

**IMPACT OF SMALL FARMER CO-OPERATIVE LTD. ON SOCIO-
ECONOMIC ACTIVITIES**
(A Case Study of Ward No. 2 of BajrabarahiVDC of Makwanpur District)

A Thesis
Submitted to the Central Department of Economics,
Tribhuvan University, Kirtipur, Kathmandu, Nepal
in Partial Fulfillment of the Requirements
For the Degree of
Master of Arts
in
Economics

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December 2016

RECOMMENDATION LETTER

This thesis entitled **IMPACT OF SMALL FARMER COOPERATIVE LIMITED ON SOCIO-ECONOMIC ACTIVITIES (A Case Study of Ward No. 2 of BajrabarahiVDC of Makwanpur District, Nepal)** prepared by Ms. **Deepa Timal** has been completed under my supervision and guidance in the partial fulfillment of the requirements for the degree of MASTER OF ARTS in ECONOMICS. I hereby recommend this thesis for evaluation by the Thesis Committee.

Prof. Dr. R. K. Shah
(Thesis Supervisor)

Date: 20/08/2073 B.S.

05/12/2016 A.D.

APPROVAL LETTER

We certify that this thesis entitled **IMPACT OF SMALL FARMER COOPERATIVE LIMITED ON SOCIO-ECONOMIC ACTIVITIES (A Case Study of Ward No. 2 of BajrabarahiVDC of Makwanpur District, Nepal)** submitted by Ms. **Deepa Timalsina** has been found satisfactory in scope and quality as a Partial Fulfillment of the Requirements for the Degree of MASTER OF ARTS in ECONOMICS.

Therefore, we accept this thesis as a part of the said degree.

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ACKNOWLEDGEMENTS

This study is an outcome of my research during my study as a student of Degree of Master of Arts in Economics in the Faculty of Humanities and Social Sciences, Central Department of Economics, Tribhuvan University, Kathmandu. During the course of my study. I found myself fortunate enough to receive a good deal to help and inspiration from various persons and institutions. So, I would like to express my sincere thanks to all of them.

I would express my sincere gratitude to my respected thesis supervisor Prof. Dr. R. K. Shah, Central Department of Economics, TU for his valuable guidance and supervision to my study. I am equally thankful to Prof. Dr. Ram Prasad Gyanwali and all the staffs of Central Department of Economics for their support and help during thesis writing.

I am thankful my brother Abhiram, to all my friends, the staffs of Agriculture Development Bank; Kathmandu, Chief MaheshworSubadi and all the Staffs of SFCLBajrabahari, all the respondents of BajrabarahiVDC and other colleagues for their valuable support and help during this thesis writing. Lastly, I would like to express my thanks to all the staffs and teachers of Central Department of Economics for their help and support.

DeepaTimalSina

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ABBREVIATIONS/ACRONYMS

ADB/N	Agriculture Development Bank Nepal
APROSC	Agriculture Project Services Centre
ASARRD	Asian Survey on Agrarian Reform and Rural Development
CBS	Central Bureau of Statistics
CCC	Central Coordination Committee
DDC	District Development Committee
FAO	Food and Agriculture Organization
FY	Fiscal Year
GDP	Gross Domestic Product
GM	General Manager
GNP	Gross National Product
GOs	Group Organizers
GTZ	German Development Program
Ha	Hactare
HHs	Households
IDP	Institutional Development Program
IFAD	International Food and Agriculture Development
IRD	Institution of Rural Development
INGOs	International Non-government Organizations
MFAI	Ministry of Food, Agriculture and Irrigation
MoF	Ministry of Finance
NGOs	Non-governmental Organizations
NPC	National Planning Commission
NRB	Nepal Rastra Bank

SCC	Saving and Credit Cooperative
SFs	Small Farmers
SFCL	Small Farmer Cooperative Limited
SFDB	Small Farmer Development Bank
SPIC	Sub Project Implementation Committee
SPO	Sub Project Offices
UNDP	United Nations Development Program
UNICEF	United Nations International Children Emergency Fund
VDC	Village Development Committee
WDP	Women Development Program
WGO	Women Group Organizer

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Geographically, Nepal is divided into three East-West Ecological Zones: the Northern Range-Mountain the Mid Range-Hill and the Southern Range- Terai (flat land). In the northern range, the Himalayas form an unbroken mountain range which contains eight peaks higher than 8,000 meters, including Mt. 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 16km to 32km (www.wikipedia.org).

Nepal still remains a least developed country and long term vision of thirteenth plan is to upgrade Nepal into a developing country by 2022 A.D. The population below the poverty line is 23.8 percent in Nepal (MoF, 2014). Among them most of the people are from agriculture sector because Nepal's agriculture sector is substantial. Although the agriculture sector of Nepal suffered from many problems such as, agricultural land, less qualitative size, less irrigation facilities, agricultural market mass of poverty, high unemployment, high population growth rate low per capita income, income inequality, high dependency on agriculture, less technically and financially facility, high dependency on Indian economy etc. these factors are main cause of slow agricultural growth rate.

Nepal is still an agriculture based country because the contribution of agriculture to real GDP is 33.1 percent in FY 2014\15. While classifying GDP into agriculture and non- agriculture sectors the share of agriculture sector to GDP is in declining trend. While that of non- agriculture sector is on the rise. The contribution of agriculture sector to real GDP which was 33.6 percent in FY 2000\01 has dropped to 33.1 percent. While that of non-agriculture has gone up from 63.4 percent to 66.9 percent (MoF, 2015). Self-employment in agriculture takes 61 percent of employed persons while that in non-agriculture 13 percent. Remaining 11 percent is accounted by extended economic activity. It shows that agriculture sector is the major source of employment in Nepal.

It is reasonably certain that in the foreseeable future too, this sector will continue to occupy a position of major importance in the Nepalese economy. Hence, the first and foremost need for paving the way to economic development is necessary productivity in agriculture. But the level of agriculture per unit of the land is so poor that most of Nepalese farmers are not able to save anything out of their income and are not able to save anything out of their income and are perpetually in debt with the result that the condition of land cultivated by them stands hardly any change of improvement. Moreover, about 73.9 percent of the farmers hold less than a hector of land. Increasing majority of land holding with peasant households are turning into nonviable economic units because of the continuous pressure of rising population being exerted on agriculture(CBS, 2011).

It is the fact that without increasing facilities for small farmer the agriculture development is not possible. Various programs have been made by the government of Nepal to reduce the problem faced by the agriculture sector. The main beneficiaries are rural infrastructure, credit expansion and other services provided by the government and nongovernment agencies. These facilities have largely been used by the rural elite these programmers remained unsuccessful to command people participants which are hallmark to make any program a success.

With the realization government has given attention to the “Target Group Approach” rather than “Equal Opportunity Approach” to reach small farmers. It is the fact that small farmers represent vast majority of the population and their aggregate development can be considered country’s development as a whole with realization the Small Farmer Development Programmer (SFDP) was launched in our country.

The Small Farmer Development Program (SFDP) has been a major poverty alleviation program in Nepal implemented by the Agriculture Development Bank, Nepal (ADB\N) since 1975. The main objective of the program is to improve to socio-economic condition of the small and landless farmer including women and to reduce real poverty by providing them to basic inputs such as credit, technologies and training in group basic(Acharya,1993).

Positive impact of the program on improvement of socio-economic status of rural poor led to expansion of the program all over the country. But as financial institution, the bank is more cautious about strengthening as well as making financial viability of

the program. Considering the fact, ADB\N has initiated the consolidation of SFDP in which some nonperforming and viable Sub Project Offices (SPOs) were amalgamated in the neighboring performing SPOs or branch\sub branch of ADB\N as a unit. This program currently operates 420 sub project offices (SPOs) in 75 districts of the country and small farmer families covering 644 VDC (SFDB, 2013).

It is estimated that 7 million people are below poverty line in Nepal (13th plan). However by the end of 2013\14, only 23 percent of the people have been benefitted from the program. Consider the affectivity of the SFDP there has been a high demand for the program in rural areas. However, the ongoing strategy of delivering the service to the rural poor through SFDP involve high cost of expansion on one hand and time consuming on the other. Therefore, ADB\N felt a greater need of institutionalizing the program in order to provide services to the large number of rural poor in a time and cost effective manner.

Keeping this in mind, a five year field based action research Institutional Development Program (IDP) was initiated in 1987 with the technical assistance of the German Technical Services (GTZ). The basic trust behind this approach is to implement the SFDP with the involvement of small farmers in such a way that they could ultimately be able to run the SPOs independently.

The Institutional Development Project (IDP) is a process where the activities undertaken by the SPOs will be hand over to the executive body of the small farmers organization i.e. Small Farmer Cooperative Limited (SFCLP. Such organization play role of financial intermediaries between ADB\N and small farmers by taking whole-sale credit to the small farmers (individual and group) upon the recommendation of both groups and inter groups and the inter-groups of SFCL.

SFDP is considered as one of the effective agriculture and rural development program in delivering services to the rural poor by seeking direct participation especially in the socio-economic development front. The existing strategy of SFDP, however, call for high cost of expansion and a prolong time in reaching the small farmer families. Another constraint has been the gross shortage of competent staff with ADB\N who could work effectively in the remote rural settings. This lead to the realization of a need to conceive as Institution Development Program (IDP) aimed at evolving local self-help origination of the poor which can take up retail delivery of services on their

own. For this IDP experimentation a five year filed base 'action research' project was designed FY 1987\88 by the joint effort ADB\N and IDP\ GTZ which was implemented in a few SPOs in Dhading district. This followed a continuous process of training group over the operational responsibilities of SPOs.

The observation revealed that the SF-organizations evolve under 'action research' scheme in Dhading district have become capable to manage the SPOs independently. Such organizations were then registered as Small Farmer Co-operative Limited (SFCL) to give legal entity. Thereafter, 4 of the 9 SPOs via, Chhittreaurali, Dhuwakot, Bhumisthan and Maidi were handover to the respective SF-organizations from the beginning of Shrawon 2050 (July 16, 1993). The post management of SPOs after handover has been found to be satisfactory. It is reinforcing the validity of the IDP concept. Encouraged from the outcome 77 SPOs have been handover up to 1998\99. In the same movement SFDPBajrabarahi also had handover 2005 October.

Several studies have been made on the socio-economic impact of SFDP. But there is some questions arise after handover of SFDP. Has SFCL achieving the same economic impact that achieved by SFDP before? And SFCL should be sustainable? Has SFCL increased the employment opportunity and income level of the rural poor? This research instead to find out the answer of above question and also recommend some visible suggestion for better performance and to overcome problem facing by it.

1.2 Statement of the Problem

Agriculture has remained the main stay of Nepalese economy. But agriculture production is largely for subsistence. More than 74% farmers are small farmers because it is very difficult to finance on new technology enhancing production (CBS, 2011).

Productivity of crops is not satisfactory in Nepal due to the implementation of old technology in agriculture. Hence the agriculture production is decreasing consequently the disparity between big and small has widened. It is not able that has emerged general agreement among policy makers and economist that in order to improve the socio-economic condition of the people. More attention should be given to small farmer group.

To improve the economic condition, income level should be increased through credit policy loan investment, collection, outstanding and delinquency of SFCL.

Realizing this, government of Nepal has launched many programmes for small farmers. Among these SFDP is one of the important programs. This study concerns with the differences between the small farmers who have participated and not participated in SFCL. And its impact in economy sector. It also tries to find out the answers of following question.

- What are the impacts of small farmer's development program in economic sector in the study area?
- What is the status of debt flow adopted small farmer's development bank in the study area?
- What are the problems of small farmers who are engaged in SFDP?

1.3 Objectives of the Study

The specific objectives of the study are:-

- To review the socio-economic impact of Small Farmer Development Cooperative Limited in the study area
- To analyze the condition of debt flow adopted by Small Farmer Development Bank in the study area.
- To overview the problems and suggestive measure to make effectiveness in SFDP.

1.4 Importance of the Study

- Various studies have been made on SFDP which is reflected in NRB reports and APROSC (Agriculture Project Report of Service Centre). These studies cover a large area and the results are not specified to identify the problem faced by the specific area. But this study is mainly concerned ward level, so the present study provides substantial data socio-economic condition of small farmers of Bajrabharahi programs which may be used to measure the success of implication of the programmes.
- Until now, millions of rupees have been distributed on small farmers even after handover of SFDP, so impact of study is essential to measure its benefit and also to trace the way for measure for maximizing the effectiveness of such programs. In order to do, this study will be clue for the measurement.

