

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Situated in the northern hemisphere, known as land of Mount Everest and the birth place of Lord Buddha, Nepal is a tiny landlocked country. Through Nepal occupies only 0.03 percent of total land area of world and Asia respectively, the country has an extreme topography and climate. The altitude ranges from 70 meters to 8848 meters and the climate varies from tundra to polar. The country stretches from east to west with mean length of 8865 Km. and widens from north to south with mean breadth of 193 Km (Tiwari,2016).

Geographically, the country is divided into three east-west ecological zones: the Northern range-Hill and the southern Range-Terai (flat-land) in the northern range, the Himalayas from an unbroken mountain range which contains eight peaks higher than 8.00 meters, including Mr. Everest on the border with china. The middle range is captured by gorgeous mountains, high peaks, hills valleys and lakes- the Kathmandu valley lies in this region. The southern range with almost 16 km. to 32 km north-south consist of dense forest areas, national parks, wildfire reserves and consecration areas.

Nepal is of roughly trapezoidal shape, 800 kilometers (500 mi) long and 200 kilometers (120 mi) wide, with an area of 147,181 km² (56,827 sq mi). It lies between latitudes 26° and 31°N, and longitudes 80° and 89°E. And it has five climatic zones, broadly corresponding to the altitudes. The tropical and subtropical zones lie below 1,200 meters (3,900 feet), the temperate zone 1,200 to 2,400 meters (3,900 to 7,900 feet), the cold zone 2,400 to 3,600 meters (7,900 to 11,800 feet), the subarctic zone 3,600 to 4,400 meters (11,800 to 14,400 feet), and the Arctic zone above 4,400 meters (14,400 feet)

At present, on political perspective the country Nepal is divided into 7 provinces and 77 districts. It has 753 local units. There are 6 metropolises, 11 sub-metropolises, 276 municipal councils, and 460 village councils for official works. The Constitution grants 22 absolute powers to the local units while they share 15 more powers with the Central and State Governments (CBS,2017).

Nepal's population grew from 9 million people in 1950 to 26.5 million. From 2001 to 2011, the average family size declined from 5.44 to 4.9. The census also noted some 1.9 million absentee people, over a million more than in 2001; most are male laborers employed overseas, predominantly in South Asia and the Middle East. This correlated with the drop in sex ratio from 94.41 as compared to 99.80 for 2001. The annual population growth rate is 1.3 Percent. Demographic changes in the past decades have led to the largest generation of young people (aged 10-24 years) in Nepal today, comprising of adolescents (aged 10-19 years) and youth (aged 15-24 years). In 2011, 32.8 percent of the population of Nepal was between 10 and 24. While this proportion will decline in the next 15 years, it will remain above 25 percent until 2031 (MoF, 2017).

Average annual growth rate of Nepal over the last decade is 4.3 percent. The improvement in supply system, energy availability, expansion of trading activities and speedy construction work have contributed economic growth in the country. Despite the continuous decrease in the proportion of population below the poverty line, the achievement has not been as expected. As of now, about 21.6 percent people (more than 6 million) are below the poverty level. Moreover, the situation of multi-dimensional poverty indices is even worse. The per capita income is expected to be US \$1,004 (NRs. 103,335) in the current fiscal year. Based on per capita income, it is apparent that added efforts are required to elevate Nepal to developing country status by 2022 and middle income country status by 2030. The contribution of agriculture and forestry to GDP is estimated to remain at 27.1 percent in the current fiscal year. The share of rice, vegetables, maize, wheat, potato and cereal crops to agriculture and forestry sector's production is estimated to remain at 53.7 percent in the current fiscal year (MoF, 2018).

Among the total population of 28 million, the total labor force was 21.84 million and agricultural employment was 13.98 million (64 percent of the work force). The growth of agricultural gross domestic product (GDP) had been only 3 percent during the 15 years period i.e. from FY 1995/96 to 2010/11 in comparison to the growth of population by 2 percent over the same period (MoAD, 2017). Therefore, the increase in agricultural GDP is not yet sufficient to measure in feet a large number of people engaged in agriculture out of poverty, reduce malnutrition, and assure food security of the nation.

Agriculture is the major sector of Nepalese economy. It provides employment opportunities to 66 percent of the total population and contributes about 33 percent in the GDP. Therefore, the development of agriculture and livestock sector is key for the development of national economy (MoAD,2017).

Poverty, impartial poverty, and alleviation; of poverty is general problem of all countries but the heavy of this problem; of measurement and solution of poverty is different aspect of various nations. In general since, saving of fixed asset, Lack of regular income and lacked of access of adequate food, clothes, education, health safety etc. are means poverty. It is not only economical shortage but also social problem which is effected to thewith a long period. In connection of economic development of our nation too, environment; have made it difficult to develop the country and present economic level of rural people doesn't allow them even to think about their own progress. This is not alone case of Nepal. But it the world wide third world Nation's Problem in relation to the rural progress (Khatiwoda,2010).

The measurement system of poverty has been starting when the basis need approach to development seemed on 1976 A.D.in Nepal.According to classification of the National planning commission that who has earn less than NRs.2 per day person this kind of per family under poverty line. There is not any census work of identification of such impartial poor of fact number in our nation but here, from 24/25 years various survey has been worked in time to time. The National planning commission start to survey of identification of poor from 1976 A.D.& it publishes the study of poverty at 1976 A.D. (MoAD,2017).

Although poverty has been gradually decreasing in Nepal since a long time, still 21.6 percent people are below the absolute poverty line. According to the measurement of Multi-dimensional Poverty Index, 28.6 percent Nepalese have been multi-dimensionally poor. Among the seven Provinces, Karnali Province has the highest level of multidimensional poverty whereas the lowest level is in Province No.3.

Nepal is facing Multidimensional poverty badly, nowadays poverty related studies are concerned with Multidimensional Poverty Index(MPI).Various computations show that 28.6 percent of Nepal's population is multidimensionality poor. The indicators that contribute most to multidimensional poverty in Nepal are under

nutrition and households that lack any member who has completed five years of schooling.

Nepal's new constitution makes strong commitments to cooperatives, many of which are agricultural. But what needs to happen so that agricultural cooperatives really have a major influence on agricultural development and on Nepal's economy overall? An obvious answer is that cooperatives here must at least match the large proportion of agricultural output which is handled by cooperatives in Europe and North America, where they play a major role. If this happens, Nepal's agricultural cooperatives can indeed be an important force for development, contributing to the achievement of the Sustainable Development Goals (MoAD,2018).

1.1.1 Brief Description of IDP /SFCL Nepal

The concept of agricultural modernization was introduced in 1951 after the visit of first Rana prime Minister of the United Kingdom. However, agriculture development during that Rana Regime suffered. But very few positive steps such as the establish of Krishak Adda (1892), Agriculture council (1937), which preceded the Krishi Parishad where the noticeable measure taken on this field even though they were not successfully adopted(Khatiwoda,2010).

After the historical political revolution of 1951, Nepal had to wait for the scientific periodic development program till 1956. Before 1956 and a after the revolution, two programs namely Tribhuban village development program and Rapti Vally development project were launched during 1952 to uplift the economic condition of the people. These programs failed to achieving and significant progress due to difficulties in administrative, managerial, technical and infrastructure sector, thus the five years after the introduction of democracy in agriculture remind. Fruitless due to lack of directives and program co-ordination among the agencies concerned which was the result of political instability in the country(Ghimire,2005).

Nepal launched modern planning form 1956 A.D. The first two plans did not into improve the situation of the farmers. The importance of agriculture in economy like ours cannot be minimized because most of the Nepalese people depend on agriculture for their livelihood and income also depends on agriculture. So, planned agriculture development in the prerequisite to and increased income level for the country. That's way top priority was given to agricultural sector to upgrade the economic situation of

people. Therefore to provide institution credit for the development of agriculture sector, co-operative societies bank were established in semi-government sector. The first institution to supply agriculture credit in Nepal was the co-operative bank established in 1963 A.D. However this institution was not effective. Necessary of a vital institution to boost up the agriculture sector was strongly realized and its result came with the established in 1963 A.D. However, this institution was not effective. Necessary of the vital institution to boost of the agriculture sector was strongly realized and its result came with the establishment of agriculture development Bank/Nepal in 1968 A.D. The bank was established inheriting the assets and liabilities of the co-operative bank and later on land reform saving corporation was also merged into it in 1973. Afeeter that ADB/N become the sole specialized agricultural financing institution in Nepal. In the beginning SFDP disclose from and approach devised by a workshop Jointly organized by FAO/UNDP in January 1974, under the ASARRD and then two pilot projects were initiated during F/Y 1975\1976 A.D.

Afeeter the implementation of the programmed most of the government office, Institution NGOS and INGOS attention were driven towards the effectiveness at the programme. The effectiveness of the programme was also liked by international organizations. According to FAO "SFDP is a full moon in a dark night."SFDP was introduced in Nepal in 1975 and gradually extended to new areas. New SFDP has made a wide coverage in rural areas. Likewise, the policy of ADB/N is that the SFDP is to be handed over to the VDC level farmers as a small farmer co-operative limited (SFCL). The institutional development program like SFCL was spread to different part of Nepal. Till now, the number of small farmer development programs handed over to the VDC level farmers are 199. Both institutional and individual researchers have done several studies of the small farmer development project and IDP or SFCL (Tiwari,2016).

1.1.2Poverty Situation in Nepal

Nepal is known to be one of the most beautiful countries in the world. However, the fact that Nepal is a poor country stands true. The question of why is Nepal a poor country has emerged over the minds of many. Those who look at the living style of Kathmandu are amazed to know that more than 21.6 percent of Nepal's population lives below the poverty line.The employed population of Nepal (almost 12.5 percent) earns below 1.90 American dollars per day. Out of every 1000 babies born in Nepal,

29 die before their first birthday solely due to poverty (MoF, 2017). So why is Nepal a poor country? Why has it not managed to stay out of the clutches of poverty? Why is Nepal a poor country and yet its people are rich? There are many factors that come to play. The main causes of rural poverty are lack of infrastructure, high growth rate of population, low agriculture productivity, unequal distribution of productive assets such as land, unfavorable production technologies and environmental calamities. Those who are below the poverty line are near land less, artisans, agriculture; labor and less including women.

Out of hundred 95 percent live in rural areas about 81 percent of the rural poor are either self-employed, in agriculture or agriculture labors with or tenancy. Cones without sequences of disparity in land holding between rich and poor have exhibited sociopolitical dominance on the poor which has put the poor on the poverty trap and has made it very difficult to improve their Socio- economic life. Women are ofeten more deprived because of social and legal discrimination between the axes, social discrimination is the major cause for their larger deprivation. They lag in the mainstream is the major cause for their larger deprivation. They lag in the mainstream of social and economic activities and are unable to enjoy equal access to economic resources and social services. In this way, it is clear that Nepal is suffering from mass poverty (MoF,2018).

