Loan outstanding:

Outstanding loan means the repayable amount of loan. The large amount of outstanding loan creates financial crisis to institution. Some time it hampers bilateral relationship

between farmers and cooperative. The outstanding scenario of last three year is summarized in below table:

Table 5.15 Loan Outstanding

Headings	059/060		060/061			061/062		
	OS	%	OS	%	GR	OS	%	GR
Vegetable	1459055	25.1	1669895	25	14.45	2777030	34.86	66.3
Users	1136500	18.55	1131300	16.95	4.57	1582300	13.86	39.86
biogas	35200	0.6	22000	0.35	-37.5	46000	0.57	109
Land dev.	216000	3.71	211000	3.16	-2.31	184000	2.31	12.79
Buffalo	1629570	28.0	1506220	22.5	-7.56	1062170	13.33	-29.5
Goat	1142929	18.66	1994279	28.8	74.5	2190029	27.49	9.81
Zinger	78000	1.34	35000	0.52	-55	30000	0.37	-14.2
Cottage industries	33000	0.5	33000	0.50	0	33000	0.38	0
Ox	81000	1.39	68000	1	-16	61332	0.7	-9.8
Total	5811254	100	6670694	100		7965861	100	

Source: Secondary Source.

Table 5.16 Loan Disbursement, Repayment and Outstanding (059/060)

Heading	FY 059/060			
	LY OS	DIS	REP	OUT S
Vegetable	742375	895700	179020	1459055
Users	1164800	420000	448300	1136500
Biogass	36228	0	1028	35200
Land dev.	0	250000	34000	216000
Buffalo	1688770	120000	179200	1629570
Goat	696229	549000	102300	1142929
Zinger	95000	0	17000	78000
Cottage industries	33000	0	0	33000
Ox	90000	0	9000	81000

Source: Secondary Source.

Table 5.17 Loan Disbursement, Repayment and Outstanding (060/061)

Heading	FY 060/061			
	LY OS	DIS	REP	OUT S
Vegetable	1459055	845000	634160	1669895
Users	1136500	640000	645200	1131300
Bio gas	35200	0	13200	22000
Land dev.	216000	0	5000	211000
Buffalo	1629570	320000	443350	1506220
Goat	1142929	1195000	342950	1994279
Zinger	78000	0	43000	35000
Cottage industries	33000	0	0	33000
Ox	81000	0	13000	68000

Source: Secondary Source.

Table 5.18 Loan Disbursement, Repayment and Outstanding (061/62)

Heading	FY 061/062			
	LY OS	DIS	REP	OUT S
Vegetable	LY OS	DIS	641995	2777030
Users	1669895	1749100	505000	1582300
biogas	1131300	956000	16000	46000
Land dev.	22000	40000	27000	184000
Buffalo	211000	0	504050	1062170
Goat	1506220	60000	590950	2190029
Zinger	1994279	786000	5000	30000
Cottage industries	35000	0		33000
Ox	33000	0	6668	61332
	68000	0		

Source: Secondary Source

5.19 Due loan and interest under different portfolios:

Heading	059/060		060/061		061/062	
	Due loan	Interest	Due loan	Interest	Due loan	Interest
Vegetable	967055	46108	634195	405030	136530	431673
Users	641000	279798	495300	274779	196300	309632
Bio gas	35200	1356	0	1025	0	1641
Land dev.	216000	140657	0	155368	184000	173804
Buffalo	1054570	597335	1013220	573857	128500	579226
Goat	479229	269646	70529	316428	77529	356099
Zinger	78000	55382	35000	28695	30000	28171
Cottage industries	15000	17340	15000	20718	15000	23040
Ox	81000	56250	4000	50797	54832	50626
Agro processing	18000	18778	18000	22000	18000	25618
Paddy	142200	68077	90200	49182	32155	14285

Source: Secondary Source.

Note: LY OS= Last Years' out standing, DIS= Disbursement of current year, REP= Repayment, OUT =Outstanding

5.15 Financial Sustainability Analysis of SFCL Baireni

ADBN, the pioneer of the SFCL has been immensely supporting the institutional sustainability of Small Farmer Cooperative Limited. The ADBN has been consistently supporting this SFCL by providing more than 5 million rupees as credit every year. The institutional viability and financial sustainability rests on the financial performance of the institution being it a financial entity. SFCL is borrowing wholesale loan from ADB on 9.5% interest rate and disburses it at the rate of 12.5% to shareholders/members of working area. The trend of loan repayment of last three years doesn't seem positive and satisfactory, and so is the scenario of outstanding loan. The present trend of loan repayment, stumpy internal capital and high administrative cost seem against the sustainable dream of the institution.