1.5 Limitations of the Study

The present study is intended not only to throw light on various aspect of SFCL for small farmer of Bajrabarahi, VDC, but also to access the impact of program on the rural poor in term of improvement in income and employment condition. There are some limitations of this study.

- This study is confined only to SFCL of Bajrabarahi VDC.
- This study has not taken net income, only the account of gross income has taken.
- This study is only a sample and in general could have suffered from the short-coming of sample.

1.6 Organization of the Study

There are five chapters in this study.

- In the first chapter, there is introduction of the thesis and the researcher includes background, statement of the problem, significance of the study, objectives of the study and limitation of the study.
- There is review of literature in the second chapter where necessary literatures are reviewed.
- The most important tools of research work are research methodology which is mentioned in chapter three.
- The researcher applied necessary tools and techniques to get the objectives of the study. Primary and secondary data are collected by the researcher and interpreted them to meet goal of research work.
- Finally in the last chapter, the researcher find the problem of the study and summarize them and reach in the conclusion of the problem then recommend for the solution for the concerned people.

CHAPTER II

REVIEW OF LITERATURE

Most of the less developed countries are agriculture dominant countries, where majority of the population are small farmers. Therefore, the economic development of the countries depends on the progress and prosperity of small farmers, which in turns depends upon the investment of agriculture sector for increasing production to achieve rapid economic growth rate.

2.1 International Context

The problem of economic development is the problem of raising standard of living. The standard of living can't be raised unless the standard of living of large number of population is raised. Beside in modern world, it is the considered sufficient to raise average living level if the improvement goes to only few (Mellor, 1996).

Addressing board of governess Mr. Robert S. McNamara, former president of the World Bank, highlighted the importance of small farmers and rural development by observing without rapid progress in small holder agriculture though the developing world there is little hope either achieving long term stable economic growth or reducing the level of absolute poverty (McNamara, 1975).

Acharya (1979) has established for the overall development of agriculture sector. For that farmers should get sufficient loan and capital in soft manner. The main objective of the bank is doing the agriculture task in modern way and increasing the product and productivity by providing agricultural debt and capital should reach in rural area and improve income level with living standard. The various debt provided by the bank is production of food crops and cash crops. It should be refund after harvesting the crops.

ILO (1979) has presented the purpose of the paper is to describe and evaluate an exceptionally interesting and innovative experiment to generate higher incomes and employment among the rural poor in Nepal in a participatory framework. By way of introduction to this program the Small Farmers' Development Program (SFDP) we first give some information on rural poverty in Nepal and its underlying causes. This is followed by a review of the development of SFDP. In the next section we provide some impressions of the various projects visited by us, including our discussions with

some of the participants in the program. In the concluding section we assess the national significance of the program and its potential for multiplication and impact on the over-all rural development strategy in Nepal. Nepal is classified among the least developed countries. Its per capita income at \$120 per annum in 1976 places it as the thirteenth poorest country out of 125 for which comparable data are available. The low level of development is partly reflected in the structure of the economy: in 1974-75, agriculture and forestry provided around 70 per cent of the gross domestic product (GDP). The share of modern manufacturing was less than 3 per cent, while cottage industry contributed around 7 per cent. As we shall see later, the social indicators reinforce this picture. The country faces extremely difficult ecological and communications problems. The economic performance in recent years has been rather poor. From 1965 to 1975, the GDP grew at around 2 per cent per annum as against an estimated population growth of 2.1 per cent per annum implying a reduction of over 1 per cent in GDP per capita over the period. The distribution of income, as we shall see, is highly uneven and may have deteriorated over this period. Food production has failed to keep up with population growth. Nearly 95 per cent of the population is in rural areas where the bulk of the poor people live. In the next section we analyse the extent, incidence and main determinants of rural poverty.

2.2 National Context

The ASARRD Conference (1974) has recognized that it was necessary to bring about suitable change in production structure since then. The small farmers developing ground have functioned exceedingly well in both economic and social terms. Family income with substantial ground have been generated and prosperity utilized for both social economic needs of individual members, group production plans have been made, leading to the release by ADB\N of production credit loan repayment have been successfully launched democratically elected members to the government have promoted verities of social activities including literacy classes, community and nation, self-reliance, release of initiative and desire to think and plan months and even year ahead instead of day by day as before. Overall of SFDP projects are reflected in "Evolution Reports of Approach" which were conducted Dhanusa and Nuwakot districts. The evaluation study found that SFDP that has raised living standard of group members and helped to developed landless into small farmers and small farmers into big farmers. Member has been benefitted from improve literacy level, use

of family planning, training and high per capita income then non-member were less dependent on no agriculture income. The study also pointed that major problem of increasing borrowing (of ADB) by farmers accompanied by declining rates of repayment. The study also found that for self-reliance is far more gradual process than originally envisage and that is more difficult the project in term of success and failure.

Nepal Rastra Bank (1982) in the evaluation of SFDP that who are involved in the small development group is far better than who are not involved in SFDP. According to the 11th annual report of Small Farmer Development Bank Limited, by the end of 2012 October 318 cooperatives are involved in the network of this bank. 14 cooperatives are in 3 Himalayan districts, 103 cooperatives in 23 Mountain and 204 cooperatives in 20 Terai district included 255204 small farmer's family and providing them as locally microfinance and other services. Last year in that period 254 numbers of cooperatives were involved in this organization and 2, 04,430 family members were involved in the micro finance service. It is itself encourageable result to increase 25 percent beneficial family members in a year. By the end of 2012 October the investment of the bank has reached 7.14 hundred million in different cooperatives. Among of them 4.47 hundred million are mobilized by the internal capital formation. By this fact it is clarified that self dependence and financial capacity of cooperative has developed. By the end of 2012 July collecting rate of bank remained in 37 percent. It is easy to understand the risk and financial condition of bank.

Acharya (1983) has pointed out some problems faced by small farmers. Lack of proper co-ordination among various committees, unavailability of hybrid seeds and fertilizer, delay in getting loan at lower rate of interest charged by ADB\N are some problems. The study had also indicated that the outlay of small farmers had been greater than their income. Regarding impact of the credit disburse, a comprehensive study conduct by APROSC in December 1987 showed several positive changes brought by SFDP with the help of credit availed to small farmers. For instance, fairly encouraging changes were found in the use of improved farming methods cropped are under improved seed increased from 28 percent to 84 percent depending on the crop, use of fertilizer and other inputs had increased. Performance among SPOs varied greatly but in general, Teraifarmers performed better than Hill farmers. The study further concluded that farm income grew by 19.5 percent during the project period or by 5.1 percent annually. During the same period, off-farm income increased by 68

percent and as a result household income increased by 30 percent or annual increased of 8 percent.

Subedi (1984) has prepared for the thesis of master degree in Tribhuvan University. The small farmers groups should work effectively and actively. For the purpose of active group member should be 12\15 and they could work effectively and actively.

NEW ERA (1990) has revealed that 164 out of 655 sample respondent, small farmers have carried out income generating activities such as livestock poultry, kitchen garden, horticulture cash crops and tea stall and they earned additional income per month with an average of Rs.345 mainly from livestock, poultry, fruits and vegetables after participating in adult education program. In order to assess the impact of irrigation projects of SFDP, a case study of kumroj community irrigation project was conducted which shows signification increase from about 2.9mt. Accordingly the gross income of sample small farmers has increased with 2 percent net margin of Rs.24 thousand.

Nepal Rastra Bank (NRB 1991) has conducted the impact of GDP revealed that with project support 65.2 percent of the sample respondents have undertaken fresh activities other than their own family occupation to generate additional income. Such percentage in Hills and Terai were 75.6 percent and 48 percent respectively. It was generally observed that large number of women members in hills was engaged in some form of economic activities than Terai. The woman beneficiaries were mainly engaged in extra activities such as weaving, knitting, tailoring, poultry rising and shop keeping. The overall income per women member from such extra activities was Rs.2730.67. The same figure in Hills and Terai were Rs.3353.08 and 1701.25 respectively (NRB 1991).

Sakya (2001) has conducted survey of Female Participation for the Agriculture Farmer Development Program which is given as political and national value. This program has clarified that financial flourishment as well as member of group can take the more facilities and can be able to increase their income. Hence, this program should be necessary to sufficiently expand.

Pokhrel and Sapkota (2002) has conducted the survey of Nepal Rastra Bank and ADB show about rural credit that nearly 39 percent of the rural area families are suffering from the rural loan. Among of them 86 percent has taken loan from non-cooperative

and only 14 percent has run their activities through cooperative on soft interest rate. Most of them used their credit on hand to mouth as unproductive. Therefore, for the development of the nation is to develop the rural area where most of the people situated socially and economically back warded and exploited. It is only possible to escape through local broker by collective agriculture system and cooperative on agriculture providing cheap rate of interest.

Sakya (2002) has studied that small farmer development program is the best model for South Asian rural development program. Likewise, small farmer development program is taken as political and national programs. It is clarified that it has upgraded economic progress and provided more services and facilities as well as able to increase income level. Thus, this program is necessary to enlarge yearly.

Subedi (2003) has studied on the basis of available resources of Nepal; alleviation of poverty and for the strong economic development is on the basis of agriculture sector. Agriculture sector cannot ahead without utilized modern technology is necessary. That is why, targeted by agriculture prospective plan integrated utilize of means of production and services can increase product and productivity of agriculture. For the professional agriculture the infrastructure of agriculture sector such as expansion of agro-technology and training, agriculture loan, market excess etc are guaranteed in package. It is necessary to sustain by refinery agriculture production and market system infeasible sector such as private sector, cooperative, NGOs and women participation in agriculture sector.

Lamichhane (2011) has analyzed about four objectives. In this study quantitative and qualitative framework has utilized where primary and secondary source of data has been used to collect the information. Questionnaire has used for primary source of data where secondary source of data newspaper and various reports about agriculture has used. In the conclusion of the study the farmer who is involved on SFDP are efficient and developed on the basis of socially, educationally and economically. It is concluded that it has increased awareness on the people and besides for further betterment of the small farmer development bank on the process of credit flow and enhance income likes as 13 suggestions have presented. It is found that on the discussion of above literature, the small farmer development bank encourage to the local people to increase the income level and awareness to the general people of the rural area. The significance of the SFDB will decrease if the bank is unable to

distribute the debt flow on being more aware, provide facilities and getting loan utilize in education sector which is not clarified by the before research and study. That is why this study concentrates in the debt flow of SFDB and in search of effect along with other prospective.

Sharma (1992) has studied the operation of the Small Farmers' Development Program (SFDP) in mountain areas of Nepal over the last 15 years is considered. The SFDP is the first development program in Nepal directed towards a specific segment of the population, namely small farmers, tenants, the landless and artisans. It is an integrated or community development program with credit being the entry point to reach the target group. The objective is to improve the social and economic well-being of the rural poor by introducing and developing institutions that can enhance their capacity to participate more fully in economic and social programs designed to benefit them. The SFDP is considered to be one of the few successful poverty alleviation programs, despite some recent problems. It addresses specific mountain characteristics such as marginality, the need for a sound land use policy, and unemployment. Agricultural development of small farmer development programs in mountains, community development in Nepal.

2.3 Research Gap

The above reviewed literatures do not address the impact of small farmer cooperative on small farmers in BajrabarahiVDC of Makwanpur District of Nepal. There are many researchers who have studied on small farmer development program in the world and Nepal too. Some of those have been reviewed before initiating this study. Many of them are based on productivity and production by providing agricultural debt and capital should reach in rural area and improve income level with living standard. They have tried to show impact and role of SFDP on small farmer to poverty reduction and increasing in living standard of farmer. They have also discussed about the positive changes brought by SFDP with the help of credit availed to small farmer in 19th century. But different from them my research is striving to compare the socio-economic condition of small farmer who are involved and not involve in SFDB in BajrabarahiVDC of Makwanpur District of Nepal. Hence this study finds out the significance impact of SFCL on socio-economic activities of small farmers households on the study area.

CHAPTER III

RESEARCH METHODOLOGY

Research methodology is one of the most important parts of our research work. This chapter explains how the research was conducted by using several tools, techniques and methods during data collection in the field as well as during data analysis. Field data are hence considered as primary data. Secondary data are also collected generally from literature and various profiles.

3.1 Nature and Sources of Data

The nature of data is descriptive as well as analytical. In order to fulfill the above – mentioned objectives, this study is mainly based on primary data. Field survey has been conducted for collecting primary data. This research has attempted to analyze the socio-economic condition of small farmers who are involved and not involved in the bank on the basis of the specific objectives of this research. Mainly, the analysis is based on the result of the collected data where the specific area defines in the study. Hence, the researcher has adopted descriptive research design. Similarly, primary as well as secondary data are used to attain the objectives of this study.

