

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Nepal is a landlocked South Asian country with per capita income of less than \$ 1004. It is one of the poorest in the world and the poorest of the South Asian countries. Nepal's total population has reached over 27 million (CBS, 2011). Agriculture is the main source of income: it provides a livelihood for over 60 percent of the population and accounts for 27 percent of GDP (MoF, 2018).

Nepal is becoming an aid dependent country. It is because of its limited resources to invest in socio-economic development. Infrastructure projects require huge investments that the government is incapable of. “Successful development requires public investments, but governments in impoverished countries are often too cash strapped and too indebted to finance the requisite investments. When the government is unable to build the roads, power grid and other basic infrastructure the private sector languishes the result in a fiscal policy trap in which poverty leads to low public investments and low public investments reinforce poverty. This kind of fiscal collapse is one of the most important causes of economic development failures in the poorest countries”. In Nepal, the private sector is reluctant to invest in infrastructure because of the long gestation period bound by the risk of political instability.

Small and medium forest enterprises (SMFEs) as well as micro-enterprises have been instrumental in providing rural Nepalese with a livelihood. However, the poor quality of local products has reduced their competitiveness and hampered the ability of rural people to sell their goods beyond local markets. A large number of these enterprises are informal and unregulated, and therefore are unable to take the opportunities available through linkages to proper marketing channels. They are also constrained by a lack of value addition, technology and product supply capacity, as well as by the absence of a supportive policy and legal framework (Ghimire, 2011).

At present there are two types of micro-enterprises: formal and informal. Informal enterprises are generally initiated by an individual family to earn money by means of their traditional craft skills, whereas formal enterprises are either initiated by NGOs and government agencies as income generating programs for poor families and the marginalized, or self-initiated by the rural people themselves. Formal enterprises are often supported by training and the allocation of funds. Often, however, business counseling and market linkages are not considered and environment-impact considerations are neglected (Ghimire, 2011). Since micro-enterprises are very small and family-based, they are generally operated from home. This can have an adverse impact on the home environment, depending on the enterprise (e.g., Poultry raising, wool carding, chemical dyeing, welding, furniture repairing). Since this impact is originated at home, it is rarely documented. Despite these limitations, micro-enterprises tend to be more profitable entities because of the non-valuation of family labor and reduced overhead.

Improvements in the cost reducing industries, changes in the industrial structure and development of new markets renewed interest in the small and medium size enterprises (SMEs) as engines of growth and employment. Industrial development earlier believed to occur with large enterprises undertaking large investments and creating scale economies.

Proper entrepreneurial activities support in optimal utilization of available resources and speed up the process of industrialization which is very crucial for the economic development and employment generation. During the process of economic development people are generally shifted from agricultural activities to non-farm activities such as manufacturing and services. As raw material required for industrial sector basically come from the agricultural sector and different mining activities, development of industrial sector serve as a basis for the development of both agricultural and service sectors which result in more income and employment generation in all sectors of the economy (Gadel, 2016).

Development of new technology and technology transfer due to globalization reduces the number of employees required for industries day by day. Therefore, the only way to increase employment opportunities is to increase and expand the number of industries in the competitive market through new creative and innovative ideas. The majority of people in the least developed and developing nation involve in the agriculture sector, which contribute only a minor share to GDP and this situation pushed a majority of people under the poverty line. In fact, all sorts of industries (Shrestha, 1982).

In Nepal small scale industries have played big role in employment generation in comparison to large and medium scale industries. According to the industrial statistics imparted by Ministry of Industry Nepal 3,630 small scale industries have created jobs for 237,517 employees where total capital Investment is only Rs. 49761.9 million. But large (686 in numbers) and medium (1,330 in numbers) scale industries where total capital investment is Rs.745, 704.32 and Rs.112, 934.61 have employed only 109,334 and 132,995 employees respectively (Department of Industry, 2015, pp.79-89).