1.1.3 Planned Efforts to Alleviate Poverty

Firstly, with the formulation of five year plan in F/Y1956/57, the planned development efforts in Nepal started. Since that time, six five year plans and a three year plan have so far been executed. The initiation of the eight plan which lagged behind following a popular movement in 1990 for the restoration of multiparty democracy is now progressing. The emphasis in the initial plan periods was in the creation of basic infrastructure essential for development. From the sixth plan onwards, the program are geared more towards the utilization of created infrastructure for productive purposes. The priorities in all the plans have been argued to be placed on agricultural sector. A lager share of development expenditure (35-60 percent), however, was invested in transport and power sectors until the fourth plan. With gradual development of the nucleus transport and communications network, allocations to agricultural sector were increased to about 50 percent of the total outlay. Each and every policy of government are concerned to alleviate poverty by modern changing prospects on agriculture. In Nepal, there are likely to increase the number of poor substantially in coming future. Out of the total world population sofeet 53 billion, south Asia Region had a population of 1.1 billion

and out of this 440 million- population fall below the poverty line (i.e. nearly 40 %). Among the 440 million poor, nearly 360 million live in rural areas and 80 million in urban areas. Thus, it is clear that rural poverty is the greatest challenge for every south Asian country, hence for Nepal also.

Agriculture has provide employment to a number of people, moreover it has contributed a sizable opportunities in national income has provided employment opportunities to mass of people. Agriculture has also given contribution in export trade. It can collectively pointed out that agriculture has contribution remarkably in all round development of the country. But the tragedy of the agricultural sector is that despite the immense importance of this sector, it is still supposed to be most unproductive sector of the country. The overall economic growth of the country is guide by the agricultural sector but the persistence of mass unemployment and the rate of productivity have curbed peace of the economic development of the country.

In order to uplift the economic status of common Nepalese country the agricultural sector most be treated as the most productive sector in order to develop this sector a historical step has taken HIS Majesty's Government of Nepal in 1967 A.D. by establishing Agricultural Development Bank afeeter some years of its working period it has implemented the major poverty alleviation program amend by small Farmer Development Program (SFDP) in 1975 A.D.

This program has been transferred into Institutional Development Program (IDP) or Gaupalika VDC level small Farmer Co-operative Limited (SFCL) from SFDP since the fiscal year 1991 A.D. and at the same time it was introduced in Jhapa district. Even it was introduce in Jhapa district at that time, they said program (SFCL) was started to launch by 2000 A.D. in Panchgachhi Gaupalika. Afeeter the IDP, this program has been operated by the help of "ADB/N and it is running under the policy of Government. Various international institutions such as IFAD, UNFPA, USAID; the British Government and German Technical (GTZ) are providing financial assistance to support this program.

The establishment of small Farmer co-operative Limited (SFCL) has minimized all the mention problems of common Nepalese farmers and those who the performing their activities in rural areas. Therefore, it can be concluded that if all the basic perceptions of the SFCL are exercised to develop rural areas of the country honestly and effectively than the truesense of poverty alleviation (economic development) can be achieved with the country in the years to come.

1.1.4 Major Objectives of IDP/SFCL

The main objective of the program is to raise the Socio-economic status of the small farmers, land less labors including women by bringing them into the mainstream of the development process and by institutional development of their own grass-root level organization. However the specific objectives are to create internal resources at local level and use it for meaningful purposes, to increase share of small farmers and able to make them self-sustainable gradually, to promote sustainable financial intermediary linkage between the bank and the small farmers. To develop organization of the small farmers at the grass-root level. To enhance their knowledge, skill and attitude by involving them in different training programs. To develop leadership capability and managerial skill among small farmers. To involve them in every activities of spoons and thus able to continue the activities of SFCL and to expand and' increase coverage and volume of business in a cost and time effective manner.

1.1.5 Characteristics of SFCL

Functions of SFCL is guided by the aim to All the activities of institution must be done by small farmers, the supreme authority of this institution in general assembly and all the small farmers are existed of its members, the executive authority of this institution has used by its working committee, which organized by its general assembly of small farmers, all the ownership of the shares existed on the small farmers, dividend of this institution must be acquired by small farmers and all the working responsibility must be existed on its small farmers, which all encourages the progress on overall lifestyle of small farmers and it will be the milestone for positive results on Multidimensional poverty Index.

1.1.6 Implementation Procedures of IDP/SFCL

In order to develop the infrastructure for the institutional development of self-help SF organization mainly concerned to develop promoters from within the SF-group members and mobilize them to motivates SF-groups for creation and development of Ward level SF-inter group and working surrounding area level SF-organization (Mul Samiti), to Select and provide employment opportunities to youth workers and women group organizations from among the SF-group member of their immediate relatives who are educated and more informed, to

implement the social and community development programs through the participation of small farmer families with the minimum support from other related agencies. to provide credit to SF individuals members or groups through implemented area level SF organizations to undertake various incomes generating activities and to register SF-organization with the related government Department as well as Finally hand over the management of SPOs to the respective SF-organization.

1.1.7 Eligibility to be Transformed into SFCL

Eligibility to be Transformed into SFCL is because of More than 50% of total small farmer's family should be covered, outstanding loan should be more than NNRs.2 million and overdue should be less than 20 percent of the total outstanding, all record of loan, saving and other cash related activities should have been accepted by individual farmers, loan classification should be completed , SFCL should be own office building and be capable to manage its overhead cost afeeter taking the management of SPOS, for the main committee members and employee should have taken the managerial training and main committee and individual SF should agree to generate their own capital through providing share to each individual farmers.

1.1.8 Emergence of SFCL in Panchgachhi of Shivasatakshi Municipality

The small farmer co-operative Limited (SFCL) has started in Panchgachhi VDC (Current Shivasatakshi Municipality)Jhapa in 1989 A.D. as a name of small farmer Development program to uplift the Socio-economic status of small farmers of Panchgachhi Village. In Nepal this program has been transferred into Institutional Development Program (DP) from SFDP since the fiscal year 1998/99 A.D. and at the same time it was introduced in Jhapa District. Although it was introduced in Jhapa District at that time, the aforesaid program was started to launch in 2000 A.D. in previous Panchgachhi area (Current Shivasatakshi Municipality ward No. 4 & 5). Afeeter the IDP the help of "Agriculture Development Bank" has operated this program and it is running under the policy of government. Various international organizations,such as UNICEF, UNFPA, USAID; The British government and German Technical (GTZ) are providing financial assistance to support the program.

After the local government reform system, Panchgachhi is located at Shivasatakshi Municipality, but SFCL is operated with the name of Panchgachi.

1.2 Statement of the Problem

Nepal is one of the poorest country among SAARC (South Asian Association for Regional co-operation) which has only per capita income 250\$. The economic problem of Nepal can be presented as, mass poverty, low per capital income, excess dependency on agriculture, lack of capital, industries backwardness, low use of natural resources, vicious cycle of poverty, excess number of disguised unemployment and excess dependency on foreign aid .

Besides above facts these are some more economic problems such as mass poverty, low per-capital income, heavy dependence on agriculture, shortage of capital, tripalistic economy, underutilization of natural resources and wider spread inequality and trade deficit. Nepal is an agricultural country and more than 60 percent of people depend on it. More than 27.6 percent of GDP have been contributed by this sector. It has also some problem such as monsoon cultivation, increasing rate of disguised unemployment, increasing population density in agriculture, concentration in cereal crops production, low productivity and complementary role of livestock, fragmentation of land, subsistence cultivation and a terrible consumption of labour intensive cultivation, on practice for rotation of crops and agricultural marketing problems and unfair exploitation. To reduce maximum poverty all over our nation, small farmer co-operative limited (SFCL) has established. Since the establishment on 2000 A.D., it has helped to reduce much more poverty in Panchgachi area, Jhapa district. The basic purpose of the program was decreasing poverty help to develop the economic status, raising living standard of small farmer, landless farmers, labours, poor family of this village. The researcher have been under taken this study to evaluated the performance of SFCL in Panchgachhi with the major aim of observing and evaluating the role of poverty alleviation and economic impact of SFCL up on SFs identifying their problem finding the measure . The study tries to answer the following research questions.

- a. What is the present economic status of Small Farmer Cooperative Limited of the Shivasatakshi Municipality?
- b. What is the role of the Small Farmer Cooperative Limited to the small farmers in the Panchgachhi area?

1.3 Objectives of the Study

The basic objectives of this study is to explain impact on SFCL in alleviation of rural poverty. The support the basic objectives this study has also adopted some other objectives are as follows:-

- a. To analyze present economic status of the small farmer cooperative Limited of Shivasatakshi Municipality.
- b. To examine the role of Small Farmer Cooperative Limited to the members of Small farmer cooperative Limited.

1.4 Significance of the Study

Nepal is an agricultural country and more than 60 percent of people depend on it. More than 27.6 percent of GDP have been contributed by this sector (CBS, 2018). The agriculture development must important for the national growth. If rescue the living standard of people upon agriculture, give the attention in the sector .The capital is important for agriculture development. Adequacy of capital of financial facilities in this field will affect the agriculture production. Agriculture production storing, processing, animal feeding and operating cottage industries have done by the help of financial facilities. The credit facility of agriculture sector is needed to improve the condition of small farmers in rural area. But this kind of institute has not covered to the small farmer. Thus how does this group take a service through the program of SFCL. The study of this SFCL is important for how does increase living standard, economic level self-employment of small farmers that is why the importance of the feels to identify the expectation of rural people of the Shivasatakshi Municipality area and consequential result in the case either because of fulfillment or because of non-fulfillment of their expectation on the other hand, the study could be used for reference on achievement of SFCL in general. it examine the co-operative activities through the group trend of small farmers, participation as well as leadership in the group and the performance of financial intermediary in loan disbursement and repayment and it will provide important feedback for the long term perspective of the program.

1.5 Hypothesis of the Study

Hypothesis of this research study can be Small Farmer Co-operative Limited (SFCL) has reduced the maximum poverty as well as increase the participatory tendency and

leadership skills on each sectors of small farmers of Panchgachhi area of Shivasatakshi Municipality.

1.6 Limitations of the Study

The Limitation of this research study can be this research study based only and exclusively focused on SFCL and its purpose-wise and term-wise loan disbursement, loan collection outstanding, overdue, trend analysis of loan disbursement, loan collection, interest collection and economic impact in only Panchgachhi area, which is previous Panchgachhi VDC and current ward no. 4 and 5 of Shivasatakshi Municipality of Jhapa district, because the operation of SFCL is spread on such area only. This research study only has taken the data from F/Y 2012/013 A.D. to F/Y 2016/017 A.D. This research study only has taken the data micro level study, it cannot be generalized in national level. This research study has taken only statistical calculation such as simple correlation, standard deviation, and other diagrammatic and graphic representation of the data. This research study has taken only gross income not in net income as well as theoretical interpretation of progress on multidimensional poverty index.