It clearly indicates the poor internal capital generation and consequently a larger dependence on the financial support of ADBN, which portrays weaker earning performance of the institution. The Baireni SFCL does not posses business plan as well as the operational plan. So, it is running with out any road map. The discussion above clearly visualizes the scenario of loss transaction and passive repayment trend, which may impede the cooperative adversely.

5.16 Institutional Development Analyses of SFCL Baireni

SFCL Baireni is an institution registered under the Cooperative Act 2048. According to the exit strategy of SFDP *apll* 147 SPOs were transferred into Small Farmer Cooperative Limited. In case of Baireini SFCL, it has its own premises and furniture/furnishing is also sufficient for smooth operation. There are two staff in regular basis. Chairman is also supporting to administrative task in paid basis. The constitution of SFCL Baireni has not been revised since the handover date. Most of the executive members are not clear in vision, mission and objectives of the organization. It has not developed the long term and short term operational plan and business plan and also there is no understanding reached for operating the business. SFCL is a multipurpose cooperative aiming to provide financial and non financial services to its members. Though there is high potentiality of business along the key areas such as agribusiness, input supply, marketing facility, agro processing business, the leadership has totally failed for exploiting the potential to the fullest. On account of this weakness the financial sustainability of the SFCL Baireni seems questionable.

CHAPTER VI

SUMMARY, CONCLUSION AND RECOMMENDATION

SUMMARY

Nepalese economy is highly depended on primary sector. In terms of employment structure 65.2 percent of its population directly depends on primary sector. More than 85 percent of the total population is residing in rural areas and about seventy seven percent of the land area of Nepal is covered by mountains and hills and only a small part of the total land is cultivable land.

Due to the high population pressure on agriculture, 69.4 percent farmers have below 1 hectare of land. This shows the Nepalese farmers fall in the category of small and marginal farmers. The level of agriculture productivity is very poor that farmers are not able to do any thing out of theirs farm income. There is great challenge to the nation to eliminate the massive poverty of the country through traditional agriculture system. Agriculture productivity is not remarkably increased due to the weak institutional set up to supply input like technology, fertilizer, improved seed and agriculture as well as market.

The Nepal government has emphasized to increase agriculture productivity and alleviate poverty as well as to achieve significant improvement in the standard of living through the expanded employment opportunity. To achieve the projected goal has become out of beyond due to the excessive fragmentation and unequal distribution of land. Land under the ownership of big farmers is becoming less productive in one side and small farmers have no sufficient cultivable land in the other side.

The existing scenario of food grain production 276 kg per capita per annum is very low in comparison to per capita food requirement and consumption. So a set of input like agriculture credit, improved seed, fertilizer and agriculture market for all small and middle class farmers. Realizing the fact, Nepal government has given attention “target group approach” to reach real small farmers. It is the fact that small farmers represent the vast majority of the population and their development can be considered country’s

development as whole. So, SFDP has been launched since 1975 to improve the socio economic condition of small farmers. ADB/N was the implementer of SFDP and initiated for institutionality of SPOs by transforming Sub Project Office implemented under SFDP into SFCL since 1987. The GTZ has also extended contentious technical support to the institutional development of SFDP. SFCL is grass root micro finance institution, which is owned, managed and controlled by the local farmers themselves. It has emphasized on skill development, local resource utilization and mutual cooperation.

Among the 147 SFCLs, Baireni SFCL is also devoted to reduce poverty through its financial and non financial services. Small Farmers Cooperative Limited has played the role of financial intermediaries between ADBN and small farmers by taking wholesale credit from bank and providing retail credit to the small farmers. SFCL is popular and comparatively successful financing institution, but the political crisis prevailed in Nepalese sky has severely hampered the regular activities of the SFCL in Dhading, 14 SFCLs among 18 are deteriorated due to the conflict. Small farmer is such farmer who has depended on the profession of agriculture and cottage industries at village level whose land holding is small, who is landless farmer, share cropper, tannery with average income below Rs. 2500 per head.