Small and medium forest enterprises (SMFEs) are critical to the poor. They generate local wealth, help ensure local resources and environmental accountability, promote local creativity and contribute to the preservation of indigenous cultures and market niches. But while the number of SMFEs starting up in least developed countries is high, keeping them going sustainably is a major challenge. They face problems such as too much bureaucracy, unstable policies and regulations, insecure land rights, lack of bargaining power, insufficient business knowledge and difficulties to access credit, market information and technology.

Small and Medium-Scale Enterprises (SMEs) are indispensable institutions to an economy to develop a competitive environment and achieving a healthy economical atmosphere. Presently, mass production has begun to leave its place for flexible production and heavy industries and large companies are in

tendency to reduce in size. Developing of policies regarding SME has been started. SMEs which have roles in the consistency and continuity of social structure are gaining importance day by day (Dollinger, 2007).

The institutional arrangements for Nepal's forestry subsector have undergone major changes in the last half century in terms of tenure arrangements and the ensuing management practices. Some forests were under other forms of tenure, such as those owned by religious trusts or the State. At that time, there was no ceiling on the area of land that an individual or family could own. In 1957, the government nationalized all forests and took over their management responsibility. This radical change in forest tenure was accompanied by the implementation of officially sponsored resettlement schemes, which involved clearing several thousand hectares of forest lands in the southern plains, called the Tarai. The combined effect of forest nationalization and forest clearing led to illegal tree felling in nationalized forests and the establishment of illegal settlements on forest lands. In retrospect, an important factor that was ignored in the nationalization of forests was the rural people's dependence on forests for a wide range of products, such as fodder, bedding materials for animals, roofing materials for houses and other non-timber products for different uses. As could be expected, the government's management of nationalized forests was generally poor because it defied the time-tested traditional system of community management of natural resources as common property.

Forests are one of the most important natural resources in Nepal. Forests cover approximately 40 percent (MSFP, 2013) to 45 percent (DFRS, 2015) of the national land area. Forest resources in Nepal contribute around 10 percent to Nepal's Gross Domestic Product (GDP) (MSFP, 2013). Studies show that forest resources in Nepal have great potential to contribute from local to national level economy. It contributes to the local livelihoods and national economy through different means such as carbon trading, environmental services, timber production, herbal and aromatic plants and forest based enterprises.

This led to recognition of the advantages of decentralizing forest management as community forestry, initially on an experimental basis. As a result of the positive results achieved from the experiment, the government decided to recognize formally the decentralized management of nationally owned forests. This provided the background for the evolution of the different systems of forest tenure that are observable in Nepal today.

Establishing forest based enterprise is one of the most potential sectors of Nepal's forest resources for two reasons i.e. generating job opportunities and increasing trade markets. However, establishment and operation of forest based enterprises are far from the success and achievements of its full potentials. Despite these facts, some successful examples exist in different parts of the country. But documentation and analysis of these examples are still lacking yet such processes have a direct implication in the effective communication, advocacy and lobby for deliberative policy making processes.

Nepal's rich diversity in terms of ecological features and geographical landscapes indicates the possibility of initiating diverse forms of economic activities, particularly establishing and operating different types of forest based enterprises. The plain land of Tarai is highly potential for timber based enterprises while mountain belt is highly potential for varieties of valuable Non Timber Forest Products (NTFP) (Rai & Chapagain, 2014; Rai, *et al.*, 2015).

Moreover, since Nepalese society is characterized by social exclusion, the development of such enterprises can provide employment to a relatively wider section of Nepal's population, thereby narrowing down income disparities.

A large number of small enterprises are situated in the informal sector. These enterprises are not regulated under the various industrial acts of Nepal, although they are generating significant income and local employment and are often ignored by the government, e.g., in providing support. A study on the small-scale, informal, forestry sector enterprises in Baitadi district undertaken by ANSAB showed that a significant proportion of the non-wood and wood-

based enterprises were in the informal sector and it was unlikely that their contribution was reflected in the official statistics. The study also found that the majority of forest-based enterprises in Baitadi were operated informally by CFUGs. Only a few were wood-based enterprises such as timber depots and small furniture enterprises. Instead, other enterprises such as community goat keeping, NTFP collection and processing, bee keeping, community based milk production, Allo and nettle processing, and bio-briquette production were more abundant. These enterprises were commonly found in small villages, operated locally, and contributed significantly to rural employment and livelihood generation.