3.2 Data Collection

3.2.1 Primary Data

Primary data is based on field survey. The primary data are collected from the study area using structured questionnaire. The questionnaire is presented in appendix. The main data sources were respondent's answer, opinion and perception. Respondents were selected by simple random sampling by taking 10 percent households of the universe 303 HHs (total households of Bajrabarahi-2 VDC). Generally field based observations, interviews were used to collect data and considered as primary data sources to meet the study objective.

3.2.2 Secondary Data

Secondary data were also collected from several sources i.e. books; different journals, VDC profile, DDC profile, Central Bureau of Statistics (CBS), District Agriculture Office(DAO) and different concerned organizations.

3.3 Methods of Data Collection

In field concern socio-economic and other types of data were collected by following methods.

3.3.1 Household Survey

Household survey was carried out to collect primary information from the households which are involved in bank. The questionnaire is structured with questions to gather information about bank users HHs socio-economic characteristics.

3.3.2 Interview

Interview is conducted in those households head that were previously selected as sample households which were randomly selected following the simple random method. It was on oral response method for data collection. In this way, the information related beliefs, attitude and opinions were obtained through the interview. The interview was taken by questionnaires.

3.3.3 Key Information

A few key information have been selected to obtain core information in the field history of settlement, stability and change in the attitude of people towards bank. The key information were village elderly people, teacher, social elites, small farmer etc.

3.4 Methods of Sampling

This study has adopted the simple random sampling technique to collect the relevant primary data. BajrabarahiVDC of Makwanpur district is the study area.. Among the nine wards of VDC, only Bajrabarahi-2 ward had been selected for detail study. This ward was chosen in researcher's convenient. There are 303 households in this VDC. By using stratified random sampling. I have 197HHsinvolved in the bank and 106 HHs not involved in the bank and I have selected 10 percent HHs from the universe.

3.5 Methods of Data Analysis and Interpretation

Most of the data collected from the primary and secondary sources are shown in simple tables after validation and editing and are analyzed quantitatively and descriptive. This study has reached to conclusion through the description and analysis of the both (quantitative and qualitative) data. The simple statistical technique such as percentages, sum total and average are widely applied while analyzing the data related to the objectives of this study.

CHAPTER IV

PRESENTATION AND INTERPRETATION OF DATA

4.1 The Study Area

Topographically Nepal has been divided into three regions from north to south: the mountain region, the hilly region and the terai region. The mountain area lies at an altitude that varies from 4877m to 8848m above the sea level. This region includes the world highest peak, Mt Everest. The hilly region lies in the middle part of the country with altitude between 610m to 4877m above the sea level. The Kathmandu valley, capital of country and other scenic valley, basin and pockets lies in this region. The terai region which is an extension of the Genetic points of India forms of low flat land along the southern border. It includes 17 percent of country's total area and altitude varies 70m to 610m above the sea level.

Administratively, Nepal is divided into five development regions and 75 districts. Out of 75 districts Makwanpur is a district which lies in the Central Development Region. This district covers 2426 sq km land area. Headquarter of Makwanpur district is Hetauda. Makwanpur district administratively divided into one sub-metropolitan municipality, one metropolitan municipality and 35 VDC. Out of total land it covers 25.15 percent cultivable land, meadows and bushes are covers 2.03 percent land, rivers covers 6.83 percent land, forest covers 59.14 percent land, industrial area covers 0.66 percent and conservation area covers 6.19 percent. Likewise hilly land covers 75 percent and flat land covers 25 percent. The number of total households of this district has 86127. The number of total population are 420477 among them male are 206684 and female are 213793.

4.2 BajrabarahiVDC / Thaha Municipality

In May 18, 2014 Nepal government announced Thaha municipality to adjoin three VDC which are Daman VDC, PalungVDC and BajrabarahiVDC. Thaha municipality has 15 wards, each VDC convert 5 wards. Thaha municipality is one of the important municipalities for agriculture sector especially to produced unseasonal vegetables. Among 21717 total populations about 85 percent people are farmer. Most of them are small farmer. Thaha municipality situated right and left side at the midpoint of Tribhuvan Highway.

4.3 Population

The total population of BajrabarahiVDC is 7675 and number of households are 1630. Among the total population 3622 are male and 4053 are female. By the following table we can see ward wise population and family house.

Table 4.1

Description of Ward-wise Population and Family House

Ward no	Household	Total Population	Male	Female
1.	187	806	399	407
2.	303	1349	613	736
3.	125	599	277	322
4.	185	853	408	445
5.	163	764	373	391
6.	232	1118	543	575
7.	140	705	333	372
8.	188	907	408	400
9.	107	574	268	306
Total	1630	7675	3622	4053

Source: Office of the VDC, Bajrabahari, Makwanpur, 2011

Table 4.1 shows that the density of population of ward no 2 is highest and density of population is least in wards no 9.

4.4 Caste

The cast and ethnicity play important roles for socio- economic development in Nepalese society. Sample household consisted of various ethnic groups as depicted in table 4.2. The table 4.2 shows total household in BajrabarahiVDC are 1630 where as 247HHs belongs to Brahman followed by 228 HHsChhetri, 928 HHsJanajati, 118HHsDalit, 109HHs Others .

Table 4.2**Ward-wise Family Structure**

S.N	Caste	Wards									Total
		1	2	3	4	5	6	7	8	9	
1.	Bramins	-	30	47	64	85	-	-	-	21	247
2.	Chhetri	-	-	58	88	-	-	-	30	52	228
3.	Janajati	144	260	20	-	17	218	120	125	24	928
4.	Dalit	35	-	-	17	38	-	-	18	10	118
5.	Other	8	13	-	16	23	14	20	15	-	109
	Total										1630

Source: Office of the VDC, Bajrabarahi, Makwanpur, 2011

Table 4.2 indicates that majority of households are followed by Janajati. Different Cast /ethnicity groups of people settled in the study area. There has been a good relationship among all cast groups in the study area. Backward casts have also been involved in social and development work.

4.5 Age-wise Structure

Age-wise structure of the population in this VDC is as following:

Table 4.3**Age-wise Structure**

Ward no	Age group			
	0-5 yr	5-16 yr	16-60 yr	Above 60 yr
1	89	240	409	68
2	152	398	717	82
3	88	179	293	39
4	49	182	589	33
5	91	178	450	45
6	120	302	592	104
7	84	172	382	67
8	107	295	456	49
9	64	195	287	28
Total	844	2141	4175	515

Source: Office of the VDC, Bajrabarahi, Makwanpur, 2011

Table 4.3 shows that age wise structure of 16 to 60 years is more population in each ward or it is 4175. Likewise, the population of 5-16 year is 2141 Below the 5 year is 844 and the 60 year is 515.

4.6 Description of Educated and Uneducated People

Food, shelter, clothing and education are the basic need of the people. So, we must be conscious farmers as well as school going children. Even primary education is a principal mechanism of fulfilling the minimum learning needs of the people needed for effective participation in the economic, social and civic activities. In this study, researcher divided the sample population above 6 years in to two groups i.e. literate and illiterate. Those who can read and write are placed literate class. The following table 4.4 shows the educational status of the study area.

Table 4.4

Literacy Rate of VDC

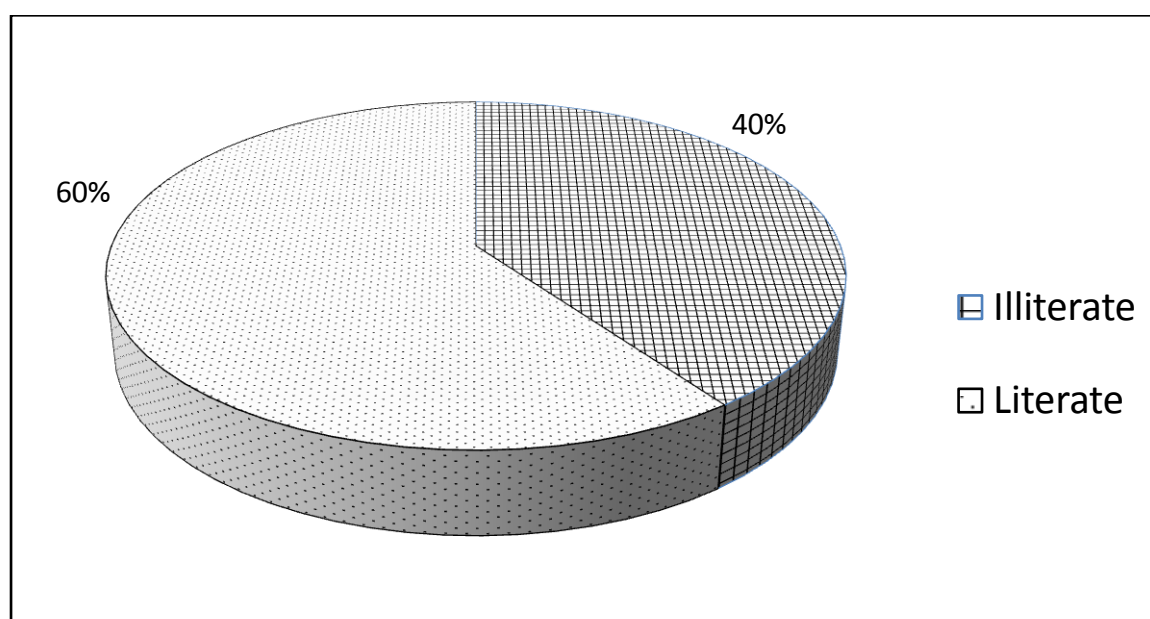
Level of Education	No. of Persons	Percentage
Illiterate	3072	40.03
Literate	4603	59.97
Total	7675	100.00

Source: Office of the VDC, Bajrabarahi, Makwanpur, 2011

Table 4.4 shows that about 60 percent people are literates and 40 percent people are illiterates.

Figure 4.1

Literacy Rate of VDC



Source: Based on Table 4.4

From the above pie-chart 4.1, it is shows that the study area has higher literacy rate

4.7 Education Institutions

There are four types of educational institutions situated in this VDC. Some of the institutions are run by community and some of the institutions are run by private sector.

Table 4.5

Description of Education Institution

S.N.	Level	Community	Private	Total
1	Child D.C.	2	-	2
2	Primary	3	2	5
3	Lower Sec.	-	2	2
4	Higher Sec.	1	-	1
Total		6	4	10

Source: VDC Profile 2016

There are 10 educational institutions in this VDC providing education to the people. There is only one higher secondary school.

4.8 Economic Status

- **Occupation**

Economic improvement of BajrabarahiVDC is not strong even being sufficient probability. About 80 percent people of Bajrabarahi are involved in agriculture sector or farming. Other people are involved in business, services and foreign employment for their livelihood. Lack of sufficient and modern agriculture system the productivity is less than real investment. Unemployment is main problem in this VDC.

Table 4.6

Professional Structure of VDC

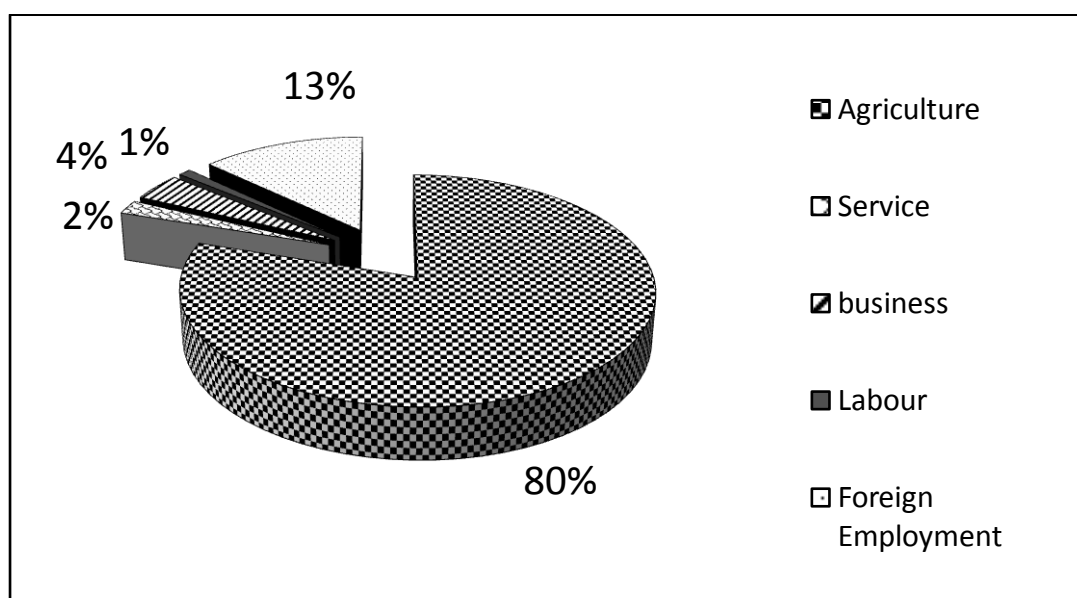
S.N.	Occupation	Population	Percentage	Degree
1	Agriculture	6140	80.00	288
2	Business	307	4.00	14.4
3	Foreign Employment	997	13.00	46.8
4	Service	154	2.00	7.2
5	Labor	77	1.00	3.6
Total		7675	100.00	360

Source: VDC office, Bajrabarahi, Makwanpur, 2016

Table 4.6 shows that the population of the VDC as a professional structure, where 6140 or 80 percent populations are involved in agriculture. It change in degree comes 288. In business sector 307 or 4 percent populations are involved. It change in degree, comes 14.4 The number 997 or 13 percent people are goes out of country for employment which change into degree comes 46.8 . In services sector there are 154 or 2 percent population, which is change into degree comes 7.2 and 77 or 1 percent people are labor which change into degree comes 3.6.