From the starting period of SFDP many research were carried by various GOs and NGOs. A study of ADBN/GTZ showed that SFCL have a substantial positive impact on the socio economic situation of theirs members. Living condition has improved for a large majority (above 80%) of SFCL members, largely due to the access of credit.

Like the previous study this study was done to trace out the role of SFCL in increasing rural productivity, entrepreneurship, employment generation. The specific objective of this study was as follows:

- To analyze the financial and non financial services of SFCLs, to its members regarding to economic development of poor people.
- To examine the role of SFCL in income generation in rural community.
- To examine the employment opportunities by SFCL interventions.

The study has been undertaken participants small farmers of SFCL working area following random and judgment sampling technique. 40 small farmers from 5 wards of the VDC were included as sample. The descriptive and analytical method was used for

quantitative data, simple statistical tools like tables, graphs, bar diagram and computer program (Ms word, Ms Excel) were used. The field work was conducted since May 15 2006. Both primary and secondary source of data were used.

According to the study the population of ethnic groups with majority of Tamang is highest (44%). Bramhin and Chhetri consists 38% with second positioning and occupational cast seems 18%. Tamang have used theirs mother tongue and Nepali language both. Other cast used only Nepali language. In case of religion Bramhin, Chhetri, Gurung and occupational are Hindu and Tamang with both faith of Hinduism and Buddhism.

The Baireni SFCL is facing the problem of low repayment of loan, dependency on ADBN for capital but also providing short term and medium term loan to its share holders. Beside its economic activities like saving, credit and insurance facilities to members it has contributed both technically and financially in community development activities (drinking water, sanitation, irrigation, school roofing, trial improvement, nursery management, seed and seedling management) and social activities like awareness raising, adult literacy class etc.

Conclusion

Small farmer cooperative Limited in Nepal is touched with the pro poor and marginal farmers of the state. SFCL is a community based grass root institution and has become the active player in rural economic arena. The study has vividly pictured the explicit role of SFCL for increasing income from and non farm based micro enterprises in small farmers/ grass root level. The encouraging trend of increased self employed scenario demonstrates the capability of institution to meet its objectives and economic upliftment of rural poor. The conclusion of the study is summed up as follows:

- The Baireni Small Farmer cooperative limited has been able to serve 297 male and 160 female members associating them with 79 farmer groups. There is 37.5 % beneficiaries from Bramhin/ chhetri is 37.5% and 45% from ethnic groups with the majority of Tamang, similarly the least beneficiaries is from Dis Advantaged Groups (Occupational Cast).

- Before SFCL no one had annual income above Rs. 11700 .Only 12.5 % had annual income of Rs.11700. After the SFCL the income source has become diversified and 30% people have earned more than Rs.20000. Grocery, tea shop and poultry farming has seemed the most profitable business but majority of the farmers are benefited from vegetable farming and livestock.
- After the commencement of SFCL, the entrepreneurship pattern of members has also become changed. The shifting trend from traditional subsistence farming into commercial type has helped to increase the income the employment situation of members has become changed, the number of seasonal labor has considerably decreased from 12.5% to 0 in case of full depend in laboring and 25% to 10% in case of partial labor and the number of self employed farmer is in increasing trend. The data shows that it is increased from 62.5% to 90%. The average working time per year is also increased from 120 days to 320 days in case of self employed farmers. The working hour of partial labor is also increase from 100 days to 150 days per year.
- The SFCL is providing loan to small farmers and access of ethnic group and occupational cast is increased for credit and they have involved in income generating activities like (agronomy, livestock, agribusiness, cash cropping, and handicrafts) categorizing short term and long term. More than 85% of members are involved in monthly saving scheme; the amount saved has been used in personal work and social as well as community development work according to the decision made by group. Members used to save not exceeding than Rs.30 per months and till this date they have saved Rs.2000-3000 cumulatively individually. The culture of saving and continuity of this unique scheme has made SFCL popular in grass root level. People of the rural area have also extremely motivated to involved in such type of scheme in theirs territory in informal basis assimilating with different types of groups like community forest user groups, mother groups, saving credit groups.
- The significant change like decreasing trend of borrowing loan from informal source, improvement in housing condition and adoption of commercial farming shows the positive impact of SFCL in rural economic development.
- Loan disbursement rate is in increasing trend. The SFCL Baireni has disbursed highest amount of loan for vegetable farming, loan for buffalo raising and goat raising is slightly below than in buffalo.