1.2 Statement of the Problem

Small and Medium Forest Enterprises (SMFEs) are key contributors to employment of forest-based economies in both the developed and developing world. SMFEs make significant economic contributions to the livelihoods and well-being of significant numbers of poor people around the world. Because existing SMFEs tend to be labor-intensive and new SMFEs can be significant incubators of employment, they are seen to be an important element of pro-poor poverty reduction strategies in developing regions

The country is in political deadlock due to lack of consensus and constitution. After four years the first constituent assembly had dissolved without delivering a new constitution. Many constitutional entities are without constitutional head. The government has no power to fill in because of the lack of consensus among political parties. Viewing from this angle, it can be said that the government has a head but no heart to function properly. Nepal is getting worse over time. Lack of a proper leader with good vision and farsightedness has pushed the country into unknown crisis. The system has broken. Inefficient are promoted while efficient suffer. There are no jobs thus masses of youths fly abroad daily in search of green pasture. There is a lack of good governance while rule of law is absent out of order and is crowded out by anarchy. The economic policies, if

any, conducive to investment through foreign capital are based on the liberalized economic system. Market is unable to capture their universal economic law which is considered prerequisite for liberalized economic system to function. Governance and policies can make the role of market effective. But the political uncertainties cripple these economic laws.

Forests play a vital role in improving the livelihoods and alleviating poverty in the developing world. According to the World Bank (2012), forests directly contribute to supporting the livelihoods of approximately 90percent of the world's poorest people either in the form of subsistence, conversion of forests to agricultural uses, or income derived from a diverse range of timber products, non-timber products, or ecosystem services (Amatya & Shrestha, 2010).

Community-based forest enterprises (CBFEs) exist in various modalities, which can be described according to geographic isolation, eco-region, ownership and management structure, product types, linkages to sources of raw materials (e.g. wild crafted vs cultivated), technological development, target markets, and seasonality of operations. The significance of SMFEs in the developing world is even harder to come by, but the work that has been conducted suggests that the vast majority of forest-based commerce in these regions. here are a number of possible interventions and policy reforms that governments, civil society, and development agencies can initiate for fostering SMFEs. While direct subsidies may be falling out of favor, there are instances where they are justified. However, there is general agreement that interventions and policy reforms should address the general need to create more enabling business and institutional environments for SMFEs to establish and thrive. So, this study mainly attempts to address the following research questions:

1. What are the present status and various types of SMFEs in Baitadi district?
2. What are the problems and prospects of forest enterprises in Baitadi district?

1.3 Objectives of the Study

The main objective of the study is to analyze challenges and opportunities of forest enterprises in Baitadi district. The specific objectives of the study are as follows:

1. To identify the present status of SMFEs and its types in Baitadi district.
2. To explore the problems and prospects of forest enterprises in Baitadi district.

1.4 Significance of the Study

The study is highly significant of present situation in Nepal. This research will impart foundation knowledge, for all sorts of organizations, which they must know prior to initiate or implement any training or program related to entrepreneurship development. This study will help to identify the best category and scale of the industry, which can generate maximum number of employment opportunities under low capital investment. The study provides continuity in research related to entrepreneurship and also add extra literature in the field of entrepreneurship development. The study may be useful to some extent for the researchers, students and for those who want to carry out further study. The study may be fruitful to government, planners, policy makers, social workers and others. It helps to supplement source of information to understand the impact of forest enterprises in Nepal.

1.5 Limitations of the Study

1. This study has been based on primary and secondary data.
2. The study based upon the problems and prospects of forest enterprises in Melauli municipality of Baitadi district.
3. This study identifies the present status of SMFEs and its types in Baitadi district.
4. The result and interpretations are completely rigid from the view point of researcher.