Figure 4.2

Professional Structure of VDC



Source: Based on the Table 4.6

In the figure, the population involved in different profession is shown in pie-chart. Where the large part 80 percent people are involves in agriculture. After that foreign employment 13 percent, business 4 percent, service 2 percent and labor 1percent people have got by involving for their livelihood.

- **Market**

The main market for this area is Saraswoti Bazaar, where daily needed goods and services are buy and sells. This bazaar situated central part of VDC. The production of agriculture sectors main market is Kalimati, Kathmandu. At especial occasion or festival people go to Hetauda and Kathmandu for buying goods.

- **Transportation**

Tribhuvan High way (Naubise to Hetauda) of this VDC has become the main road to export and import goods and services. Due to the road facility, agricultural production to export and fulfilled the daily needs easily. Economic status has become strong due to the Peach, Gravel road and other small roads. For the development of local area and enhance the local people status and local natural resources play a vital role. In this study major natural resources land, water and forest are described.

- **Land**

In this study area, there are three types of soil: Abbal, Doyam and Sim. The soil is suitable this area for agriculture. The main source of income is also land.

- **Forest**

Forest is the main source grass for animal, wood of fire, agriculture purpose and building construction in this VDC. In this VDC there are four community forests namely Chuliparan, Kunchhal, Bajrabahari and Bhattwal.

4.9Present Statusof SFCL

SFCL is necessary to bring into the main schema of development to the rural poor, female, Dalit and Janajati and optimum utilize their skill, intelligence and capacity. By realizing the fact, the bank has been providing inspire to assemble the group of member to increase their skill and talent. It includes them in training program and regulate the incoming program has provided micro capital and micro loan. The structural of the bank is three steps; village, ward and VDC\municipality level. The

shareholders of capital of this bank are Rs. 101207052 per share is 1000 and 1339 shareholders. For the purpose of being member of the bank has to make one group which should be at least 7 members.

4.9.1 Introduction of Bank

SFDB has initiated as a pilot project in 1985 A.D. It has established as biggest program for rural poverty alleviation. It has made the different identity by conducting the program such as group credit flow, group saving, social and community development program, women development program, literacy program, nutrition and child care services, environment conservation program and self-employment training.

It is situated in ward no 5. The main objectives of this bank is to develop the rural farmers by increasing production by providing loan in cheap interest rate to the poor community.

4.9.2 Objectives of SFCL

This cooperative is governed by agriculture development bank. Main objective of this bank is to improve the economic condition of small farmer by providing agriculture loans with cheap interest rate.

In this area the objectives of SFDC are;

- Improving the status and condition of Farmers.
- To develop the habit of saving and mobilized them.
- To enhance the economic condition of Farmers.
- Arranged the market for goods and equipment which are produced by the farmer.
- To help the child development programs.
- To provide the loan in of its member in cheap interest rate.

4.9.3 Functions of SFCL

- Bank has flow the loan to the farmers in the suitable rate according to time.
- Hybrid seeds and fertilizers are providing to the farmers.
- Encourage saving and providing appropriate interest rate.

- To grow up the economic level of farmers different kinds programs being mobilized livestock such as poultry, vegetable farming, group animal husbandry etc.
- Encouraging types of program are mobilizing for children.
- This bank has provided the loan as cheap interest rate for the sons and daughters of farmers for their abroad study related to agriculture sector by taking the debenture.
- Different seminars and training are presenting in sub office.
- Canal has built for the purpose of irrigation
- For the purpose of tour and training the group members of SFDP has been taken different place of the country to see and learn the progress of different place of SF groups.

4.9.4 Shareholders of SFCL

The number of shareholder and their percentage of bank show in the table 4.7.

Table 4.7

Number and Percentage of Shareholder

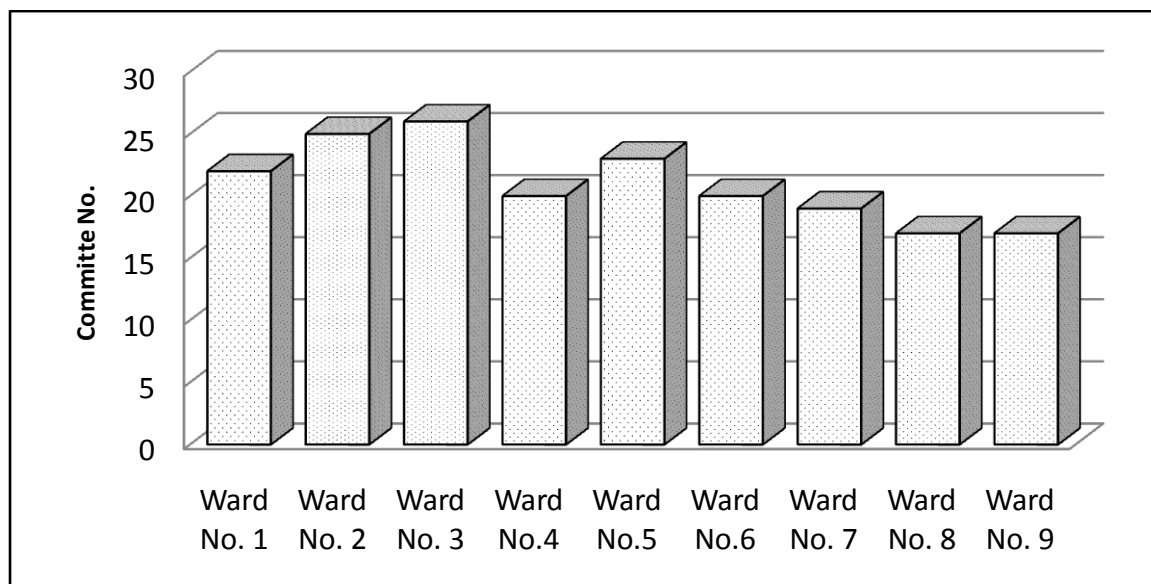
Ward No.	Committee No.	Total Share Member	Percentage
1	22	184	13.74
2	25	178	13.29
3	26	192	14.34
4	20	155	11.58
5	23	175	13.07
6	20	162	12.10
7	19	109	8.14
8	17	88	6.57
9	17	96	7.17
Total	189	1339	100.00

Source: Annual Report of SFDL, 2015/16

Table 4.7 shows that there are 1339 farmers are involve in the bank where 189 committee. The high no of farmers involved in this bank is ward no 3 i.e. 14.34 percent and low number involved in the bank is ward no 8 i.e. 6.57 percent.

Figure 4.3

Number and Percentage of Shareholders



Source: Based on the Table 4.7

4.9.5 Organizational Structure of SFDC

Organizational structure of small farmer development bank has divided two parts. The main purpose of the division of the bank of the bank is to provide loan as simple manner to its member.

4.9.6 Description of Credit Tendency before and after Involved SFDB

Table 4.8

Credit Tendency Before and After InvolvedSFDB

Source of Loan	Before Involved		After Involved	
	Number	Percentage	Number	Percentage
SFDB	-	-	15	50.00
Other Bank and Financial Institution	7	23.33	8	26.67
Sahumahajan	18	60.00	5	16.67
Relatives	5	16.67	2	6.66
Total	30	100.00	30	100.00

Source: Field Survey, 2015/16

Table 4.8 shows that before involve in the bank the small farmers used to borrow loan from Sahumahajan highly i.e. 60 percent before involve SFDB. They borrow 23.33 percent loan from bank and financial institution and 16.67 percent from relatives. After involved in the bank the farmer borrow loan from Sahumahajan and relative's percent is decrease. Borrow loan from Sahumahajan is 16.67 percent and from relative is 6.66 percent. Similarly taking loan from bank and financial institution is increase 3.34 percent. Taking loan from SFDB is 50 percent which is great achievement from the side of cooperative credit facilities.

4.9.7 Saving Program Conducted by Cooperative

Saving is collected as per the decision of group member of share holder of the bank. The saving is collected by candidate by the shareholders group and has to submit to the bank. SFDC has different program of saving such as women saving, credit defense saving, children saving and individual saving.

Table 4.9
Saving Program and Interest Rate of SFDC

S.N.	Program	Given Interest Rate in Percent
1	Women saving	8
2	Credit defense saving	8
3	Children saving	8
4	Individual saving	8
5	Pension saving	12

Source: Study Survey 2015/16

From table 4.9, farmers got 8 percent interest rate from woman, credit defense, children and individual saving. Farmers got 12 percent interest rate from pension saving.

4.9.8 Loan Interest Rate of SFDC

SFDC gives loan to shareholder with suitable rate of interest for individual or group.

Table 4.10

Loan Interest Rate of SFDC

S.N	Program	Loan's Interest Rate(%)
1	Agriculture/Animal Husbandry	14
2	Building construction	13
3	Business	9
4	Foreign employment	9

Source: Study Survey 2015/16

From table 4.10, bank gives loan at the 14 percent of interest rate for agriculture/animal husbandry program. 13 percent loan interest rate for building construction. 9 percent loan interest for business and foreign employment.

4.9.9 Cash Flow Description of SFDC

SFDC has success to increase its capital formation yearly. It has invested its capital in many sectors.

Table 4.11

Internal Increment of Cash

Internal increment of Cash	Previous Year(2014/15)	Current Year (2015/16)	Amount (In NRs)
Depreciation expenditure	136301	185676	49375
Increment in capital	3952100	4871900	919800
Increase in fund	8050412	11690153	3639417
Increase in deposit liability	14380648	20708088	6327440
Debt	60567500	70785000	102175000
current liability and management	771841	602512	(169239)
Total			20984527

Source: Annual Report of SFDC 2015/16

From table 4.11, depreciation expenditure increased by NRs 49375. Increment in capital increased NRs 919800. Increase in fund by NRs 3639417. Increase in deposit liability by NRs 6327440. Increase in debt by NRs 102175000 but current liability and management decreased by NRs 169239.

Table 4.12

External Flow of Cash

External cash flow	Previous Year(2014/15)	Current Year(2015/16)	Difference Amount(NRs)
Debt	80096065	101207052	21110987
Increase and decrease in fixed capital	1786151	2247493	401342
Total			21572329

Source: Annual Report of SFDC 2015/16

From table 4.12, debt increased by NRs 21110987 and fixed capital increased by NRs 401342.

4.10 Sector-wise Investment of SFDC

This bank\cooperative has given loan in different sector such as agriculture, business, animal husbandry, foreign employment and building construction. Agriculture means livestock, food crops, and seasonal\unseasonal vegetable. Business means simple retail shop, hotel and poultry. The investment description of the bank\cooperative FY 2015/16 is shown in the table.

Table 4.13

Distribution of Sector-wise Investment

S.N	Sector	Investment	Percentage
1	Agriculture	41461516	40.97
2	Business	19834360	19.60
3	Foreign employment	8389647	8.28
4	Building construction	3945042	3.89
5	Animal husbandry	27576487	27.25
Total		101207052	100.00

Source: Annual Report of SFDC 2015/16

From table 4.13, the bank has given loan in agriculture is 40.97 percent. In business is 19.60 percent. In foreign employment is 8.28 percent. In building construction is 3.89 percent and in animal husbandry is 27.25 percent.

4.11 Demographic Situation of Sampled Farmer

During the study survey, the people who are engage and not engage in the bank, age and cast wise description is shown below.