1.7 Organization of the Study

The specific case of study of socio-economic impact of Small Farmers Co-operative Limited (SFCL) is the subject matter of the study. This study has been organized with separate five headings. The first chapter is related to introduction of the study, which chapter consists of General Background of the study, Statement of the problem, Importance of the study, Objectives of the study, Hypothesis of the study, Limitation of the study, Organization of the study and Introduction of Overall study. The Second chapter is related with the review of related literature, which chapter consists of Introduction, International studies, Nepalese studies and Research Gap. Similarly, the third chapter is related to the methodology of this research, which consists Research design, Introduction of study, Source of Data and Method of Data analysis, the fourth chapter is related with Presentation and Analysis of data, which chapter consists Introduction of study area, Economic status of study area and Overall Socio-Economic status of study area. Final chapter or fifth chapter is related Summary of Findings and Recommendations, which chapter consists of Summary of Findings, Conclusions and Recommendations.

CHAPTER II

REVIEW OF LITERATURE

2.1 Introduction

Review of Literature mainly covers two parts. The first section of this chapter includes theoretical frame work where a second part is for fined to review of those studies carried out by previously to the research topic for objective meeting. In this chapter, the overall concept and view of SFCL will be streamlines through the review of relevant literature reloaded to this study. Only by knowing what others have said. One can be realistic for useful and relevant study.

Nepal is developing countries in the world where More than 60 percent people are depend on agriculture sector and most of them are small farmers. Those who have less than 0.5 hectors of cultivated land & per capital income of \$200 have been considered SF.

According to ADB/N "Small farmer is one who is depending on the profession or agriculture and cottage industries at the village level whose labours engaged in rural industries and other skill labours whose annual income does not exceed NNRs.2500 per head."

2.2 International Review

FAO(2001) has conducted a study about farming system and poverty, which covers the whole developing nations of the world. The study has made analysis of developing countries of each continent separately. This study centered with three major phenomenon of Hunger, Poverty and Agriculture. The study summarizes that Small farmers produce much of the developing world's food, but they are generally much poorer than the rest of the population in these countries, and are less food secure than even the urban poor. Furthermore, although the majority of the world's population will live in urban areas by 2030, farming populations will not be much smaller than they are today. For the foreseeable future, therefore, dealing with poverty and hunger in much of the world means confronting the problems that small farmers and their families face in their daily struggle for survival.

Sumelius (2014) conducted a research about cooperatives as a tool for poverty reduction and promoting business in cooperatives as a tool in Tanzania, a developing nation like Nepal. The objective of this study is to provide an analysis and policy recommendations on how Tanzania can promote an inclusive people-centered businesses for poverty reduction through supporting the cooperative business model for business-driven activities of the poor in Tanzania with cases of actual cooperatives. The study was based on semi-structured interviews based on a set of questions and a formal questionnaire whereby 11 cooperatives were interviewed. Main findings of the research are listed by the researcher as below 1.) The primary cooperative society is strong and works as the driving force of cooperative development, business promotion, job creation and poverty reduction. The members have control of the cooperative. 2) Financial services, i.e. services offered by SACCOs (Savings and Credit Cooperative Societies), AMCOs (Agricultural Marketing Cooperative Societies), cooperative banks and cooperative insurance companies, are close to the members of the primary society. 3) Members are trained to know their rights, to know how to run a cooperative efficiently, to maintain their autonomy and independence from external pressures. 4) The secondary structures (unions or similar) are light. Primary members may sell through other channels than the union. 5) The secondary structure provides relevant information to the members and carries out business negotiations with both foreign and domestic buyers. The secondary structure does not deal with any money or physical commodities directly. 6) Activities carried out by the secondary cooperatives are transparent. 7) In cases where the cooperative is clearly market oriented developing new products partnership with a foreign investor seems beneficial. 8) The partnership between the cooperative and the foreign investor is based on that between cooperatives themselves.

Abbas (2016) made a research on the roles of cooperative societies in alleviating poverty in Yobe state of Nigeria, a developing country like Nepal. The study assessed the roles of cooperative societies towards alleviating poverty using Yobe State as a case in point in Nigeria. The activities of cooperative societies and how they affect its members especially in fighting the menace of poverty were therefore critically examined. Through multi-layer random sampling technique responses from questionnaires and interviews conducted with key informants served as the main source of data. The study showed that the activities of cooperative societies have

improved the living standard of its members through provision of skills, trainings, job opportunities and financial assistance thereby reducing the poverty level of its members and communities. The finding of the study also showed that, despite various successes achieved by the cooperative societies in poverty alleviation, its efforts are not without some challenges. The study thus identified and developed effective policy measures within which cooperative societies can exploit to benefit all its members and communities especially in the area of poverty alleviation.

Mhembwe (2017) conducted a research about the role of cooperatives in sustaining the livelihoods of rural communities in Shurugwi district of Zimbabwe. The main focus of the research was to analyze the role of cooperatives in sustaining the livelihoods of local rural communities in Shurugwi District in Zimbabwe. Descriptive survey design was used in this mixed method approach to the study. A questionnaire, interviews and observation methods were employed as the main research instruments. Purposive sampling technique was adopted and data were collected from government officials and from members of the six cooperatives in Shurugwi District. A total of 50 research participants were involved in the study. It was found that cooperatives were established as a strategy to sustain livelihoods of rural communities. With the adoption of cooperatives, people in the rural communities managed to generate employment, boost food production, empower the marginalized, especially women, and promote social cohesion and integration, thereby improving their livelihoods and reducing poverty. Most cooperatives face a number of challenges that include lack of financial support, poor management and lack of management skills, and lack of competitive markets to sell their produce. The study recommends that the government and the banking sector render financial support to cooperatives in rural communities to allow them to expand and diversify their business operations; constant training on leadership and management skills is provided to cooperatives' members. There is also a need for cooperatives, especially those in the agricultural sector, to form some producer associations so as to easily market their produce. Lastly, the study recommends that future research should focus on investigating issues that hinder the growth of the cooperative movement in rural communities of Zimbabwe. It is hoped that policy-makers and communities would benefit from the study.

2.3 National Review

Khatiwoda (2010) conducted a case study of Maharanijhoda VDC, Jhapa about the role of small farmer cooperatives to the alleviation of rural poverty. Objective of the

study is to evaluate the change in income level of small farmers after getting membership on SFCL. This research made research on 178 groups from 1408 groups of small farmers organized by SFCL. This study applied a descriptive and analytical research design in the specific area. For the study purpose, both quantitative and qualitative data are collected from the field. This study has attempted to examine whether the program has been successfully launched in the study area or not by using different statistical tools such as Standard Deviation, Mean, Correlation of Deposit collection and Loan recovery.

Bhattarai (1989) States on research work, which was done at Kakarvitta, Jhapa, The SFDP in connection with its objectives with the special reference to the Kakarvitta SFDP. The study has also focused on the activities of SFDP and its reaction checked by SF and how to help this program help to redress of poverty of SF in VDC level. The study had recommended that small farmers SFS should be defined for the development of SFDP.

APROSC (1985) carried out an impact study of the program of Nuwakot and Dhanusha Districts. The objectives of the study were to study the socio-economic impact of the program, to find the constraints and to provide recommendations. The study was based on primary data randomly selected by interview using a questionnaire. The impact was examined by horizontal comparison of the project group members and non-members. To examine the social impact of the project, comparison of the project and control group farmers were done on the basis of social characteristics and attributes VIZ, literacy level education, status, family planning, health, sanitation, nutrition level, housing and social status. The result was in favor of project groups. The project groups were found to be able to develop suitable social environment. Regarding the economic impact, the study compared the project and control groups based on land use, cropping and production, uptake of improved technology, cattle and other livestock, horticulture other enterprises and cottage industry. The average net incomes as well as investment are reported to be significantly higher in comparison to control group and it is found positive support of the line agencies to the small farmers. The aggregate result of the study is found to be encouraging. So, the study recommended extending and implementing the program in remaining areas of the country.

APROSC(1985) conducted a research to evaluate purpose of monitoring and evaluation of SFDP on two sub-project area in Kaski and Rupandehi District in 1985. The finding reveals that 40% of the total loan disbursed to the sampled household in the project area account for livestock activities. Thus, livestock production, by far remains one of the main income generating activities under SFDP. In order to make this activity profitable, farmers should be encouraged to select-good local breeds and provision should be made for improve stunt service and effective veterinary services. Due consideration should be given to feed and fodder situation and marketing facilities while designing such activities.

Saha (1985) did a research study on Nawalparasi, were altogether 1322 household of which 371 household were taken for the impact study. The study had found SFDP with heavily significant impact on the income and consumption of beneficiaries but ht activities of SFDP were not found significantly on the employment status of the beneficiaries. This study was mainly concerned on the activities of SFDP in Nawalparasi District.

APROSC(1985) conducted a study about the transformation of IFAD to SFDP. A three stage sampling procedure has been followed to carry out this study. In the first stage sample sub project office (SPO) where selected on the basis of regional sub project office (SPO) where selected on the basis of regional characteristic. The second stage sampling procedure comprised to the selection 20 percent small farmers group from the selected projects on the basis of groups characteristics. The last stage sampling procedure comprised to the selection of 20 percent small farmers group from the selected projects on the basis of groups characteristics. The last stage considered of random selection of 50% households from each selected group. This study has also tried to find out key information about each group for this purpose each group information were collected in the field with the help of group organizer of each selected site. The study has also indicated that the IFAD financed SFDP and recently completed. The achievement of the project seems to be imbued with mix results. During five years of implementation some of the SPOS have demonstrated satisfactory achievement while other have modest growth. And lastly, this study has recommended that the SFDP is basically and institutionalized credit program but in reality the selected activities do not seem adequately appraised and consistent with the need and resources base of small farmers. And in view of higher unemployment

among small farmer family members, labor intensive as well as productive economic activities need to be explored and emphasized. Besides these, some concerned efforts are remained to boost up the existing yields of major cereal crops of small farmer through which they would be able to enhance their economic welfare.

Adhikari (1994) made a study to observe eligibility and assessment of Small farmer's cooperatives in the small farmers. This study used secondary data for examine the eligibility and assessment. This study has concluded that in view of the complexity involved in determining the eligibility of individual households and the skill as well as information required for accounting incomes different sources, a simpler approach of assessment may be appropriate Ranking individual in area in order of poverty through 'Participatory Rapid Rural Appraisal' (PRRA) to identify the eligible households seems to be a more practical approach. Households that can at least, meet the basic need can be separated from others that cannot assess eligibility. Through this procedure may invite political problems at certain places, informing the large farmers about the services provided by ADB/N for them may help.