1.6 Organization of the Study

This research work is divided into five chapters for a proper identification. The first chapter deals with the introduction. Introduction contains background of the study, statement of the problem, objective of the study, significance of the study, organization of the study and limitation of the study, the second chapter related available literatures have reviewed, the third chapter deals with research methodology, the fourth chapter includes the heart of the study analyses and interprets the collected data and lastly the fifth chapter deals with the summary conclusion and recommendation.

CHAPTER: TWO

REVIEW OF LITERATURE

This chapter is basically concerned with review of literature relevant to the topic “Impact of the Foreign aid in Nepal”. Every study is very much based on past knowledge. The previous studies can’t be ignored because they provide the foundation to the present study. In other words there has to be continuity in research. This continuity in research is ensured by linking the present study with past research studies.

2.1 Theoretical Review

Economist and planner of any nation who are quite sensitive to economic growth place more emphasis on entrepreneurs as a means of stimulating economic growth and employment opportunities. Entrepreneurs always seek profit, growth and sustainability in their business.

According to Peake and Marshall (2009) entrepreneurs have been employing 50percent of the all private sector employees Industrial revolution in Europe in 1780 and in America in the 19th century brought new concepts related to work ethics, ways of thinking, organizational behavior and ways of managing productive resources such as land, labor, capital and enterprise.

Hisrich and Peters (2002) also focused on the vital role of entrepreneurs on industrialization and employment generation. According to them entrepreneurs redeploy physical, financial and human resources and coordinates the required process for efficient large scale industrial development. Entrepreneurial activities such as innovation, development of untried technologies and technological breakthrough can expand all economics (Schumpeter, 1934). Various activities conducted by entrepreneurs can be supportive for reducing poverty and hunger among the people as those activities can increase in production, income, employment opportunities and create a favorable

environment for rapid growth of micro, small, medium and large scale enterprises.

Various definitions and concept explained by different scholars from the beginning of the establishment of entrepreneurship thought to till date demonstrates entrepreneurs as a key role player in the process of industrialization and employment creation. Davis in 1983 and Timmons in 1987 as cited by Igbo (2005), defines entrepreneurship as the starting of one's own business and running small business through planning, organizing, mobilizing people and resources in order to distribute something valuable to meet the people's needs. Entrepreneurship is a process of creative destruction for reconstruction of old industries by means of innovation and improvement in the old or existing system (Schumpeter, 1950).

This concept of Schumpeter can be a superb concept in the context of Nepal because Nepal has a mixed economy where innovation can increase the efficiency of land, labor, capital and enterprises which result in increment in marginal productivity. Entrepreneurship is the process of transforming an old business concept and old enterprises into a new business idea and high growing venture potentials (Ceglie & Dini, 1999).

Therefore, growth in productivity, employment opportunity, export and overall GDP of any nation fully depends on the efficiency of entrepreneurs; otherwise factors of productions become useless in the absence of quality entrepreneurs. If entrepreneurs lack quality and efficiency, then most of the newly established firms ceased within first three years of establishment. There will be 7.9 billion people searching job in developing countries by 1994 and a certain percent of this population represents Nepal as well. But as Nepal is suffering from Dutch diseases, all these problems have not been seen in the Nepalese labor market till date. Due to Dutch disease employee hiring capacity and productivity in the Nepalese labor market and the industrial sector is very low, but out-migration, overseas employment and remittance inflows are more than expected. Various

evidences show the number of jobs created by entrepreneurs is higher than that of non-entrepreneurs (Van Praag & Versloot, 2007).

To generate more employment in the developing nation like Nepal, more focus should be given on establishment and growth of small and medium sized enterprises. Developing nation like Nepal is always in the continuous process of shifting their economy from factor driven economy to innovation-driven economy and this transitional period provides maximum opportunities to small and medium sized enterprises for expansion and grow, which result in demand of more skill and knowledgeable labor along with creation of employment opportunities for many people (Khalid & Airey, 2013; Djordevic (nd), & Martizez, Levie, Kelley, Saemundsson & Schott, 2010).