4.11.1 Age-wise Population

The people who are selected in the sample involved not involved in the bank\ cooperative, total 60 are shown in table 4.14.

Table 4.14
Age-wise Structure of Farmers Selected in Sample Size

S.N.	Age Group (in Year)	Involved Farmers	Percentage	Notinvolved Farmers	Percentage	Total Farmers	Percentage
1	Below 20	2	6.66	3	10.00	5	8.33
2	20-30	6	20.00	7	23.33	13	21.67
3	30-40	11	36.67	10	33.33	21	35.00
4	40-50	8	26.67	5	16.67	13	21.67
5	Above 50	3	10.00	5	16.67	8	13.33
Total		30	100.00	30	100.00	60	100.00

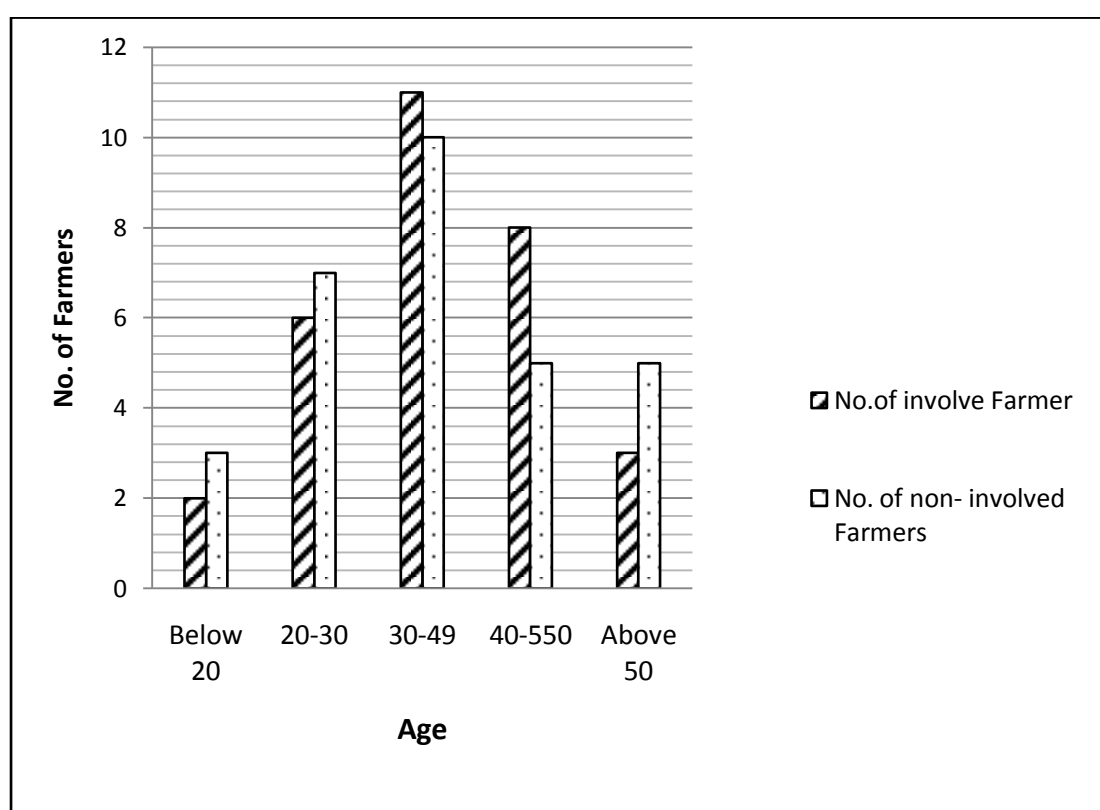
Source: Field Survey, 2016

Table 4.14 shows that the people who are selected in the sample size are 60. Among of them the people less than 20 years group, 6.66 percent people are involved in bank and 10 percent people are not involved in bank. 20-30 years group involved in bank

20 percent people and not involved in bank 23.33 percent people. 30-40 years group involved in bank 36.67 percent people and not involved in bank 33.33 percent people. 40-50 years group involved in bank 26.67 percent people and not involved in bank 16.67. Above 50 years group involved in bank 10 percent and not involved in bank 16.67 percent people. The maximum group involved in bank is 30-40 years 36.67 percent people and minimum group involved in bank is less than 20 years 6.66 percent people. Below 20 years age group farmer are 8.33 percent. 20-30 years age group farmer are 21.67 percent, 30-40 years age group farmer are 35 percent, 40-50 years age group farmer are also 21.67 percent and above 50 years age group farmers are 13.33 percent. This fact is also shown in bar graph.

Figure4.4

Age-wise structure or Farmers Selected in Sample Size



Source: Based on the Table 4.14

From figure 4.4 below 20 years age group farmer are 5. 20-30 years age group farmer are 13. 30-40 years age group farmer are 21. 40-50 years age group farmer are 13 and above 50 years age group farmers are 8.

4.11.2 Racial Structure

There is diversity in unity in this VDC. The major cast of this VDC is Brahmins, Chhetri, Newar and Dalit. The cast who selected in sample in study area either they are involve or not involve in bank which shown under table.

Table 4.15

Racial Description of Respondents

S.N	Cast	Involved Farmers	Percentage	Not Involved Farmers	Percentage	Total Farmers	Percentage
1	Brahmins	8	26.67	10	33.33	18	30.00
2	Newar	20	66.67	16	53.33	36	60.00
3	Other	2	6.66	4	13.33	6	10.00
Total		30	100.00	30	100.00	60	100.00

Source: Field Survey, 2016

Table 4.15 shows that the people who are selected in sample size are shown in racial figure. Brahmins are involved in bank 26.67 percent and not involve in bank 33.33 percent. Newar are involved in bank 66.67 percent and not involve 53.33 percent. Other community (Tamang, Muslim) are involved in bank 6.66 percent and not involve in bank 13.33 percent.

4.12 Record Related with Profession

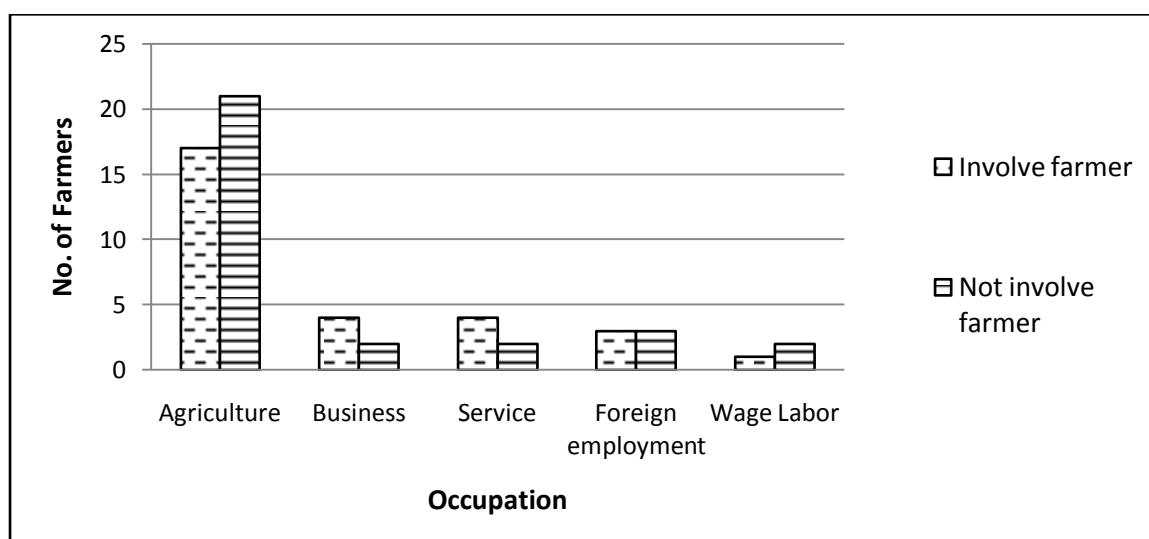
Selected in sample 60 farmers those who are involve in bank and those who are not involve in bank. People are also involve in different kinds of occupation such as agriculture, service, wage labor, business etc. In agriculture seasonal and unseasonal farming, services mean to work in government office or personal work in office. Business means simple retail shop, tea shop etc. Wage labor means to work daily for the livelihood. During the study of survey following professional data are got which are shown in following table.

Table 4.16**Professional Status of Farmer's Household in Study Area**

S.N.	Occupation	Involved Farmers	Percentage	Not Involved Farmers	Percentage
1	Agriculture	17	56.67	21	70.00
2	Business	4	13.33	2	6.67
3	Service	4	13.33	2	6.67
4	Foreign employment	3	10.00	3	10.00
5	Wage labor	1	3.33	2	6.66
Total		30	100.00	30	100.00

Source: Field Survey, 2016

Table 4.16 shows that the farmers who are not involve in bank participations in agriculture is greater than involve in bank i.e. 70 percent people's occupation is agriculture who are not involve in bank. And 56.67 percent people's occupation is agriculture who is involved in bank. The farmers who are involved in bank participation in business also are 13.33 percent people and who are not involved in bank participation in business also are 20 percent. People goes to foreign employment are equal percent who involved and not involve in bank.

Figure 4.5**Professional Status of Farmer's Household in Study Area**

Source: Based on the Table 4.16

From figure 4.5, A number farmer involved in agriculture are 38, in business 6, in service 6, in foreign employment 6 and wage labor are 3.

4.13 Economic Status of Farmer Involved and Not Involved in the Bank

The main objective of the study is to research of economic status of the farmer who is involved and not involved in the bank. For that purpose, status of the land distribution of farmer, trend of production, income, expenditure, saving and purpose of bank loan are shown as below.

4.13.1 Land Ownership of the Farmers Involved and not Involved in the Bank

Distribution of the land is classified on the basis of ropani. The land distribution means the land which is in the possession of the farmer themselves. A study has been done what is the condition of distribution of land in the study area of small farmer. The land is khet or bari or both, which is irrigated or unirrigated. The situation of land ownership of the farmer is equal condition. The small farmers who are involved and not involve in the bank, the land distribution status is shown in the table.

Table 4.17
Land Distribution Status

Land Status in Ropani	Number	Percentage	Degree
1-5	8	26.67	96.01
5-10	12	40.00	144
10-15	5	16.67	60.01
15-20	3	10.00	36
20 Above	2	6.66	23.97
Total	30	100.00	360

Source: Field Survey, 2016

Table 4.17 shows that 5-10 ropani land owners small farmers are 40 percent and above 20 ropani land owner's small farmers are 6.66 percent. 1-5 ropani land owner small farmer are 26.67 percent. 10-15 ropani land owner small farmer are 16.67 percent. 15-20 ropani land owner small farmer are 10 percent.

In this VDC about 90 percent of small farmers are to take 1-3 ropani land (khet) bandhaki from other land owner for farming food crops or vegetables. Within 10 years small farmers return land to its owner.

4.13.2 Trend of Production

The farmers who are selected in sample size and they are produce food crops before and after involve in bank is shown in the table.

Table 4.18
Trend of Production

S.N.	Product	Before Involved		After Involved	
		Number	Percentage	Number	Percentage
1	Seasonal vegetables	5	16.67	22	73.33
2	Unseasonal vegetables	-	-	5	16.67
3	Food crops	25	83.33	3	10.00
Total		30	100.00	30	100.00

Source: Field Survey, 2016

Table 4.18 shows that there is vast change in production before and after involved in the bank. Before involve in the bank farmers are produce food crops 83.33 percent and seasonal vegetables 16.67 percent. The farmers after involve in the bank they produce seasonal and unseasonal vegetables 90 percent and only 10 percent farmers are produce food crops.

4.13.3 Annual Income on the Basis of Source

The small farmers who are selected in sample size they are involved and not involved in the bank, such farmers are incoming by involving different occupation like agriculture, service, business etc. During the study of survey found the information about occupation and farmer's income, which is shown in the following table.

Table 4.19**Annual Income on the Basis of Source**

S.N	Source of income	Involved farmers		Not involved farmers	
		Total income	Percentage	Total income	Percentage
1	Agriculture	3659695	59.48	2863283	67.92
2	Business	1041056	16.92	502929	11.93
3	Service	1252097	20.35	605369	14.36
4	Wage labor	199966	3.25	244087	5.79
Total		6152814	100.00	4215668	100.00

Source: Field Survey, 2016

Table 4.19 shows that total annual income of sample selected farmers involved in the bank is Rs.6152814 and per capita income is Rs.205093 and total annual income of those farmers who are not involve in the bank is Rs.4215668 and per capita income is 140522. From the table we see that the farmer who is involved in the bank their per capita income is greater than the farmer who is not involved in the bank.