Koirala(1993) manipulated a study of small farmers Development Project of Dulari VDC of Morang District. Objective of this study is to evaluate overall socio-economic impact of SFCL on small farmers of study area. It has studied over all activities of SFDP in Dulari. This study applied a descriptive and analytical research design in the specific area. For the study purpose, both quantitative and qualitative data are collected from the field. This study was found out the working activities in the area of rural development of SFDP. This study has indicated some problem of SFDP along with some measures to solve them. The main connection of this study was also focused to identify the major problems especially in case of woman group farming and their responsibilities for the development of rural areas. Thus the study has studied the problem of some activities in SFDP. In this way various institution and individuals have invested on different aspects of SFDP, till today. But non-has paid special attention to the poverty alleviation aspect of SFDP of Dulari. Poverty alleviation and the agriculture development aspect are the main component of Nepalese economy as well as the chosen areas. This study concerned with Dulari SFDP and rural development activities of above mentions V.D.C. under the credit institution of SFDP. B.B Pradhan in his seminar paper delivered in the workshop on "Small farmers Development and Credit Policy ADB/N, Kathamandu, in April 7-11,

1980, has expressed the view that SFDP is a new strategy being tried in Nepal. Both in terms of coverage and activities it has been very successful. Nepal has naturally to look beyond and think ahead. This demands a continuous action based research. Question such the future status of the small farmer who has crossed the threshold of the small farmer category, the implications of a federation of the small at the district and national level the interaction between the small farmers groups at the district and national level the interrelation between the small farmer groups and other farmers, the coordination of the small farmer groups with VDC and so forth need pragmatic research. Not enough attention has gone to this kind of research. The future of SFDP depends much on its adaptability to the changing situation, which need continuous feedback of such research.

Acharya (1983) carried out a study about the role of SFDP in meeting basic human needs at Dulari SFCL of Morang District. Objective of this study has mainly concerned with the problem of SFDP of Dulari, Morang. This study has uses primary as well as secondary data as per need. This study has indicated that the average per household and per capital daily expenditure of small farmers found to NRs. 56 and NRs. 8.34 respectively whereas the corresponding figure of the income found to be NRs. 4.7 respectively. This study highlight the problems of SFDP such as lack of proper co-ordination among various committee, feeling of compulsion to pay a high price for fertilizers and other agriculture tools and higher rate of interest charged by ADB/N and lack of proper health services. The study had also indicated that the outlay of small farmers had been greater than their income.

Upreti(2002) conducted a study about researcher's own periphery, i.e. researcher self as a student of small farmer Development project in Ghailadubba, Jhapa. The main objectives of the study is to evaluate the life style of participate and non-participate public of Ghailadubba VDC of Jhapa District. This study uses the sampling method to observe the overall lifestyle of participate and non-participate public of Ghailadubba VDC of Jhapa District. This study finds the situation of participate people of SFDP is more economic and productive than the non-participate peoples of SFDP in Ghailadubba VDC of Jhapa District.

Ghimire (2005) Studied to evaluate the condition of alleviation of rural poverty and economic impact of small Farmer co-operating Sundarpur, Morang. The main objective of the study was to evaluate the alleviate poverty with the help of SFCL.

This study has uses secondary data with Concentrated intensively in evaluating SFCL program lunches in Sundarpur VDC of Morang district, which has This study applied an analytical research design in the specific area. For the study purpose, quantitative data are collected from the field. This study generalizes the assumption of functioning of SFCL always increasing standard of living regularly day, by day rather than non-participle members. So SFCL plays vital role for alleviation rural poverty, which is shown by various records of it.

Tiwari(2016) conducted a research to evaluate the financial status of small farmer cooperative Limited in Surkhet District of Nepal. This study has focused to identifying the role of Small Farmer Cooperative in economic development and also examine the Cooperatives as the communitarian informal institutions. This study applied a descriptive and analytical research design in the specific area. For the study purpose, both quantitative and qualitative data are collected from the field. Purposive sampling technique was used to select the SFCL established by the different caste, areas, constituency of Surkhet district. Besides that, member of cooperatives were selected by using the lottery system of simple random sampling without replacement. Data was collected from the 170 members of sampled SFCLs.

2.4. Research Gap

Other related research works are not properly explained about the progress on participatory tendency on each socio, economic sector, women empowerness and leadership skill building tendency with increasing level of income of small farmers because of involvement on SFCL. In present era, Participation is the measure weapon to alleviate the rural poverty. Modern changing perspective defines poverty as not only a lack of money, poverty also indicated by low level of participation, gender inequality, and lack of leadership skill etc. Thus, this research work tries to find the changes on overall socio-economic factor of small farmers afeeter the involvement on SFCL.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Design

This study applied a descriptive and analytical research design in the specific area. For the study purpose, both quantitative and qualitative data are collected from the related authority.

3.2 Introduction of the Study Area

Small farmers co-operative Ltd., Panchgachhi of Shivasatakshi Municipality is selected for the present study. It covers Panchgachhi area of Shivasatakshi Municipality of Jhapa District. Studied area is former Panchgachhi VDC but after the state reformulation, this VDC is merged with Shivasatakshi Municipality and it lies on Ward No. 4 & 5 of Shivasatakshi Municipality. In this area, SFDP was launched from the F/Y 1999/2000 A.D. and transformed in the institutional development program in the F/Y 2003/2004 A.D.

Panchgachhi area of Shivasatakshi Municipality has 3218 households of which 2112 are small farmers. There are 267 groups of small farmers organized by SFCL. The present study has attempted to examine whether the program has been successfully launched in the study area or not by using data from F/Y 2012/2013 A.D. to F/Y 2016/2017 A.D.

3.3 Nature and Source of Data

The nature of the study is descriptive as well as analytical and the Data, which have been used in this study are secondary in nature, which was collected and recorded by Small Farmer cooperative Limited, Panchgachhi, Shivasatakshi Municipality and Division Cooperative office, Bhadrapur.

3.4 Method of Data Analysis

The collected data have been analyzed by applying average, proportion and percentage beside these, standard deviation co-variance, co-relation analysis, pie chart and bar diagram also used where necessary. Method of Theoretical description of facts is also used.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction of the Study Area

Nepal is divided into 7 federal states and 77 districts. Jhapa District is located in Province 1 of the eastern region of Nepal. It borders with West Bengal (India) to the East, Morang to the West, Illam to the North and Bihar (India) to the South. Jhapa has 8 Municipalities and 7 Rural Municipalities. The total area of Jhapa is 1,606 Square Kilometer. The lowest elevation point is 58 meter which is the lowest point of Nepal and highest elevation point is 500 meter above sea level. The current population of Jhapa is 647,492 and the average population density is around 400 people per square km. The headquarter of Jhapa is connected by feeder road to the East-West Highway at Birtamode, and is also connected to the Hill parts of the eastern region of Nepal. Jhapa is the gateway to India for the eastern region of Nepal. Its height from the sea level is 58mtrs. On the south and 500m in the north. On the globe, it extends approximately between $87^{\circ}39'$ to $88^{\circ}12'$ east longitude and $26^{\circ}22'$ to $26^{\circ}50'$ north latitude.

Panchgachhi is former rural municipality of Jhapa District, after the implementation of new constitution or after state reformulation it was included on Shivasatakshi Municipality. Presently, Former Panchgachhi rural municipality covers Ward No. 4 and 5 of Shivasatakshi Municipality. Which is situated in the mid part of the Jhapa district it is surrounded by Kankai River to the east, Kamal Rural Municipality to the west, ward No. 3 & 6 of Shivasatakshi Municipality to the North and Gaurigunj Rural Municipality to the south.

4.2 Status of SFCL of Study Area

The economy of Panchgachhi of Shivasatakshi municipality is completely agro-based. More than 79 percent of the total house hold depends on agricultural occupation. Due to the being more fertile land agriculture stands as a main occupation of most of the people. A few people are engaged in other sectors like service, business and labour and soon. These major agricultural products of this area are paddy, wheat, jute, oil, seeds and vegetables. Traditional method tools and or farmers used in farming have caused low productivity in the sector. There is admirable development of education

health communication, transportation, electricity, agriculture and road. In spite of these about 18.5 percent of people live below poverty line. A small number of people are engaged in non-agricultural worked like government services, teaching, banking, business, foreign service and labours. Some of them are engaged industries and commercial activities in developed nations, such as America, London, Japan, Dubai, Malaysia, Saudi, Qatar etc. The population of Panchgachhi who are engaged indifferent sector has shown in the following table:

Table 4.1

Occupation-wise Distribution of Population

Occupation	Total Number	Percentage
Agriculture	8947	63.49
Foreign services	3217	22.83
Business Trade	578	4.10
Govt. Services	620	4.40
Other	729	5.17
Total	14091	100

Source: Raw Report of Economic Survey of Shivasatakshi Municipality 2015

Table 4.1 shows that 63.49 percent of total population is engaged in agriculture 22.83 percent are in foreign services, 4.40 percent, 4.10 percent and 5.17 percent are engaged in Business trade, Govt. Service and other occupations respectively.

4.2.1 Land Ownership Pattern of Study Area

Land is one of the most important natural resources on which various agricultural activities are done. Normally the land is classified as cultivable land, pasture land, forest land, house and others. The distribution of land in study area is presented below:

Table 4.2

Distribution of Land in Study Area

Land	Hectare	Percent
Cultivated land	875	72.41
House	191	15.79
Pasture Land	9	0.73
Forest	5	0.43
Other	129	10.64
Total	1209	100

Source: District Profile of Jhapa, 2015

Table 4.2 indicates total cultivated land area in this area is greater than other land area, which show activeness of farmer of study area.

4.2.2 Financial Activities of SFCL

Small farmer development project of Panchgachhi was established in 2000 A.D. and later it was handover to named small farmer co-operative ltd. at 2003 A.D. This is 35 Kilometers far from its District level controlling office, Biratmode. It's operation is spreads on Panchgachhi area of Shivasatakshi Municipality ward No.4 & 5, Jhapa. In this area at about 1207 farmers are small farmers and 396 are big farmers. This means the total target families of SFCL are 1603 it has organized till the study period are 472 only. Usually, there are 5 members in one small farmers group, resident of the same location- According to the study of the level, interest activities and nature of co-operatives the small farmer's co-operative ltd. is organized into one type of group. By the study of SFCL of Panchgachhi area in Jhapa, we can see all types of financial activities of small farmers from F/Y 2012/013 to F/Y 2016/017 at SFCL as follow.

4.2.2.1 Number of Groups and Members

Table 4.3

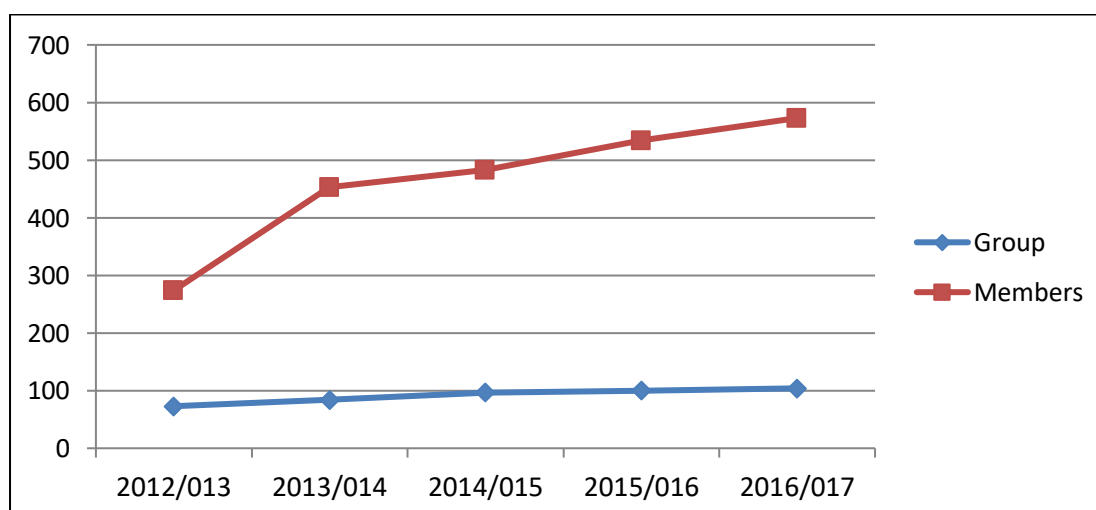
Number of Small Farmers Group and Members

F/Y	2012/013	2013/014	2014/015	2015/016	2016/017
No. of Group	73	84	97	100	104
No. of Member	274	453	483	534	573

Source: Profile SFCL Panchgachhi, 2017

Figure 4.1

Number of Small Farmers Group and Members



The graph shows that the number of groups and the number of members from the F/Y 2012/013 to F/Y 2016/017. It shows that the increase of member in SFCL. We can see there is change in group member from F/Y 2012/013 to F/Y 2016/017. Interested and involved peoples are increasing rapidly per year, which is the successive factor of SFCL.