Even though Nepal is a small country, there is a high probability for the development of entrepreneurship. If we correctly develop the entrepreneurship, then we can sharply reduce poverty and unemployment within ten years invisible ways. Numbers of institutional entrepreneurs such as investment trusts, development banks, Nepal Industrial Development Corporation (NIDC), Rastriya Bema Sansthan (RBS), Employee Provident Fund (EPF) and other financial institutions along with numbers of NGOs and INGOs funded by UKAID, USAID, UNDP, GTZ etc. have been working for the development of entrepreneurship in Nepal. These organizations have especially been assisting potential and existing entrepreneurs by providing guarantees, medium and long term loans, equity participation along with technological and managerial supports on the ground of priority guidance set by the national plan. Despite these attempts development of entrepreneurship, industrialization and creation of employment is in slow pace.

Hence, this research formulated the relationship among employment, number of industries and capital investment which was supportive for government. NGOs and INGOs working in the field of entrepreneurship development, employment and entire economic development of Nepal. Albeit, understanding

this relationship can be of valuable assets for a planner of entrepreneurship development, they have to think of other factors influencing entrepreneurship such as talent and personality traits, education, skill and knowledge, attitude, entrepreneurial age, social capital, political risk and governance, access to credit, technology and infrastructure, access to information and access to market and the like. In addition, they have to know that only training is not fruitful for the development of entrepreneurship. The positive impact of training on entrepreneurship development depends on the quality of training, local business environment and quality of infrastructure used in the training (GSBN, 2013, p.7).

2.2 Empirical Review

2.2.1 International Review

Saigal and Bose (2003). Explained that the International Institute for Environment and Development (IIED) with the above title. Most international attention in forestry has been given to improving the conditions for large-scale or micro scale forestry, and much less to the 'messy middle' which produces a high proportion of forest product and involves huge numbers of people. The SME sector is almost completely ignored in most policy and programme developments. Raising the sector's visibility such that its impacts can be better assessed, and then going on to explore how the positive links to sustainability, livelihoods and poverty-reduction can be enhanced, is a major challenge to which this initiative seeks to rise.

Jackson (2004) studied about the critical roles of small businesses in economic growth and poverty alleviation in West Virginia. In OLS and 2SLS regression analysis a positive relationship exists between small business and economic growth. A strong inverse relationship also exists between the incidence of poverty and small business and economic growth. Thus, the empirical result establishes the linkage between small business, economic growth and the incidence of poverty.

Asian Productivity Organization (2007) Studied that they can serve as the engine of growth for national economies. A high level of competitiveness is attributable to a number of factors. These include appropriate business models and strategies, the ability to penetrate a market, and strong leadership. The SMEs, being small enterprises, however, will have to take into account other additional factors, such as access to capital and technological development. Given this, many of the initiatives to develop competitiveness of the SMEs focus on the areas of financial and capital assistance, business matching and partnership with large corporations, and technological development. In this study, the Asian Productivity Organization (APO) examines SME competitiveness through entrepreneurship development. Entrepreneurship is regarded as a type of business acumen which may be enhanced through improvements in know-how, skills, and competency.

The APO's specific focus on development of entrepreneurship is prompted by an underlying assumption that development of this skill will be a longer-lasting benefit than other forms of assistance such as technology, finance, and partnership arrangements. The present publication is a compilation of case studies prepared by a team of SME experts, policy-makers, and practitioners from the member countries of Bangladesh, India, Indonesia, Malaysia, Nepal, Pakistan, the Philippines, and Vietnam. The study was initiated with a coordination meeting in Karachi at the end of November 2005. Subsequently, the study was coordinated by Ms. Ayesha Baig from Pakistan, who assumed the role of Chief Expert.