4.13.4 Reaction about the Bank Interest Rate

The respondents in this study said that the interest rate of the bank taken from small is low as compared to Sahumahajan. They also said that get rid from the high interest of Sahumahajan. The reaction to the bank interest rate is shown in the following table.

Table 4.20**Reaction to the Bank Interest Rate**

S.N	Reaction	Involved member	percentage
1	Expensive	2	6.66
2	Normal	20	66.67
3	Cheap	3	10.00
4	Equal to other financial institution	5	16.67
Total		30	100.00

Source: Field Survey, 2016

Table 4.20 shows that the reaction given by the small farmer who are selected in the sample are expensive 6.66 percent, normal 66.67 percent, cheap 10 percent and equal to other financial institution 16.67. From the table we see that small farmers are satisfied to the bank interest rate.

4.13.5 Condition of Income Rate

The people who are selected in the sample size and involve in the bank and not involve in the bank are generating income from various sector. Based on income rate description of annual income series is shown in the following table.

Table 4.21
Income Status

S.N.	Annual Income (Rs.000)	Involve		CF	Not Involve		CF
		Number	Percentage		Number	percentage	
1	0-50	9	30.00	30.00	13	43.33	43.33
2	50-100	7	23.33	53.33	9	30.00	73.33
3	100-150	6	20.00	73.33	4	13.33	86.66
4	150-200	5	16.67	90.00	3	10.00	96.66
5	200 Above	3	10.00	100.00	1	3.33	100.00
Table		30	100.00	100.00	30	100.00	100.00

Source: Field Survey, 2016

Table 4.21 shows that there is comparative study of annual income of the farmer involve and not involve in the bank. In the table we see that 30 percent earns annual income between 0-50 thousand involve in the bank and not involve in the bank the annual income between 0-50 thousand earns 43.33 percent small farmer. 23.33 percent earns annual income between 50-100thousand not involve in the bank and involve in the bank the annual income between 50-100thousand earns 30 percent small farmer. Likewise the small farmer involve in the bank is rising the annual income gradually.

4.13.6 Condition of Expenditure

The small farmer selected in the sample size, involved and not involved in the bank people has expend to consumption, education, health, festival and other sector. The small farmer are spend their income in a year is mention in the table.

Table 4.22
Expenditure Pattern

S.N.	Description of Expenditure	Involve Farmer		Not Involve Farmer	
		Expenditure in Rs.	Percentage	Expenditure in Rs.	percentage
1	Consumption	3592748	61.59	2339653	58.42
2	Education	718003	12.29	462564	11.55
3	Health	898526	8.53	438134	10.94
4	Festival	629206	10.77	555480	13.87
5	Other	403694	6.91	209054	5.22
Total		5842177	100.00	4004885	100.00
Per capita expenditure		194739.133		133496.166	

Source: Field Survey, 2016

Table 4.22 shows that the expenditure status of the member involves and not involve in the bank. The total expenditure of the farmer involved in the bank is Rs. 5842177 and per capita expenditure is Rs. 194739.133. The farmers not involve in the bank, expenditure is 4004885 and per capita expenditure is Rs. 133496.166.

4.13.7 Condition of Saving

The condition of saving is that how much small farmer saving by their income either they involved in the bank or not. The annual saving description is mentioned in the table

Table 4.23
Situation of Annual Saving

S.N.	Annual Saving	Involved Farmers		Not Involved Farmers	
		Number	Percentage	Number	Percentage
1	0-3000	9	30.00	12	40.00
2	3000-6000	6	20.00	5	16.67
3	6000-9000	5	16.67	1	3.33
4	9000-12000	4	13.33	1	3.33
5	12000-15000	4	13.33	1	3.33
6	15000-18000	1	3.33	4	13.33
7	Above 18000	2	6.67	6	20.00
Total		30	100.00	30	100.00

Source: Field Survey, 2016

Table 4.23 shows that the farmer involved in the bank yearly saving is 0-5 thousand is 30 percent and the farmer not involved in the bank yearly saving is 40 percent. Likewise saving from 3-6 thousand the farmer involved in the bank yearly saving is 20 percent and the farmer not involved in the bank yearly saving is 16.67 percent. Comparatively saving status is far better who involved in the bank. The cause of this fact is low income, lack of awareness of saving and does not have separate account. However, the saving which is higher than 18 thousand above is higher of not involve in the bank. It is because some farmer are do experiment in their land.

4.13.8 Purpose of Bank Loan

The bank has provided loan on agriculture, animal husbandry, business, education, health, foreign employment and building construction. In this study area selected in sample size the small farmer borrow loan for different purpose which shown in the below table.

Table 4.24**Number and Percentage of Purpose of Bank Loan**

S.N.	Purpose of Bank Loan	Number	Percentage
1	Agriculture and animal husbandry	8	26.67
2	Agriculture and business	5	16.67
3	Agriculture, business and education	7	23.33
4	Education, health and foreign employment	6	20.00
5	Foreign employment and building construction	4	13.33
Total		30	100.00

Source: Field Survey, 2016

Table 4.24 shows that the farmer involved in the bank has borrow loan for multiple purpose. Among of them 26.67 percent in agriculture and husbandry, 16.67 percent in agriculture and business, 23.33 percent in agriculture, business and education and 13.33 percent in foreign employment and building construction.

4.14 Achievement of Small Farmer Development Bank/Cooperative Limited

In survey area small farmer development bank has achieve some important goals. The bank supports the people who live in rural area and depending on agriculture, small cottage industries and trade and also their economic condition. The bank provide loan to the small farmer at low interest rate than Sahumahajan. The bank also gives training to small farmer group to develop their socio-economic condition. Some important achievements are:-

1) Increase in Production and Income

To increasing agriculture production is the main challenge in the rural area of Nepal. After involved in the bank the small farmers bearing risk of agriculture sector and

them success to increasing agriculture production. According to the coordinator of this bank around 68 percent small farmer said that the annual income increase by 15 percent and 15-18 percent increase in agriculture production.

2) Developing Saving Trend

In the survey area the small farmer who involved in the SFCL they have taken various type of training and increase their knowledge and capacity. The farmers are interested in saving collection because of encouragement by bank policy and interest rate. The farmer who is interested to borrow loan from this bank they must have to make committee of 4-7 members and certain amount of money should be saving compulsory. The saving can investment and investment is source of income. It is trend of capital formation.

3) Development of Organizing and Social Interfere

The small farmer who are participated in this bank they have develop trend of group discuss, advise, communication of thought etc. have developed in organizing and social interfere. Every respondent have well knowledge of the process and method of committee decision. This is the important achievement of the bank in the survey area according to the coordinate of this bank during the survey period.

4) Soft Loan Rate

In this survey area farmer are getting loan at low rate of interest of credit than other source of loan as reliable and certified. They have got rid of obligation of high interest rate from Sahumahajan according to the coordinator of the bank. Other people who are not small farmer 35 percent borrow loan at low interest rate from this bank.

4.15 Analysis of the Problems of SFCL and SuggestionsforSFCL

Every program and project has two part i.e. merit and demerit. The program and project can progress if the problem can be identified, evaluated and monitored at the right time.

4.15.1 Problems of SFCL

1) Loan Misuse

Loan misuse means the loan using in other sector rather than specific sector in which sector the bank gave loan specially. Due to loan misuse the productive capacity are reducing and farmer are could not pay the loan in time.

2) Training Program

Training is necessary in all sectors to increase the knowledge, skill and capability. Due to lack of training program farmers misuse the loan, decrease in debt return and reduce the production as such they become discourage. It is happened to conduct such training by the concern institution. The farmers selected in the sample and asked do you take awareness and skillful training from the SFDP after involve in the bank? Among of them 75 percent said yes and 25 percent no. Skilful training taken by 29 percent and not include in such training is 69 percent. It is found that the skilful training is not taken by more members. Where political power work, political leader relatives are taken in priority in training and deprivation to the poor, low cast, backward.

3) Insufficient Debt

The bank provided debt in different sector according to the production objective and investment amount. The farmer cannot conduct their business as they expect due to the insufficient debt has become problem for small farmers. According to the managing director of this bank there is complained to low debt from the small farmer in the study area.

4) Supervision and Observation

For the success of any program supervision and observation is necessary in time to time. Supervision is the process of observing and monitoring of any work. It cannot be evaluated good and bad without supervision. The effective supervision cannot be implemented in affective sector. It is the serious problem in this study area. The farmers who are selected in sample asked are there supervision during the effective implementation of your plan? 90 percent farmer said No and 10 percent side yes. So this bank does not supervise seriously and correctively which create the great problem.

5) Political Dominance in Investment

SFDP is established on the objective of inclusive in production but it is dominated by some political leader. They remain in the major committee and affect the debt investment program. This is the great problem of this institution.

4.15.2 Suggestion for SFCL

1) Increase in ‘we-feeling’ sentiment of beneficiaries

The small farmers borrow the loan from SFCL but lack of ‘we feeling’ among the beneficiaries there arises problems of lack of misuse of loan, proper repayment of loan, diversity among the programs conducted by SFCL etc. SFCL must develop the programs which raise the ‘we feeling’ sentiment so that such problems are minimized. Also membership among the poor and marginalized can also be increased if the problems are identified and resolved. Initiation in increasing Collective responsibility among such members will also ultimately help the local and marginalized community.

2) To Stop Loan Misuse

In the beginning of the process, the bank and farmer compromise in topic that the farmers will use loan in specific sector. They sign written deeds. If the bank found the farmer misuse loan, the bank must take action immediately against the farmer. This loan is most important for uplifting living standard. So this loan I don’t misuse.

3) Equal Chance for Training Program

The bank must give equal chance to small farmers for taking training to increase their knowledge and capacity level and also must give special priority for poor, low caste and back ward small farmers. Training programs positively impact in the increase of agricultural products geometrically. It also increases income level of small farmers.

4) To Provide Sufficient Debt

The bank deeply studied and investigated in which sector they provide loan to small farmers. Specially investigate on production objective and investment amount according to market price and demand from small farmers.

5) Monitoring and Evaluation

Only better monitoring and evaluation of any program helps to obtain its objectives properly. The bank shouldn’t distribute loan only, it must monitor the activities of the farmer who are associated in bank and take loan from bank. The repayment of loan must be regularly monitored and monthly/quarterly evaluated.

6) Far from Political Intervention

SFCL is established to increasing the productivity and production by providing agriculture debt in rural area and improve income level with living standard. To find this objective the bank should be kept far from political intervention. To gives equal opportunity and priority for all small farmers.

7) Diversification of Programs

SFCL is highly concerned with credit. Rather it must also concentrate on other socio-economic programmers like health and sanitation, nutrition, education, water supply, family planning etcwhich are also major objectives of SFCL. Credit and socio-economicprogrammers should be applied equally to obtain the goals of SFDP.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

After completing the data analysis to get objectives of the studies the result are presented as summary, conclusion and recommendation.

5.1 Summary

Data are presented by differently with the help of table and graph as well as presented and analyzed to get objectives of the study in this chapter five. In this analysis, there is comparative study about the small farmers involved and not involved in the small farmer development bank. Under consideration to find present condition of SFDP, difference between the economic conditions of small farmers involved and not involved in the bank.

Summary of the findings are as follows:

- The bank is operating in Bajrabarahi VDC. It has 189 committees and 1339 farmers are shareholder.
- The bank provide loan on the strategy of SFDB and demand from farmers.
- The bank has been taken interest rate 9 percent-14 percent from its member according to the objective of the investment loan.
- The bank has been provided interest rate 8 percent-12 percent to its member according to the saving program.
- The time period of loan refund is one month to one year on the basis of its objectives.
- The banks internal capital and fund in FY 2014/15 Rs.12002512 and in FY 2015/16 Rs. 16562053 it is clear that the capital is increasing rate.
- The internal debt of the bank in FY 2014/15 Rs. 60567500 and in FY 2015/16 NRs.70785000.
- The external debt or investment of the bank in FY 2014/15 NRs.80096065 and in FY 2015/16 NRs.101207052.