- The repayment trend of SFCLs' loan is not satisfactory. The repayment rate of FY 059/060 is seemed only 40% of the disbursed amount of that year. Like this the repayment rate of FY 060/061 is also only 41%. The repayment rate of loan is slightly improved in 061/062 with 54% of the year's disbursed amount.

Recommendation

The performance of SFCL is more community oriented and local base and approach of institution is further goal oriented and replicable. Although there are some shortcomings and weakness which should be removed for further improvement of institution, and quantity as well as quality of services should also be improved.

-) The interest rate of loan for small farmer is still high; it should be minimized negotiating with Agriculture Development Bank.
-) The internal source of capital seems very little, so it should be increased inspiring farmers to be active on saving scheme of different types for institutional economic viability.
-) Principally SFCL is multipurpose cooperative and should have involved in business work both for clients benefit and managing source of economy. In fact it is a business entity, so some shorts of business like agro vet, vegetable collection center, and agriculture equipment services should be conduct. It has neither business plan nor any kind of business operated. Only the credit service is not sufficient for economic viability and institutional sustainability.
-) The technical, managerial and social manpower is not sufficient and available human resource is also not properly managed, so the management performance and capability of management team seems very week. The institutional aspect of the institution is not satisfactory because institutional analysis, SWOT (Strength, Weakness, Opportunity and Threat analysis) has not done. Like this operational plan and long term vision is not clearly declared. Those sorts of things should be looked seriously other wise institution may be collapsed.
-) The existing scenario of loan repayment is very low and frustrating, so before lending the loan, credit disbursing strategy should be constructed and strongly implied.
-) Shareholders/ small farmers have attached with SFCL to get credit facility not by the motivation of cooperative philosophy. So the shareholders are always seeking

loan in low rate of interest; some time such situation brings frustration and negative feeling toward cooperative. Awareness education of Cooperative helps to vitalize the relationship among all entire components.

-) Some training program like entrepreneurship development, business plan preparation, Crop diversification, Sustainable agriculture/permaculture, Agroforestry and farm forestry, Product processing and value addition technique should be given to the farmers.
-) The SFCL Baireni has positive impact for improving the socio economic condition of the small farmers. Therefore the institution needs to expand the activities to community development and social welfare sector liaisoning and coordinating with DVC, DDC and other NGOs as well as INGOs.
-) Regular field visit and dealing with creditors is urgent to advance the loan reimbursement ratio.
-) To publicize the importance of SFCL, some effective strategy like coordination with local government (VDC & DDC), Functional relationship with developing projects implemented by different organizations should be adopt. And non participant farmers should be encouraged to be involved in the cooperative program.

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APPENDIX - I

Small Farmers Cooperative Limited's role in rural economic development in Nepal

A case study of Baireni –SFCL,Baireni,Dhading

Questionnaire for Members/Shareholders of SFCL-Baireni

1. General information.....

Name of respondent:

Cast.....

Occupation

Gender.....Family size:.....

Age.....

Ward no.....

2. Have you get membership of this SFCL?

a) Yes b) No

3. When did you get membership?

.....

4 Why do you affiliate in this Cooperative?

a) To get micro credit

b) Interest toward Cooperative

c) Due to Neighbor's encouragement

d) By the motivation of concerned staff

e) Other reasons

5. Housing status

A) RCC B) Slate/Tiled roofed C) Zinc sheet roofed D) Thatched roofed

6. Access of drinking water

1) Tap water 2) Natural spring 3) River canal

7. Type of toilet available in your H/H

A) Water sill latrine B) Pit latrine C) Not available

8. Mention the services that obtained from SFCL

SN	Services	Out put	Remarks
1	Cooperative education		
2	Micro credit facilities		
3	Entrepreneurship development training		
4	Literacy class		
5	Product marketing facilities		
6	Skill development training		
7	Crop/animal insurance		

9. How much land is under your ownership?

SN	Type of land	Quantity(Ropani)	Cultivated land in rent
1	Irrigated		
2	Non irrigated		
3	grassland		
4	barren		
5	Others		