4.2.2.2 Saving Mobilization of Small Farmers

Saving deposit is the backbone of the SFCLs and it is expected that all members participate in this program. Through each monthly meeting, principally the members deposit their group saving in their accounts which is separately managed in the each group. Poor people in the villages have to depend on the moneylenders, friends and other informal financial institutions to get the money. Rural people have no other sources of financing during the emergency situation like accident, illness and natural calamities. People have very limited access to banks, finance companies and other credit investing institutions. Saving makes fund available for investment in income generating activities, emergency purposes and economic revitalization of the societies. Saving is one of the important components of SFCLs in which various saving schemes are offered by the institution to raise assets of the individual members and also increase the fund of the institution to invest in income generation activities for the cooperative members. Saving tendency of research area is as follows:

4.2.2.3 Loan Disbursement, Collection Outstanding and Overdue

Loan disbursement to the small farmers for undertaking economic activity shows a very fast trends as the number of group formed and the number of members grew, so also did the demand for loan increased purposes covered by the loan include crop production, Age marketing, Agro-tools, cottage industries, Agro-Business and other sector like as livestock etc. The following table presents over-due loan of SFCL, Panchgachhi area. Similarly, the detail about the loan disbursement, collection an outstanding is as follows.

Table 4.4

Total Loan Disbursement, Collection, Outstanding and Overdue

(Amount in NNRs.000')

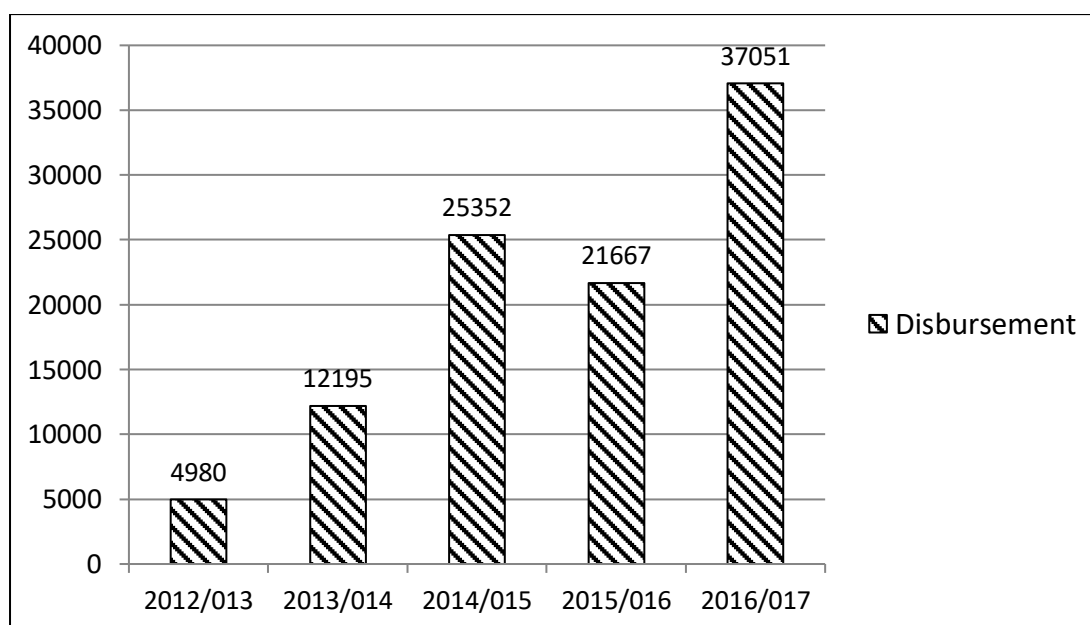
Fiscal Year	Disbursement	Collection		Outstanding	Overdue
		Principal	Interest		
2012/013	4980	1022	270	4835	85
2013/014	12195	2907	936	14123	41
2014/015	25352	11550	3613	27925	178
2015/016	21667	18475	4973	31116	220
2016/017	37051	30714	6319	37423	265
Total	101245	64668	16113		

Source: SFCL Panchgachhi,2017

Table 4.4 shows that disbursement of loan is increasing per year, which indicates loanable area is increasing day by day. In other words,necessity of credit is increasing per year. Which also indicates entrepreneurship development of small farmers, because principal and interest collection of SFCL is in very satisfactory status. More interesting fact of this data is that, overdue amount is not increasing with the increment in disbursement, which shows much debt consciousness nature and secure investment of Small farmers.

Figure 4.2

Disbursement Status



The loan diagram of total disbursement by fiscal year is presented in this graph. It shows that the SFCL has disbursement NRs.4980, 12195, 25352, 21667 and 37051 thousand loans in F/Y 2069/070 to 2073/2074 respectively. It shows that the disbursement is increased year regularly. But in the F/Y 2072/073 the disbursement has slightly decreased by NRs.3658 thousand.

Figure 4.3

Principle Collection Status

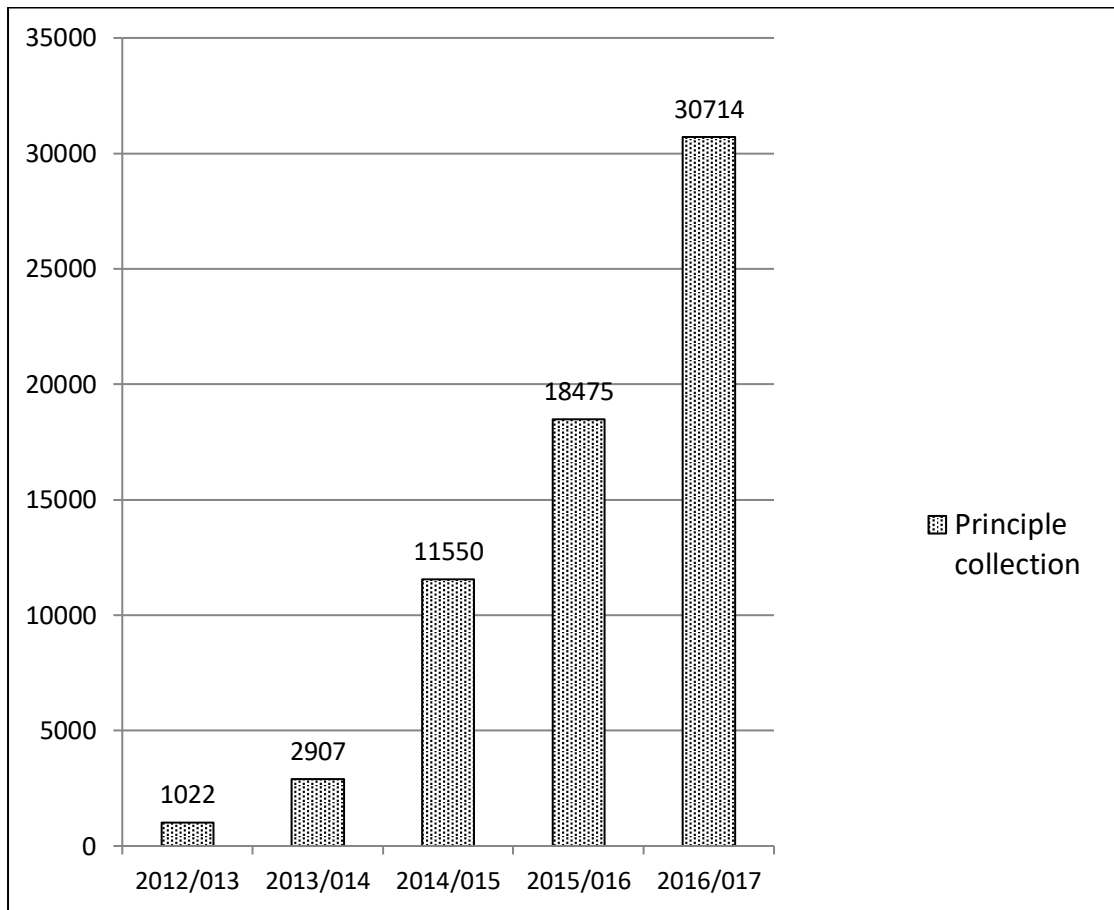


Figure 4.3 shows the SFCL has collected 1022, 2907, 11550, 18475 and 30714 thousand in F/Y 2012/013, 2013/014, 2014/015, 2015/016 and 2016/017. The loan collection has increased in all fiscal year. It is clear that the SFCL has been successful to collect loan according to the disbursement range.

Figure4.4

Interest Received Status

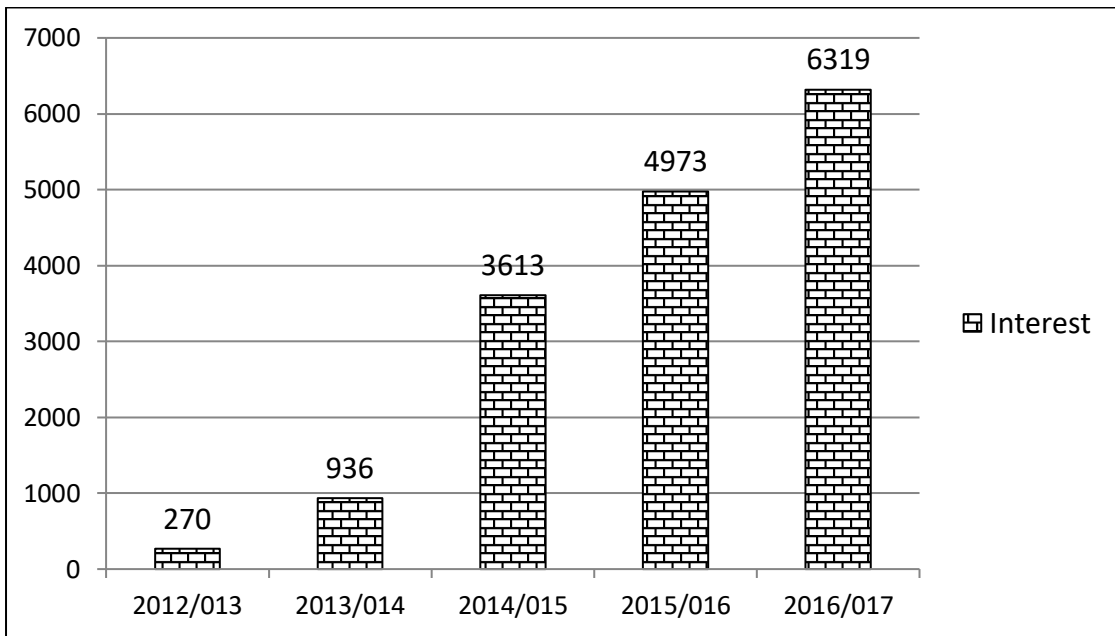


Figure 4.4 shows that total interest collection by fiscal year is presented in this graph. It shows the SFCL has interest NNRs.270, 936, 3613, 4973 and 6319 thousand in F/Y 2012/013 to F/Y 2016/017 respectively. The interest collection has increased in all fiscal year. It is clear that the SFCL of Panchgachhi, Shivasatakshi Municipality has been successful to collect its interest according to the disbursement range.