- The bank has invested on the basis of sector description are in agriculture 40.97 percent, in animal husbandry 27.25 percent, in business 19.6 percent, in foreign employment 8.28 percent and in building construction 3.89 percent.
- According to the age group of farmers selected in sample size involved in the bank below 20yrs 6.66 percent, 20-30yrs 20 percent, 30-40 yrs 36.67 percent, 40-50 yrs 26.67 percent and above 50yrs 10 percent. Similarly the farmers selected in sample size not involved in the bank below 20yrs 10 percent, 20-30yrs 23.33 percent, 30-40yrs 33.33 percent and 40-50yrs 16.67 percent and above 50yrs 16.67 percent.
- Cast wise structure of the farmers selected in sample size involved in the bank are Brahmin 26.67 percent, Newar 66.67 percent and other cast 6.67 percent. Similarly the farmers selected in sample size not involved in the bank are Brahmin 33.33 percent, Newar 53.33 percent and other cast 13.33 percent.
- The small farmers selected in sample size, before involved in the bank they borrow loan from other Bank and financial institution 23.33 percent, Sahumahajan 60 percent and relatives and friends 16.67 percent; after involved in the bank they borrow loan from SFDB 50 percent, other Bank and financial institution 26.67 percent, Sahumahajan 16.67 percent and relatives and friends 6.67 percent.
- The small farmers selected in sample size give reaction about interest rate is expensive 6.66 percent, normal 66.67 percent, cheap 10 percent and equal to other bank 16.67 percent.
- The professions of the households selected in sample size involved in the bank are agriculture 56.67 percent, Business 13.33 percent, Service 13.33 percent, foreign employment 10 percent and Wage labor 3.33 percent. Likewise the professions of the households selected in sample size not involved in the bank are agriculture 70 percent, Business 6.67 percent, Service 6.67 percent, foreign employment 10 and Wage labor 6.67.
- The land distribution of the farmer selected in sample size are 1-5 Ropani 26.67 percent, 5-10 Ropani 40 percent, 10-15 Ropani 16.67 percent, 15-20 Ropani 10 percent and above 20 Ropani 6.66 percent.

- The farmers selected in sample size, before involved in the bank they produce seasonal vegetables 16.67 percent and food crops 83.33 percent and after involved in the bank they produce seasonal vegetables 73.33 percent, unseasonal vegetables 16.67 percent and food crops 10 percent.
- The annual income of the farmers selected in sample size involved in the bank are in agriculture 59.48 percent, Business 16.92 percent, Services 20.35 percent and wage labor 3.25 percent; not involved in the bank are in agriculture 67.92 percent, Business 11.93 percent, Services 14.36 percent and wage labor 5.79 percent.
- Annual income distribution of the farmer selected in sample size involved in the bank are 0-50 thousand 30 percent, 50-100 thousand 23.33 percent, 100-150 thousand 20 percent, 150-200 thousand 16.67 percent and above 200 thousand 10 percent. Likewise not involved in the bank are 0-50 thousand 43.33 percent, 50-100 thousand 30 percent, 100-150 thousand 13.33 percent, 150-200 thousand 10 percent and above 200 thousand 3.33 percent.
- Annual expenditure of the farmer selected in sample size involved in the bank are in consumption 61.59 percent, education 12.29 percent, health 8.53 percent, festival 10.77 percent and other 6.91 percent consumption 58.42 percent, education 11.55 percent, health 10.94 percent, festival 13.87 percent and other 5.22 percent.
- Annual saving of the farmer selected in sample size involved in the bank are 0-3 thousand 30 percent, 3-6 thousand 20 percent, 6-9 thousand 16.67 percent, 9-12 thousand 13.33 percent, 12-15 thousand 13.33 percent, 15-18 thousand 3.33 percent and above 18 thousand 6.67 percent. Likewise not involved in the bank are 0-3 thousand 40 percent, 3-6 thousand 16.67 percent, 6-9 thousand 3.33 percent, 9-12 thousand 3.33 percent, 12-15 thousand 3.33 percent, 15-18 thousand 13.33 percent and above 18 thousand 20 percent.
- The purpose of bank loan borrowing by the small farmer involved in the bank are agriculture and animal husbandry 26.67 percent, agriculture and business 16.67 percent, agriculture, business and education 23.33 percent, education, health and foreign employment 20 percent and foreign employment 13.33 percent.

5.2 Conclusion

In this study area, the small farmers who involved in the SFDB are economically, socially and educationally capable, progressive and developed. Due to the bank program in this area economic activities are dynamic and it also helps to decrease the poverty. This is the great effective program in this area. This program play vital role to uplift the life standard of rural people.

SFDB is partially success to improve the level of economic status of the small farmers. The small farmers have realized that the loan given by the bank cheaper than the Sahumahajan. The bank provided loan to the small farmer on the basis of strategy of SFDB and demand from farmers. The bank has been taken interest rate 9 percent-14 percent from its member according to the objective of the investment loan. The bank has been provided interest rate 8 percent-12 percent to its member according to the saving program. The time period of loan refund is one month to one year on the basis of its objectives. There is systematic complexity in the bank program to group formation, meeting and decision, condition of saving, individual and group loan. There is system to inspire loyal and disciplined loan borrower group. The bank gives various type of training to the small farmer it helps to increase knowledge and confidence of the small farmer to do economic and social activities. Small farmers are able to earn more income involved in productive activities by getting cheap interest rate from the bank. Due to training program and loan the bank has increase employment to small farmers. Thus the bank has got great achievement but it is not perfect. Other many training to gives the small farmers for upgrade the life standard of the people in this area.

5.3 Recommendation

The role of SFDL with regard to socio-economic uplift of poor small farmers is not exaggerated. The overall impact of SFCL is found to be positive. However, there are some problems to be removed in order to make the cooperative more approachable, more effective and self-sustained. SFCL staffs, group members and local government walk together and promise to face the problem.

5.3.1 Publicizing of the Importance of SFCL

Attempts should be made to publicize the importance and concept of SFCL to the small farmers through:

- Local government members (VDC members)
- Mobilizing the staff (community workers and women group organizers) of SFCL
- Arranging speech program about SFCL in different place of VDC in different place of VDC in different times.
- Non-participant farmers should be encouraged to be involved in the cooperative programs.
- Organizing exhibition and seminars on the micro-enterprises products of small farmers so that they will encourage to innovated the new product.
- The different competition programs relating to income generating activities should be organized among SFCLs district\national wise so that small farmers are encouraged for the better performance of their economic and other activities.

5.3.2 Loan Distribution and Adjustment in Interest Rate

Loan distribution process should be made simple and effective through:

- Making the official procedure of loan disbursement simpler.
- Making adequate fund available in order to support the project program.
- Existing interest rate seems to be high so it should be lower down as more farmers enjoy the outcome of the program of cooperative.
- To give priority for the farmers who taken loan and pay interest rate and loan amount in right time as more farmers would join the program of cooperative and should like to pay loan in right time.

5.3.3 Management and Administration

- Management and administration efficiency should be enhancing as to launch the program of cooperative smoothly and meet the target within a specified time period.

- Technical assistance of new farming technique should be introduced as the productivity of the loan level farming could be raised.
- Group participation should be systematized by establishing a proper coordination among the participants and the community workers.
- Bank should be kept free from political intervention.

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APPENDIX – I

Questionnaire for Household Survey 2016

Central Department of Economics, TU

For the purpose of M.A. Thesis, Impact of Small Farmer Development
Cooperative on Small Farmers: A Case Study of Bajrabahari VDC Makwanpur
District

1. General Information

- a) Name:
- b) Age:
- c) Sex:
- d) Cast:
- e) Education:
- f) Occupation:
- g) Bajrabarahi Ward No:
- h) Religion:
- i) Mother Tongue:
- j) Total Family Member: Male: Female:

S.N.	Name	Sex(M/F)	Age	Cast	Education	Marital Status	Occupation
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							

2. What are the Source of income of yours family?

- a) Agriculture
- b) Business
- c) Government Service
- d) Private Job
- e) Foreign Employment
- f) Other Specify:

3. How much land do you have?

- a) 1-5 Ropani
- b) 5-10 Ropani
- c) 10-15 Ropani
- d) 15-20 Ropani
- e) More than 20 Ropani

4. Did you havetakenaland for bandhaki?

- a) Yes
- b) No

5. If yes, how much land taken land for bandhaki?

- a) 1 Ropani
- b) 2 Ropani
- c) 3 Ropani
- d) 4 Ropani
- e) More than 5 Ropani

6. Uses of land and crop paten

Crop Area

Paddy

Wheat

Vegetable

Other

7. Do you have junior technical assistance facilities for soil and seed?

- a) Yes
- b) No

8. Are you using improves seed fertilizer and insecticides.

- a) Yes b) No

9) Drinking water facilities

- a) River b) Tap
- c) Well d) other specify

10) Do you have modern toilet facility?

- a) Yes b) No

11) If yes, do you using bio-gas plant?

- a) Yes b) No

12) If yes, how to manage money to built bio-gas plant?

- a) Family Income b) Relatives/friends c) Credit from SFCL

13) Access in health facility

- a) Government hospital b) Private hospital
- c) Local medicine d) Witchcraft

14) Are you member of SFCL?

- a) Yes b) No

(Following questions are only for the member of SFCL)

15) When you engage following profession;

Particular	Before JoiningSFCL	After JoiningSFCL
Agriculture		
Husbandry		
Business		
Labor		
Other		
Total		

- 64

APPENDIX - II

POINTS OF DISCUSSION WITH COMMUNITY WORKERS (STAFFS of SFCL)

- a) How long have you been the community worker (staff) of community?
- b) What are the main differences between the credit policies of SFCL and after handover?
- c) What types of activities are launched mostly and what program is mostly appreciated by farmers?
- d) What types of action do you prefer to these small farmers who fail to repay the loan in time and incentives to those who repay the loan at prescribed time?
- e) What are the reasons that give payment delay to consumer?
- f) What are the main difficulties: group discussion, loan operation, collection and supervision?
- g) What types of loan are timely collected?
- h) Any suggestions to make the SFCL more effective and successful.

APPENDIX-III

Historical Background of SFCL

In mid 1970, there were 550 million people, 75 percent of them in Asia, suffering from absolute poverty in the rural area of the world. This horrifying situation induced the planners to realize the fact that equality and social progress shouldn't be sacrificed to the details of economic efficiency that is the growth in GNP. It also urged for the search of an appropriate effective mechanism which could ensure the participation of small farmers in the development process through constructive group action.

During 1973-1976 FAO\UNDP regional projects Asian Survey of Agrarian Reform and Rural Development (ASARRD) undertook the problem and organized multi-level, multi-agency and multi-disciplinary field workshop in 16 rural areas of 8 countries namely; Bangladesh, India, Indonesia, Korea, Nepal, Philippines, Srilanka and Thailand.

The objectives of ASARRD's seminars were:

- To purpose of adjustment in the ongoing programmers in specific area so as to benefit the small farmers.
- To recommend the institutional structure and policies that would facilitate active involvement of small farmers in the development process.
- To indicate special field action projects for small farmer development.
- To explore the possibilities of regional cooperation and action.

In Nepal, the workshop on "Development Support for Small Farmers" was organized during January 4/14/1974 under the joint auspices of Ministry of Food, Agriculture and Irrigation (MFAI), ministry of land reform, agriculture development bank and FAO\ASSRRD. The primary objective of the workshop was to identify and analyses the problems of small farmers and landless farmers and design program to improve their well-being.

During these workshops a comprehensive list of essential elements was prepared. These elements for the field action were considered essential if the rural poor were to be helped in real sense. To test the validity of these 'essential element' eight field action project were initiated. Nepal shared two such projects on at Mahendranagar in

Sakhuwapanchayat (VDC) on Dhanusha district in Terai and the second at Tupche, in Tupchepanchayat (VDC) of Nuwakot district in the Hill. The former was established in September 1975 and the later in March 1976.

The agriculture development bank (ADB) was charged with the responsibility of executing both the project with an initial support from FAO\ASARRD. The success of the projects preference led to the acceptance of the programmers both in the numbers of projects and the coverage of districts. Upon 1995\96, 423 SPOs of SFDP have been rendering services to 182507 small farmers including 38886 poor women members of 652 village development committee (VDC) in all the 75 district of the kingdom. As mid July 1995 the total member of groups formed are 24738 and of which 5153 are formed female and 19585 are male groups.

The total distribution, collection and outstanding loan more than at NRs.2991 million, NRs.1767 million and NRs. 1208 million respectively and the saving amounts stands at NRs. 557 million during that period.

Objectives of SFDP

The main objective of SFDP is to improve the socio-economic condition of small farmers, the rural poor through provision of basic inputs e.g. credit, technology, training and facilities related to social and community development. However the specific objectives are to:

- Help small farmers to increase their productivity, production and income and their by improving their quality of life by encouraging them to carry out other subsidiary activities which would directly benefit them.
- Increase employment opportunities for small farmers by mobilizing their skills, resources and labor.
- Enable small farmers develop their own institution and formulate. Village level plans and programmers according to their own choice and need and implement them accordingly.
- Build up feelings of social solidarity and trust among group members to raise their voice for different services by different socio-economic programmers likes health and sanitation, nutrition, education, water supply, family planning etc.