Ramawickrama (2011) aimed to assess whether SMEs can have a role in achieving sustainable development in the Southern Province of Sri Lanka. Therefore the study was planned in three major sections. The first was to review the role of SMEs in the Matara district and secondly it was considered to evaluate both the Private-public participation for the enhancement of the SME sector in the Matara district. Finally the perceptions of SMEs owners towards the sustainable development achievements were evaluated. The study

used both qualitative and quantitative research strategies and methods of data collection including questionnaires, observations, discussions and interviews. In addition secondary data were used from different sources and analyzed. The findings showed that the SMEs are playing a clear role within the area and help many people engaged in this field in generating income and helping to sustain their livelihoods. As the second objective it was found out that there was lack of private-public cooperation towards the development of service related SMEs in the Southern Province. Finally it can be mentioned that SMEs are playing a major role in the province to achieve sustainable development as the back bone of the countries development.

2.2.2 National Review

As the Nepalese labor market is unable to absorb all the labor force, foreign employment is the only option for young Nepalese to inter labor market. As a consequence of high labor migration, in year 2013 remittance inflow to Nepal reached US\$ 5.55 billion, representing 27.6 percent of GDP (The World Bank, 2015, p. 23). Contribution of the industrial sector to GDP of Nepal has declined from 17.1 percent to 14.4 percent within thirteen years, i.e. from 2001/02 to 2013/14 and it can be the cause of premature deindustrialization (ILO, 2014, p.2).

The objective of this study is to increase understanding of the relation between forest resource tenure and forest management, particularly the implications for poverty alleviation. The study covers the broad national context of community and leasehold forests, focusing on the policy issues and socio-psychological factors that are driving forces for change. Policies, strategy, laws and study reports related to community and leasehold forestry were reviewed. The researchers held discussions with forestry officials in the field where community and leasehold forestry programmes are implemented simultaneously by the same District Forest Officers and Forestry Rangers. The main forest management document for a community forest is the operational

plan that is drawn up between the District Forest Office and the CFUG. Such plans are normally prepared for five-year periods and renewed or revised every five to ten years. For management purposes, the forest is divided into four to eight blocks or compartments, and management activities are planned accordingly. The most important of these activities are clearing unwanted weeds, removing dead, dying and diseased trees, thinning thick stems and pruning branches to maintain horizontal space between stems, and planting in gaps.

At present, the management of natural regenerated forests is preferred to the establishment of new plantations. The CFUGs are authorized to fix the prices of forest products for distribution and sale, but the prices charged to outsiders or non-members of CFUGs should not be less than those charged by the government. When selling Sal (*Shorea robusta*) timber and khair (*Acacia catechu*) outside the user group, CFUGs are required to pass on 15 percent of the proceeds to the government (District Forest Office). In addition, the government has imposed provisions that CFUGs must comply with. For example, groups must spend at least 25 percent of their total income from the forest on forest management; the remaining 75 percent can be spent on community development activities decided by the CFUG. The average area of a leasehold forest is 3 to 20 ha, and the lease period is 40 years, extendable for another 40 years. These provisions have led to a strong sense of ownership over the leasehold forest among the participating leaseholders and have acted as a driving force for intensive management of the forest. All the benefits from the forest directly accrue to the leasehold group members and there is no need to share them with the government. Although leasehold forestry has benefited only 15 000 households, it makes a vital contribution to improving livelihoods, reducing poverty and rehabilitating degraded forests.

Chhetri (2006) examined the evaluation of the policy and legislation in Nepal's forestry sector. The analysis reveals that there is a congenial environment for participatory forestry to contribute to the goal of poverty reduction in the

country. While forestry in Nepal has mostly benefited the state authorities and the elite and did not give much consideration to the needs of the poor in the past, the policy and legislation in the country from the 1970s has evolved from being restrictive for public use, alienating the local people from the resources, to being open for improved utilization, increased participation of people and stakeholders, ensuring benefits to the local users, and regarding forestry as a potential vehicle for poverty reduction. The paper concludes that participatory forestry also stands out as a good example of Nepal's commitment towards decentralization and democratic principles.