Figure 4.5

Outstanding of Loan Status

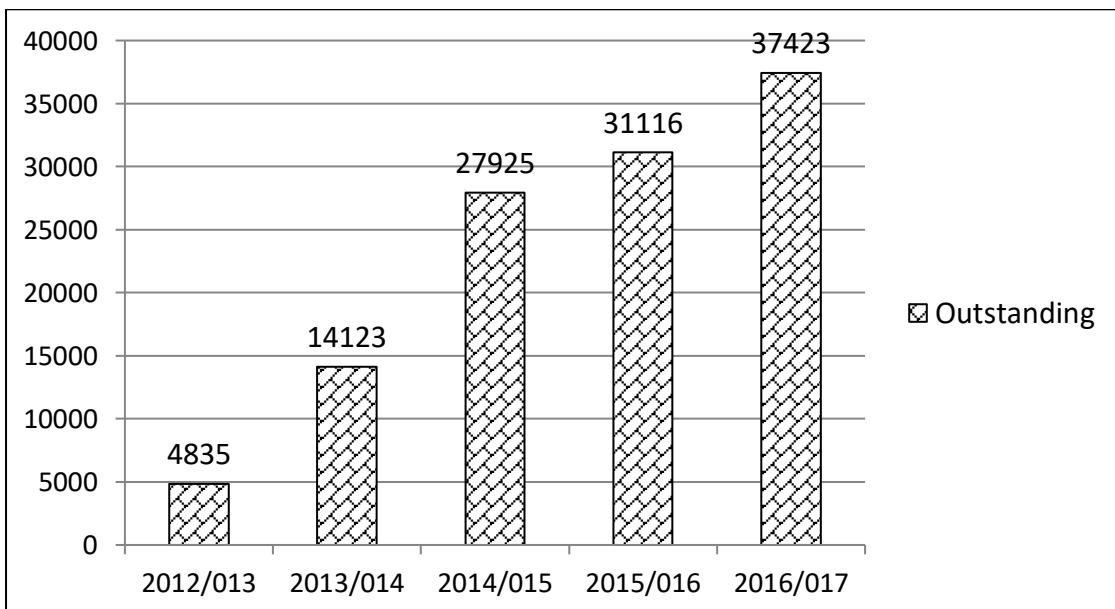


Figure 4.5 representing the outstanding loan of SFCL Panchgachhi is presented in this bar diagram. It shows that amount of outstanding is NNRs.4835, 14123, 27925, 31116, and 37423 thousand in F/Y 2012/013 to F/Y2016/017 respectively. The outstanding loan presented in diagram shows that the amount of outstanding loan is increasing regularly from F/Y 2012/013 to F/Y2016/017.

Figure 4.6
Overdue of Loan Status

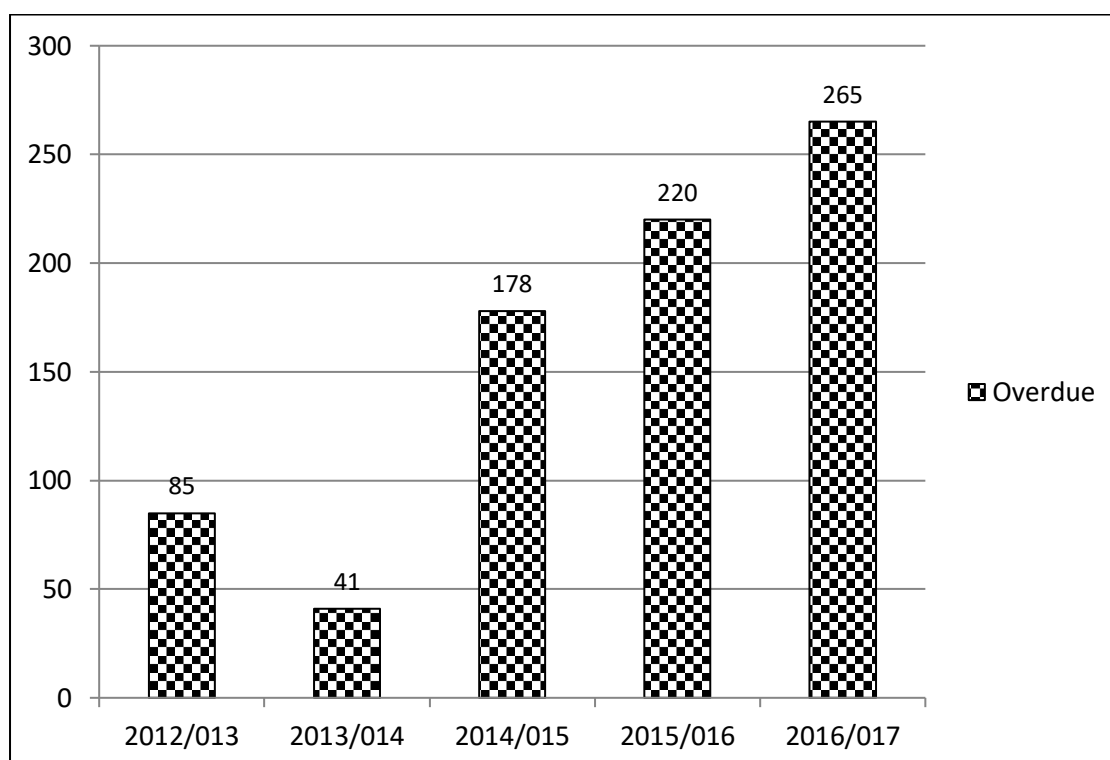


Figure 4.6 representing the overdue loan of SFCL Panchgachhi. It shows that the amount of overdue loan of SFCL has increasing with the increasing volume of disbursement in n but is not increasing as disbursement, which shows repayment capacity of loan user is not bad as a whole.

4.2.3 Statistical Calculation and Interpretation of Data

From the analysis of above mentioned data, following statistical results are obtained.

-Correlation between Loan Disbursement and Principle collection is found to be 0.47, which indicates the degree of positive correlation between them, which means loan disbursement and principal collection is largely correlated or repayment capacity of small farmer is satisfactory.

- Regression of loan disbursement and collection is found to be positive relationship between loan disbursement and loan collection. If disbursement increases by 100 percent than collection will be increased by 0.229.
- Standard deviation and coefficient of variance (CV) of loan disbursement are 11030.57 and 54.47% respectively, thus the loan disbursement is constituent.
- Standard deviation and coefficient of variance (CV) of Interest collection are 1732.16 and 53.757 percent, thus the interest collection is consistent.
- Standard deviation and coefficient of variance (CV) of loan collection are 10873.66 and 84.07 percent, thus the interest collection is consistent.
- Trend analysis of loan collection shows loan collection has increase by 29980.80 each Year.
- Trend analysis of loan Disbursement shows loan disbursement has increase by 29445.6 each Year.
- Trend analysis of interest collection shows interest collection has increased by 6554 each year.

These all results shows the strong, smooth, disciplined, reliable and trustworthy financial transaction of small farmers with SFCL, which all shows the economic progress of small farmers due to the involvement on SFCL.

4.2.4Term-wise Loan Activity

Main Purpose of Investment is to grow agricultural sector .Therefore, the SFCL is provides loan to the small farmer for various purpose. While providing loan collateral is taken from the small farmers it is given on group liabilities basis through co-operative activity for individual group as well as inter groups.

According to the SFCL credit policy and procedures 2049 short-term, medium-term and long-term are the classification of the loan-short term loan include cereal crops, improve seeds cash, crops, fertilizers, insecticides and agro-marketing purpose, the during of such as loan is 12 to 18 month. The medium term loan includes agri-tools, irrigation, cottage industries, agri-business etc. The duration of medium term loan is from 3 to 35 month. Long term loan has means above 5 to 10 years; it includes horticulture tea and coffee. The term wise loan, disbursement of SFCL, is presented in the following table.

Table 4.5

Term- wise Loan Disbursement Status

Kind of Loan	2012/013	2013/014	2014/015	2015/016	2016/017	Total	Percent
Short Term	3530	9512	18000	15817	26687	73546	72.64
Medium Term	1450	2683	7352	5850	10364	27699	27.36
Long Term	-	-	-	-	-	-	
Total	4980	12195	25352	21667	37051	101245	100

Source: SFCL Panchgachhi, 2017

Table 4.6 shows that during F/Y 2012/013 to FY 2016/017 the largest volume of investment was made on short-term loan which was NRs.73546 thousand of total loan investment which is 72.64 percent of total loan. The loan disburse as medium term loan was NRs.27699 thousand and it covered 27.36 percent of total loan investment.

The above data presented in table is shown in pie-chart. According to this chart, it is clearly that the SFCL has invested NRs.27699 thousand in medium term loan from fiscal year F/Y 2012/013 to FY 2016/017. The major volume of loan is in short term. Total loan disbursement in short term during the study period is NRs.73546 thousand. In this period any long-term loan has not invested here. Total loan disbursement by term-wise is shown following pie-chart.