Initially the land criterion was adopted to identify small famers. A family having 20 ropani (1 hector) in hills or 4 bigha (2.6 hector) in terai was considered as small farmer family. This was change later to include a family with 0.7 hector or 1 hector or less unirrigated land in hills or 1.3 hector or less 2 bigha of irrigated land and 2.6 hector or less of unirrigated land in terai as small farmers.

It was however; found that the land criterion was not suitable as it could be affected by family size, intensity of land use, management of enterprises and tactical act of land holder etc. therefore this criterion was replaced by the income criterion according to which a small farmer is identified based on income he\she earns. A farmer (family) with a per annual per capita income equal to or less than NRs.721 is consider as small farmers. This ceiling is based on 2014 based on constant price.

Now, a small farmer is defined as follows:

A small farmer is one who depends on the profession of agriculture and cottage industries at village level, whose land holding is small, who is tenant, fisherman and landless labor engage in rural industries and other skill labors whose annual per capita income doesn't exceed Rs.19262 and own less than 0.19 hector of cultivated land (per family).

ADB\N highlights on SFDP in Nepal 2014 ADB\ small farmer development division Kathmandu.

Main Features of SFDP

- **Group Formation**

This is the fundamental characteristic of SFDP. The program underscores the fact that an individual small farmer is economically and socially weak (called Ultra poor) thus dominated by the better off. So this program aim at providing group professionally to each above mentioned individual and help them to seek benefits from the development programs by seeking their participation in economic as well as social programs. Generally, the group thus formed comprises 5-10 member small farmers who have similar type of problem, interest, economic status and live in same village.

- **Planning from Below**

Various studies have indicated that the 'Top down Approach' of planning process in Nepal has been unable to take care of the aspiration and felt the need of rural poor.

These type programs suffered from an inactive implementation process while resulted in ineffective delivery of services and facilities to the poor. Realizing this fact ‘planning from below’ is harped on in SFDP to enable small farmers make their own plan based on their own needs.

- **Provision of Credit**

Provision of credit facilities for undertaking income generating the activities on group guarantee basis. They need not show their security.

- **Group Dynamics**

For salvaging the process of group dynamics and the providing of credit act, as the entry points to sensitize small farmer on various issue.

- **Staffing**

The sub-project office (SPOs) is managed by a Group Organizer (GO), supported by 2-4 staffs depending on the population coverage and volume of business. Women Group Organizers (WGOs) are also assigned to those potential sites to initiate women focused credit, social and community development activities.

- **Integration of the Program and line Agencies**

Using the group mobilization mechanism, the GO and WGOs fascinated the integration of credit and social\community development services from the line agencies at the group and community level.

- **Women’s Participation**

Increase the participation of women from low income family in the program at least 25 percent.

Functional Bodies and Co-ordination Mechanism

For co-ordination the activities of SFDP, mainly a two co-ordination structure has been setup at the central level and district level.

- **Central Co-ordination Committee (CCC)**

CCC consists of representatives from different ministries and departments of government and headed by the secretary of ministry of agriculture. The GO of ADB\N is the committee. The functions of the committee are:

- To formulate basic policies and guide lines for SFDP
- To provide instruction of sub-project implementation committee
- To evaluate the program at the central level; and
- To evaluate the program periodically

Sub Project Implementation Committee (SPIC)

SPIC comprises of member from of member from various line agencies at the district level and headed by the chief district officer and co-ordination by the ADB\N district office. The functions of the committee are:

- To formulate program for SFDP at project level
- To co-ordinate, inspect and supervise the program at project as well as district level and
- To evaluate them.

Operation Methodology of SFDP

• Identification of Project Area\Site Inspection

In the district where SFDP is to be launched on area survey is conducted in the VDC\municipality where majority of small farmer lived. Based on the survey of SPIC identifies the VDC\municipality where SFDP needed.

• Appointment and Training of Group Organizers (GOs)

Human input is critical and intensive for the success of this program. This lacuna is fulfilled by posting a well train group organizer in each SPOs site as a central figure of the program acts as a catalytic change agent. Thus, a group organizer is appointed and trained him intensively for some period and send him\her to the area. He\she conducts pre-household survey which gives detail information on the status of the household and identifies the small farmer.

• Group Formation

At the grass-root level, the small farmers are organized into group consists 5-10 members generally having similar occupation and ethic nature.

- **Identification of Program**

The organized small farmers group identify, plan and implementation its components with regard to the socio-economic activities.

Major Activities Launched Under SFDP

1) Soil and Community Development Activities

As mentioned above, credit is the primary component for the productivity improvement of small farmer. However, together with credit other social and community activities also essential. Because the economic and social activities and such that they become mutually supportive and reinforcing. So, in addition to credit SFDP includes social and community development activities viz. adult education, family planning, drinking water, sanitation, irrigation, community forestry etc.

2) Marketing Arrangement

Various types of marketing arrangement have been made. These differ from one SPOs area to another depending on the geographical situation. For example, marketing loan has been distributed to small farmers to purchase farm product from other small farmers and sell it in the market situated in different places. Group marketing has been carried out in which the small farmers collect the product from the fellow small farmers and sell them in the distant place turn wise. Milk has been sold through milk collection centers established in potential area by the Dairy Development Co-operatives at the request of SFDP\ADB\N.

3) Creation of Productive Asset

Irrigation Development Program it imperative to increase agriculture productivity and protect small farmers from the vagaries of monsoon. In accordance with this SFDP has been emphasizing the construction of irrigation schemes since the beginning.

SFDP provided community organization and technical support services for the purpose. As of 2013\14 over 21 percent of the total cultivated land was irrigated which benefited more of 16,000 small farmers families. Technological option utilized for the purpose includes row pump, shallow tube-well and sprinkles.

4) Training Programs Training

Although training does not shows direct return. It is essential to increase the efficiency and productivity of small farmers in term of production and income by enhancing their knowledge and skills. Crops production, horticulture, adult education, cottage and small industry, irrigation management, environment and women development program are main component of the training imparted to the small farmers.

5) Group Saving

Group saving provisions is one of the fundamental characteristic of SFDP. The main purpose of saving is to enable small farmers to manage some emergencies such as death, illness etc. Out of the funds, they established on their own. Sometimes small farmers uses this fund ceremonial purpose e.g. marriage and also food consumption when they have scarcity of food. Significant advantage of the group saving is to prevent small farmers from taking credit from the private money lender who generally charged high interest rate. For group saving certain amount of fund is deposited by each group members once a month as per group decision.

6) Livestock Insurance

Livestock insurances scheme has been implemented in some potential SPOs. The basic features of the scheme is its management through members of farmer, own association. Para veterinary personal have been development from among the farmers themselves so that the reliance would be curtained at any amount.

The important feature of the scheme is self insurance by livestock owner. It is entirely voluntary. As for the premium, it is being replenished by 50 percent matching fund by ADB\N using Nepal government's subsidy so that the farmers be assured of the commitments from government agencies.

8) Environment Conservation

Realizing the adverse effect in agriculture productivity due to the soil erosion, environment conservation programmers have been undertaken since 1990. Presently this programmer has been executed in 35 SPOs, which is envisaged to be expanded further in future. Under this program a series of activities such orientation, promoter training, skill enhancement training, forest nursery and plantation, river training, low

cost electrification etc. are carried out in the project sites. Major purpose behind conducting these activities is to create awareness among the villagers regarding environment issues.

9) Women Development program

Women Development program (WDP) was initiated in 1982 under SFDP with the aim of providing basic services activities to women. Women Group Organizers (WGOs) assigned to different SPOs remains as the responsible to look after such activities. As mid of 2013\14 a total numbers 88000 women number benefited from such scheme and they were given credit totaling Rs. 550 million to undertake different farm and non-farm income rising and employment activities of which Rs.360 million have been repaid back. Besides women were also imparted several of training and provided opportunities for inter-project observation visits. This program has been operation in all SPOs.

Stages of SFDP Implementation

The first seventeen years of SFDP operation beginning 1975 can be broadly classified into following three stages.

- **Experimental Phase**

This phase which lasted from 1975 to 1980 was characterized by action research processes of learning and refining implementation modalities on various aspect of SFDP operation. Experiments were also made on same community level programs like community forestry, drinking water and settlement of landless households. They need to form separate women groups also realized during this phase. This phase culminated with the compilation of codified operation manual relating to the formation and function of the groups.

- **Expansion Phase**

The expansion phase was promoted by the discovery of the generally replicable nature of the program coupled by an infusion of loan support from International Fund for Agriculture Development (IFAD) in this phase starting from 1981; both the activities and area coverage were largely expanded. Community irrigation schemes were initiated in many SPOs. Adult literacy, population education, women and child welfare program were lunched. The government declares SFDP as the principle

national program of poverty alleviation. Second round of multilateral loan was also negotiated with IFAD to finance the expansion. At least one SPO in all seventy five district of the country was instituted. By 1988 the expansion became so unruly that a pause and look back was deemed necessary. This brought an end to the phase of rapid expansion.

- **Consolidation Phase**

ADB\N implementation capability was found to be overstretched to uphold the strains arising from too fast and expansion of the office and small farmer groups in the rural areas. The controlling and interaction started becoming unmanageable. Undue pressure for program expansion needed to be resisted. Due to inadequate supervision, loan default rate and number of passive small farmer groups marked a sharp increase. Therefore, the consolidation phase began in 1989 with the following measures taken.

- Amendments in operational procedures.
- Over howling of controlling and organizational management.
- Integration of SFDP credit operation with the regular credit programs.
- Rationalization of cost, staffing and striking a balance between the social and economic activities.
- Institutionalization of the small farmer's organization.

Since the program was labeled to have served only the border line poor an arrangement was also made to include at least one-third member who are ultra poor at one-fourth of the members were required to be women.

For the first time, supervision function was ensured to the district office of ADB\N with SFDP division assuming only policy related responsibilities. A loan operational manual was prepared and executed defining precise financing limits and control mechanism. Area graduations in the form of institutional development progress were initiated to handover the management of SPOs by the federation of farmer's organizations.

SFDP is consider as one of the effective agriculture development programs in delivering services to the rural poor by seeking their direct participation especially in the economic development front. The existing strategies of SFDP, however call for

high cost of expansion and a prolonged time in reaching the SF families. Another constraint has been the grass shortage of competent staff with in ADB\N who could work effectively in the remote rural setting. This lead to the realization of a need to conceive an institutional development program aimed at evolving local self-help organization of the poor which can take up retail delivery of services on their own. For this, institutional development program experimentation, a five year field based action research project was designed in 1987\88 by the joint effort of ADB\N and IDP\GTZ which was implemented in a few SPOs in Dhading district. This followed a continuous process of training group leaders, promoters and youth workers commensurate with the objective of handing over the operational responsibilities of SFOs.

The observation revealed that the SF organization evolve under the “action research” scheme in Dhading district have become capable to manage the SPOs independently. Such organization was then registered as small farmers cooperative limited (SFCL) to give legal entity. Therefore, 4 of 19 SPOs viz. Bhumisthan, Chhatredeurali, Dhuwakot and Maidi were handed over to the respective SF organization from the beginning of July 16, 1993. The post management of these SPOs after the handover has been found to be satisfactory this reinforcing the validity of the IDP concept. Encouraged from the outcome most of the SPOs have been handover up to 2004\05. In the same movement SFDPBajrabarahi has been handover in October 2005 A.D.

Implementation Procedures of SFCL

In order to develop the infrastructure for the institutional development of the self-help SF organization, mainly following process are considered to be followed:

- Develop promoters from within the SF group members and mobilized them to motivate SF group for creation and development of ward level SF organization.
- Select and employ youth workers and women group organization from among the SF group members or their immediate relatives who are educated and more informed.
- Implement social and community development program through the participation of SF families with the minimum support to their related agencies.

- Provide credit to SF individual members or group through VDC level SF organization to undertake various income generating activities.
- Register SF organization with the relative government department and
- Finally handover the management of SPOs to the respective SF organization.

Objectives of SFCL

The major objectives of the programs are

- To develop local level small farmers organization.
- To enhance the financial and managerial capability of grass root organizations through imparting knowledge and skills.
- To give legal status to those organization in order to establish long term relation between ADB\N and small farmers and also develop SFCL as an autonomous and self reliant organization.
- To empower small and poor through those organizations.
- To create confidence among the small farmers about saving collection and mobilize rural saving.