10. Enterprises operated by you except agriculture/livestock

SN	Enterprise	Investment	Support from SFCL
1	Occupational cast based		
2	Teashop		
3	Grocery		
4	Cottage industry/Handicrafts		
5			
6			

11. Agriculture Production of your family (under your ownership and rented land)

SN	Before membership		After membership	
	Products	Quantity	Products	Quantity
1	Rice			
2	Wheat			
3	Vegetable			
4	Fruits			
5	Silk			
6				

12. Type and quantity of loan obtained from SFCL

SN	Headings	Amount(Rs.)
1	Agriculture/livestock	
2	Commercial purpose	
3		
4		
5		

13. Agro based Income generating Activities (Enterprise/business)

SN	Agro based activity	Cultivated area	Production/Kg	Marketable production	H/H consumption	Income (Rs.)
1	Cereal crops					
2	Vegetable					
3	Horticulture					
4	Cash crop					
5	Other					

14. Market information (Agriculture production)

SN	Products	Market place	Sales quantity/kg	Income (Rs.)	Remarks
1	Cereal crops				
2	Vegetable				
3	Horticulture				
4	Cash crop				
5	Other				

15. Animal husbandry

SN	Species	Male		Female		Income
		Breed	Meat	Milky	Non milky	

1	Cow					
2	Buffalo					
3	Poultry					
4	Pig					
5	Goat/sheep					
6	Fisheries					
7	Others					

16. Market information (Livestock)

SN		Production/Kg	Marketable production(kg)	H/H consumption	Income (Rs.)
1	Cow				
2	Buffalo				
3	Poultry				
4	Pig				
5	Goat/sheep				
6	Fisheries				
7	Others				

17. Other task completed using SFCL loan

SN	Heading	Expenses(Rs.)
1	Land purchasing	
2	House construction or maintenance	
3	Marriage of son/daughter	
4	Children's study	
5	Payment of loan to money lender	
6		

18. Mentioned the name of training taken from SFCL

SN	Heading	Duration
1	Goat raising	
2	Vegetable farming	
3	Buffalo raising	
4	Micro enterprise development	
5	Business plan preparation	
6	Agro businesses	
7	Poultry farming	
8	Other skill development	
	Others	

19. What is the criterion of loan payment?

(a) In installment basis (b) At once time

20. If in installment basis, mention the criteria

SN	Heading	Duration of installment
1	Goat raising	
2	Vegetable farming	
3	Buffalo raising	

4	Micro enterprise operating	
5	Pig farming	
6	Poultry	
7	Other skill development	

21. Mention the Name of organization that you received loan

Before SFCL			After SFCL		
SN	Institution	Interest rate	SN	Institution	Interest rate
1					
2					
3					

22. Whether income is increased or not after your attachment with SFCL?

- (a) Yes (b) No

23. If yes, which factor is prime responsible?

- (a) Credit and technical services from SFCL
 (b) Irrigation facilities provided by SFCL
 (c) Quality and improved seed
 (d) Market facilities and due prices

24. Do you involve in saving scheme of different types?

- (a) Yes..... (b) no.....

25. If yes, list out the amount deposited under following scheme

Scheme	Rate of saving	Total to this date
Daily		
Weekly		
Monthly		
Half yearly		
Yearly		

26. In which heading do you expense your income?

SN	Headings	Percentage of income
1	To enlarge the IGA	
2	Study of family members	
3	To fulfill household need	
4	Health care and treatment of the family member	

27. Is there any remarkable change in your life style due to involvement in SFCL?

- (a) Improved health status of the family members
 (b) Income increased from IGA
 (c) Housing and amenities
 (D) Land purchasing

(E)Increased access to service providers

27. Do you expect any service from SFCL rather than presently received?

APPENDIX - II

Small Farmers Cooperative Limited's role in rural economic development in Nepal

A case study of Baireni –SFCL,Baireni,Dhading

Check list of Focus Group Discussion for Key Informants

- Objectives/rational presentation of discussion or study
- Analysis of input supply mechanism of SFCL /consideration of participants
- Discussion on services provided by SFCL
- Institutional intervention concerned to entrepreneurship development and income generation
- Credit facilities and accessibility
- SFCL mobility & farmers access
- Production-processing-marketing
- Institutional development aspect analysis
 - Administrative and financial policy
 - Project guide line
 - SFCL as business entity
 - Project in joint venture and isolation