Figure 4.7

Term-wise Loan Disbursement Status

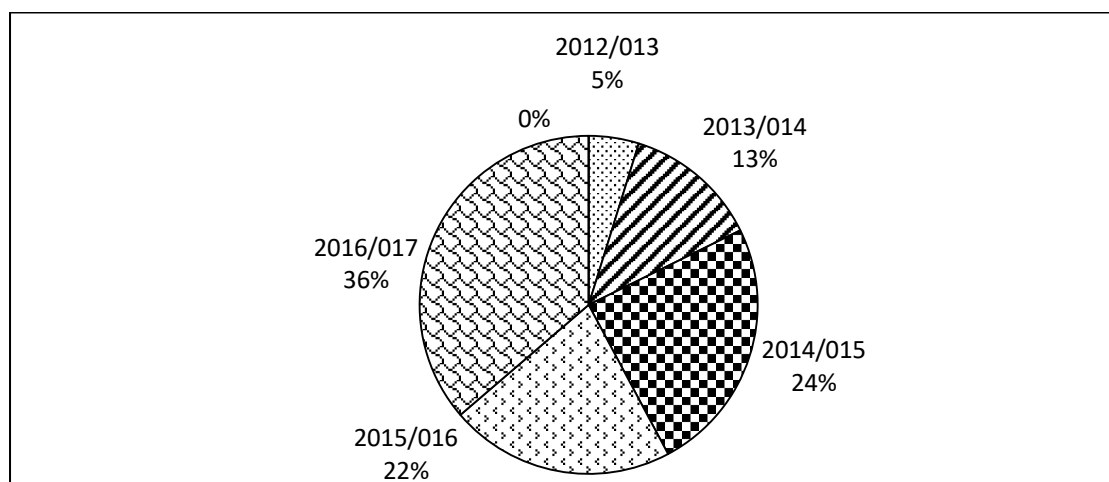


Figure 4.7 shows the medium term and short term loan disbursement has been mentioned. In the diagram, 72.64 percent short term loan disbursement has been shown similarly, 27.36 percent medium term loan disbursement has been shown. Hence, short term loan disbursement is over than medium term loan disbursement.

Table 4.6

Term-wise Loan Collection Status

Kind of Loan	2012/013	2013/014	2014/015	2016/017	2017/018	Total	Percent
Short Term	868	2006	8200	11270	23051	45193	69.88
Medium Term	336	901	3350	7205	7683	19475	30.12
Long Term	-	-	-	-	-	-	-
Total	1022	2907	11550	18475	30714	64668	100

Source:SFCL Panchgachhi,2017

Table 4.6 shows that during the FY 2012/013 to FY 2016/017the large volume of loan collection was made in short term, which was NRs.45193 thousand, i.e. 69.88 percent of total collected loan. Similarly, total loan collection on medium term was NRs.19475 thousand, i.e. 30.12 percent of total loan collection. In this period any long term loan has not invested and collected here.

Figure 4.8

Term-wise Loan Collection Status

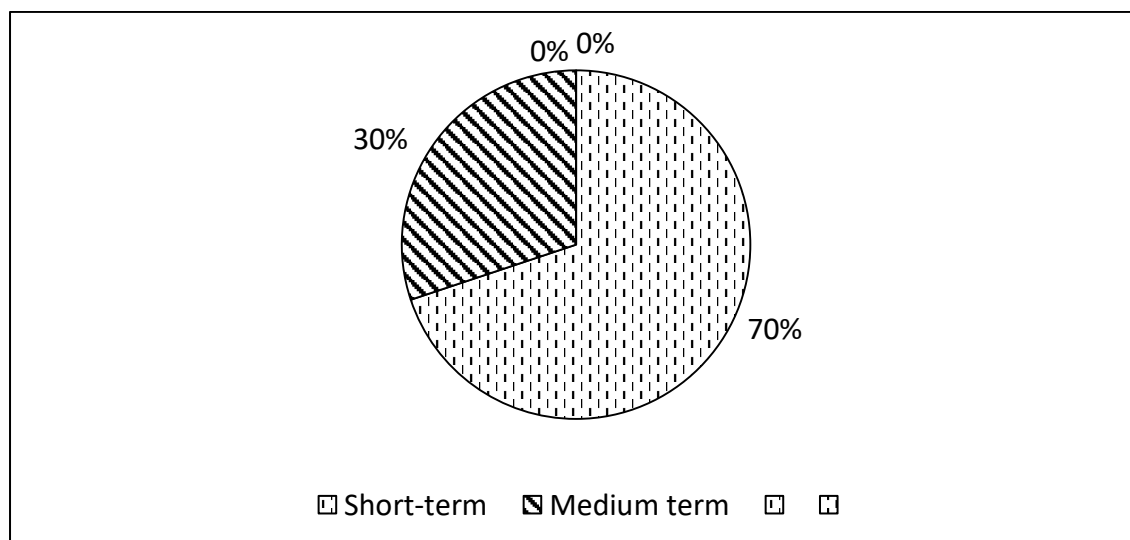


Figure 4.8 shows the medium term and short term loan collection has been mentioned. In the diagram, 74.51 percent short term loan collection has been shown. Similarly 25.49 percent medium term loan collection has been shown. Hence, short term loan collection is over than medium term loan collection.

4.3 Status of Small Farmer of Study Area

Afeeter the implementation of SFCL in Panchgachhi area of Shivasatakshi Municipality, there arises positive impact on each and every sector. Some facts are illustrated as below.

4.3.1 Population Situation of Study Area

According to the report of Shivasatakshi Municipality, The population of this area is 14091, among them male are 6367 and remaining 7724 are female. The total No. of household of this area are 3218 and average family size is 4.38, the following table shows the distribution of this area according to age group.

Table 4.7

Distribution of population by Age Group

Age Group	Population		Total	Percentage
	Male	Female		
Less Than 15 Years	2098	2104	4202	29.82
15-60	3455	4842	8297	58.88
60+Above	814	778	1592	11.30
Total	6367	7724	14091	100

Source: Raw Report of Economic Survey of Shivasatakshi Municipality, 2017

Table 4.7 shows that out of population 4202 are under 15 Years. 8297 are between 15-59 age group and remaining 1592 are above 60 years in the study area. Similarly the above table shows that the dependant population of this area is 5794 (4202+1592) which lies he age groups below 15 and above 60 years. So the dependency ratio of the area is 69.83% which is calculated by the following method.

$$\begin{aligned} \text{Dependancy Ratio} &= \frac{(0 - 15)\text{age group} + 60 + \text{above}) \text{age group}}{(15 - 60)\text{age group}} \\ &= \frac{4202+1592}{8297} * 100 = \frac{579400}{8297} = 69.83\% \end{aligned}$$

Thus, economically, the active group has to support the 69.83 percent dependent population.

4.3.2 Existing Infrastructure and Support Services

Infrastructure is called economically and socially useful capital assets such as education, health, sanitation, electricity, railroad bridges, roads canals, power plant, school, colleges, buildings, irrigation, training centers and public parts etc. Infrastructures, which provide a strong incentive for the growth of economic development, Grameen development, industries, factories, airports, post offices and hospital.

There is a two ward offices of ward No. 4 & 5 that sees administrative works are registering birth, earth marriage and recommending for citizenship and other local level government services and provided by this office. Established and registered to provide service for the people of this area on various economical, social, cultural etc.various infrastructure facilities have been made available now in this area. Various agriculture and other relating agencies are given below.

Table 4.8

Main Infrastructures and Supportive Services

Agencies	Number
Small farmer co-operative Ltd.	1
Ward Committee Office	2
Health Post	1
Agriculture sub-center	1
Postal service	1
Police Post station	1
Saving and Credit Cooperatives	4
Multi-Purpose Cooperatives	1
Agricultural cooperatives	4
Veterinary office	3
School(Public + Private)	
- Primary	8
- Lower secondary	4
- Secondary	2
Clubs	1
Communication Services	3
Other Social and Cultural Society	8

Source: Shivasatakshi Municipality,2017

Table 4.8 shows there is considerable availability of infrastructures. Some of the institutions are opened after the implementation of SFDP on this area, especially, establishment of cooperatives is happened due to the financial knowledge spread by SFCL on this area.

4.3.3 Economic Impact of SFCL

The main objective of SFCL is to increase economic condition of small farmers. To fulfill this objective various income generation activities are carried out by SFCL Panchgachhi area. The change of income of household during F/Y 2012/013 to F/Y 2016/017 is shown by the income impact of SFCL on small farmers has been assessed in terms of average earning payer by beneficiary households.

Disbursed loan from SFCL has affected in the earning capacity of the farmers. Some information has been collected from the SFCL for their own purpose on the basis of random sampling. So samples are randomly taken for purpose of analysis. Present study uses this data as below.

Table 4.9

Situation of Gross Income (Before and after Getting Loan)

Group	Gross Annual Income Group	Mid Annual Income	Response before Getting Loans	Response after Getting Loans	% of Response before Getting Loans	% Response after Getting Loans
A	0-3000	1500	64	48	50	37
B	3000-6000	4500	32	20	24	16
C	6000-9000	7500	22	30	17	23
D	9000-12000	10500	5	13	4	10
E	12000-15000	13500	3	11	3	9
F	15000-18000	16500	2	6	2	5

Source: SFCL Panchgachhi, 2017

Table 4.9 shows the income groups are divided into six classes groups accruing to the table out of 128 samples 64 response formed in group 'A'(0-3000) before getting loan after where is there income distribution.

Were 48 responses in same group after tasking loans? Likeness Responses were found in group 'B' (3000-6000) before getting loan whereas there were 20 responses in the same group after getting loan. Similarly, whereas there were 30 responses in the same group after getting loan. Likewise 5 response were found in group 'D'(9000-12000) before getting loan,there were 13 responses in the same group after getting loan, likewise 3 responses were found in group 'E' (12000-15000) before getting loan whereas there were 11 response in same group 'F' (1500) before getting loan but there were 7 responses in the same group after getting loan. This data indicates a change in income earning. The maximum income limit of income was more only 2% responses were 7% response were found in the same earning groups after getting loan. This means the income limit of same small farmer has increased due to the loan operation.

4.3.4 Non-Economic Impact of SFCL

As per it's objectives the SFCL can conducting many non-economic social activities,which are encouraging the overall socio economic life structure of member of SFCL.Some examples of regular non-economic activities of SFCL Panchgachhi are pointed as below.

i. Group Saving Program

Group saving program in the only non-credit economic activities in SFCL area. Group members decide a certain amount to deposit in group saving fund. Contribution to the fund in compulsory for all group members. The deposits are made from their own income. It is used to finance the group members for small-scale economic activities. This fund is also utilized for the emergency purposes such as medical expenses education and social obligations.

ii.Social Activities

Social activities are implemented in SFCL as they do not only supplement economic activities but also integrate all development activities manly implemented the SFCL are Adult education ,Women development program, Population education ,Drinking water program ,Sanitation, health and nutrition improvement as well as other incident related awareness programs.

iii.Community Activities

The community activities are improvement by the small famers in SFCL area. These activities are mainly the development efforts of the group for the community as a

whole such as Population education, Community irrigation project, Construction of drinking water projects and their maintenance Road, Bridge and culvert construction and their maintenance etc.

iv. Training

Training is one of the important components of the SFCL of human capital information. By imparting skill and knowledge to the people directly concerned to the programme, their efficiency in running the by the various programmes such as Crops production, Group concept , Health and sanitation, Per-service and refresher training of group organization and women group organization, Veterinary and livestock management etc..

v. Employment Oriented Program

Employment is an important aspect of economical development program. When the small farmer's after getting loan and other financial facility from this SFCL, the opportunity of employment has increased or decreased on their employment member. This program has effected on the small farmers annual employment day. The change of no of persons who get employment and their annual employment day are as follows from the responses of SFCL Panchgachhi area of Shivasatakshi Municipality, Jhapa.

vi. Participation and Leadership Development Oriented Program

Equal participation on each sectors of society is an important aspect of overall growth of the society. When the small farmers after getting membership from this SFCL, the opportunity of leadership development, collective effort for development, social friendly nature, etc. types of multidimensional positive attitudes were developed.

vi. Facilitation Youths for Abroad Agricultural Working Visa Program

As other operating area of SFCL, SFCL Panchgachhi is also facilitatating agricultural working visa to Isreal for youth of member family. Till the end of Fiscal year 2073/074, 197 youth of this area were gone Isreal. Similarly, as per discussion with youth, who are returned from South Korea, knowledge gained from group farming at SFCL is also useful at work in South Korea.

CHAPTER V

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

Poverty in Nepal has essentially become a rural and agrarian phenomenon and it is ever increasing day by day. More than 60 percent of total population has to adopt agriculture for their live hood. More that 15 percent of the total population lives absolute poverty line and most of people live in rural area and most of poor are living in rural efforts need to discern the concern and interact of the real poor. Previous government of Nepal, i.e. His Majesty Government of Nepal identified the SFDP as a major poverty alleviation programme in 1975 A.D. ADB-Nepal entrusted with the responsibility of exciting the program and adopted the policy to transfer or handover it to small farmer name SFCL in 1996 A.D.

The very encouraging and positive impact of the many project handover on the small farmer as SFCL and it covering more and more small farmers and marginal framers. The program is the new approached designed to reach the lower level farmers and encourage them solves with the package of economic social, community activities and other service to reach the socio economic, level of small farmer ; to develop self-reliance amongst the number farmers through group approach. This program has gained popularity and has been rapidly expanded in many districts today. As of F/Y 1996/097 there were 424 sub project office and in F/Y 2005/2006, 199 SPOS has been handover to the SFCL. Gradually SPOS has been handover to the SFCL. The present study is to see the program of poverty alleviation taking the case study of SFCL Panchgachhi Jhapa district.

5.1.1 Progressive Status of SFCL in Panchgachhi of Shivasatakshi Municipality

Our research found the economic progress due to the operation of SFCL. There is the total loan disbursement is NRs.101245 thousand and NRs 64668 thousand was principle collection on the period of F/Y 2012/013 to F/Y 2016/017. The outstanding loan was NRs 4835 thousand in the FY 2012/013 and NRs.37454 thousand in the end of FY 2016/017. This increasing trend of outstanding loan represents the insignificant

relationship between loan disbursement and loan collection. There is continuously increment on loan disbursement, principle collection and interest collection, which indicated no bad situation of farmers. Similarly overdue status is considerable, it is not increasing as increase in disbursement, which is the indicator of debt consciousness of small farmers. Disbursement and collection tendency of this area shows smooth and conscious credit facilities users. Statistical calculation between Disbursement, principle collection and interest collection shows very positive results for further operation of this SFCL. Similarly Outstanding and Overdue status with comparison to disbursement shows the debt conscious nature of public of working area of SFCL.

There are other cooperatives also in operation on study area, but we found more attraction of public on SFCL, because of it's objectives and working schedule is suitable for the locality of study area, where more than 70 percent peoples are involved on agriculture profession.

Our research study found adverse effect of political condition and natural disaster on financial activities, we found the effect of Blockade from India and natural disaster "Earthquake" on investment and principal collection at Fiscal Year 2015/016, but which was on progress afeeter the establishment of political stability.

5.1.2 Multidimensional Progress by the Operation of SFCL to Small Farmers

The SFCL program in Panchgachhi is the sole significant institution to make credit facilities, to mobilize local saving as well as to promote financial literacy to small farmers. Here, SFCL is widely spreading multidimensional linkage effects, which all are helpful to alleviate the multidimensional poverty in Panchgachhi area. Afeeter the implementation of SFCL programme, participation and awareness of public on each and every sector are increasing rapidly.

SFCL, Panchgachhi is owned and led by local residence of Panchgachhi area of Shivasatakshi Municipality, which makes their loan products more tailored to smallholder farming needs. Loans are long-term (between 18 and 30 months), and installments quarterly or semiannually, based on the investment need. SFCL, Panchgachhi is staffed by small farmers, and recruitment and operations take place locally which maximizing employment opportunities in local territory and minimizing operating costs of Programme. Most significantly, this allows for a low

interest rate. 85% population out of total population depends on agriculture in the study area. Near about 70% farmers are benefited and their resources of income is generated through the SFCL. Small farmers are encouraged in different commercial activities by the loan and they will gain more benefit from the productive channel.

In researched area, grouping activities encouraging the participatory tendency, leadership skill, cooperative nature etc of small farmer's member. Because of the Training, direction, supervision and monitoring by SFCL the farmers of this study area become more active, productive and they are applying modern scientific techniques on farming. Similarly, entrepreneurship development on this area is also due to the operation of SFCL, the youth of this area are involved in small scale business, cottage and small scale industry, commercial farming with using credit facility from SFCL. As other operating places of SFCL, the youth from Panchgachhi area are also going abroad to Israel, by agricultural working visa with facilitating by SFCL. Similarly, Knowledge gained from here is also fruitful for working in any country.

We found members of SFCL or small farmers of Panchgachhi are more smart, ingenious, conscious, active and laborious. As per their self-declaration and data of their activities in Shivasatakshi Municipality, SFCL-Panchgachhi and ward offices, this scenario is happening by smooth credit and non-credit functioning of Small Farmer Cooperative Limited, Panchgachhi, Jhapa.

5.2 Conclusions

Before the establishment of SFDP/SFCL in Panchgachhi, the people of this area were surviving from non-institutional credit transaction, which is more harmful for small farmers due to the unscientific interest rate policy. Before establishment of the SFCL the people of Panchgachhi could not get any support for raising their economic activity. The establishment of SFCL provides a new hope to the common people of Panchgachhi area because of the co-operative community level activities to the small farmers of this various motives. These are the prime features of the SFDP in Nepal in general and the Panchgachhi SFCL in particular. As per objectives of this study, following conclusions are estimated.

5.2.1 SFCL-Panchgachhi is Working with Successive Performance in Panchgachhi of Shivasatakshi Municipality

The SFCL program in Panchgachhi is the sole significant institution to make credit facilities, to mobilize local saving as well as to promote financial literacy to small

farmers. SFCL is the suitable institution for this agriculture oriented area, which encouraging the members and other local people for financing on agriculture at lower interest rate. Involvement with smooth transaction on this institution from local people is increasing day by day. Disbursement tendency, repayment history, interest collection status, Outstanding status ,Overdue status of this SFCL is briefly studied and analyzes by this study and this study found smooth, trustworthy, strong, reliable and sustainable credit transaction of this institution.

On the basis of the close and deep study of SFCL, Panchgachi, the study area accept the recommendation that by managing certain amount of funds for education and the cooperative members should be given vocational and skillful training for their occupations, awareness of empowerment and leadership development programs. The meeting of executive committee, auditing committee and other committee must be made effective and regular. On the time of data collection, researcher of this study also informally observed the Monthly Deposit Collection tendency, income expenditure tendency and attraction of public on this institution,which yields fully optimistic and positive results. Therefore, with analyzing all facts, the study can conclude the facts of successive performance is happening by SFCL-Panchgachhi.

5.2.2 Small Farmers of Panchgachhi-Shivasatakshi Municipality are More Benefited from SFCL-Panchgachi

This study reveals that SFCLs have played a pivotal role in economic development of Panchgachhi area of Shivasatakshi Municipality, Jhapa. SFCL, Panchgachhi is owned and led by local residence of Panchgachhi area of Shivasatakshi Municipality, which makes their loan products more tailored to smallholder farming needs with cheaper interest rate. SFCL also encouraging the participatory tendency, leadership skills, women's empowerment etc. by grouping practices. Hence, SFCL-Panchgachi helping a lot to reduce multidimensional rural poverty. It has helped to pull out the common people from the trap of below poverty line SFCL in the area has continued to exercise the investment of loan under the different headings for the small farmers. This is the sound step to build the economic base in rural area can establish Nepalese as economically a sound country within the domestic frame work as well as international level. Before the establishment of SFDP/SFCL, peoples are not united on social phenomenon but afeeter the practices of groups they became more united and conscious at each and every social phenomenon. Similarly, afeeter the operation from

SFCL, especially participation from women, ethnic group, dalit, disable as well as all common peoples were increased significantly. In fact, there was close and crucial relationship between SFCLs and rural poor. Therefore, SFCL role was vital for economic development of rural area.

5.3 Recommendations

The study reveals that in Panchgachhi area, a large number of small farmer's households and population are living under the poverty line. The SFCL can be tracked as a fundamental step in minimizing the gap of the poverty the year to come. It is obviously clear that the economic development our country entirely depend upon the upliftment of rural people since the small farmer's or rural people are facing serious problem of financial as well as the technically know however SFCL is almost effective measure taken so far. However, SFCL of Panchgachhi can minimize the wide gap of poverty in this area, if the following recommendation is consider honestly and effectively.

5.3.1 Should Promote Multidimensional Income Generating Programmes

Products from farmers are not getting market easily, so for it SFCL can promote commercialization of product of small farmers by facilitating with providing transportation facilities for spread local products at nearest big city like Damak, Birtamod, Surunga, Jhiljhile, etc. Similarly, products of small farmers has not storage facilities, therefore SFCL will make security of the investment of SFCL and small farmers by making cold storage of store of the products.

Small farmers can diversified their profession, if there is ensure provision of multidimensional investment sector facilitating by SFCL such as to make agricultural marketing house, green house, big scale agricultural industries like Dairy Industry, Mushroom Industry etc.

Health is most important factor of poverty as the living condition of the study area is not satisfactory. So higher priority should be given cheap and easy health facility by the primary health sector, safe drinking water supply and sanitation system. SFCL must provide loan without be deposit for land less farmers. The complication in getting loan, must be minimized at far as possible. All the women farmer participation must be motivated and give training them about cottage and small scale industries.

5.3.2 Should Promote Multidimensional Social Programmes

Since Panchgachhi is a rural agriculture oriented village, most of the objectives of SFCL is found to be promoting prosperity from agriculture, especially income generating through credit uses by SFCL is found at research area. Definition of Poverty in modern age is not only depends on income status, poverty is also the situation of lack of awareness, opportunity, participation, leadership skill, gender equality, self-dignity, etc. Due to the grouping practice, progress on such factors are happened ,but is not sufficient with modern changing perspectives so Develop actions at village level to empower farmers to seek other opportunities to address risks, gain access to financial services, encounter more economic opportunities and improve the democratization processes. Help the system that delivers and disseminates information to primary societies to improve Women and youth's participation in cooperatives should be encouraged and enhanced. With regard to gender participation, the role of women as land owners might be emphasized. More professional management of cooperative businesses is needed (human capital in cooperative management) at all levels.

To promote multidimensional skills , SFCL should be encourage the more participatory programmes, spread awareness programes, as well as women empowerment programmes for make smart, active, clever society. For it, help from Local government is also needed, so plan from Shivasatakshi Municipality and SFCL, Panchgachhi should be correlated to progress on multidimensional indicator as well as to reduce multidimensional poverty of Panchgachhi area of Shivasatakshi Municipality.

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