Ghimire (2011) conducted a study on Micro and Small Enterprises in Nepal: Prospects and Challenges. This paper aims to deal with the status of micro enterprises, cottage and small scale industries in Nepal and observe and analysis their contribution in the economy. Micro and Small Enterprises (MSEs) has contributed to the economy couldn't be underrated. Least Developed Countries like Nepalese, MSEs is contributing to the economy through employment generation, creation of added value, GDP, export activities etc. The paper is based on empirical evidence drawn from the publication of government policies, report of Department of Cottage and Small Industries, Economic Survey, data available from Federation of Handicraft Association of Nepal, and various relevant articles. Government of Nepal also has conducted various incomes generating program encouraging job. From governmental and nongovernmental sector some initiatives has been carried out through multifold activities like community development program, micro finance program and cooperative programs. Share in export of Handicraft product is one of the milestones of SMEs which can observed around 8 percent of total export. But, as a part of the economy, lots of things required to do from the government sector in MSEs sector.\

Paudel (2010) highlighted the current issues of income generation activities. Forest as local resources is main resources and also source of livelihood of flora, fauna and human beings. This study focuses on income generation of

Ramite CFUGs of Ramechhap district. The main objective of this study is to investigate on Income Generating Activities. This study has adopted both the descriptive and exploratory research designs. Out of 310 households only 13 percent (40 HHs) had been selected by purposive sampling. On the process of data collection both primary and secondary sources has been used. The study was carried out in Namadi VDC of Ramechhap district. The methodology of the study included both the qualitative and quantitative method. Data was collected through in household questionnaire with 40 household's different ethnic group sampled through sample random sampling method. The main vision of these CFUGs to reduce poverty by improving live, livelihood, agriculture and income generating program through forestry. The forest conduction is found good on the CFUGs, plants are growing day by day and the greenery of forest gives an attractive scene from which people can take a kind of pleasure. In Ramite CFUG the fuel wood has been provided equally to the users on the bass of family size. Labor of the people is going non-profit activities and use to agriculture as a mass production and creates market and find out for grate income.

Nepal government and concerned authority should take initiation to remove barriers to entrepreneurship such as regular strikes, labor conflicts, load shedding, lack of fertilizer, lack of irrigation facilities, lack of big plant and machinery including small one, existing syndicate system, poor access to finance and startup capital, social and cultural norms, and the like. Nearly around thirteen million (9.8 percent) youth are unemployed in South Asia (ILO, 2013). Effect of youth unemployment can be “scarring” and lead to social unrest and long-term negative effects such as unable to find a suitable job after leaving school and a reduction in self confidence.

Dahal (2014) sketchesd trajectory of forest management practices in Tokme Danda Community Forest User Group of Fungling and Dokhu VDC of Taplejung District and analyzes achievements and pitfalls associated with community Forestry. The focus is on analyzing the relations amidst good forest

governance, sustainable livelihoods and forest conservation. My analysis indicates that Community Forestry program has been successful to meet the twined goals of forest conservation and socio-economic transformation through power devolution, participation and good governance. Encouraged with such achievements, Nepal has envisioned attaining the national goals of poverty alleviation and the global goals of Sustainable Development by strengthening good forest governance, sustainable forest management, and livelihood improvement.

Though, there are adequate challenges, mostly socioeconomically, Community Forestry has been a 'Learning platform' that empowering people and recognizing their rights over the resources is the most viable approach of sustainable forest management for a country like Nepal. This Tokme Danda Community Forest is located at Fungling and Dokhu VDC of Taplejung district. This forest covered 14.10 hector land and around 240 households are engaged for their livelihood. 850 number of population is directly related with the socio-economic activities of Tokme Danda Community Forest. This study is focused on their problems to strengthen the idea to reduce the problems. This research targeted to solve these problems through identifying the solution and destination of good natural resource management.

Sapkota, (2015) explored the target issues; some general and specific objectives are made. The general objective of the study is to find the people's participation in community forestry programme activities whereas the specific objectives of the study are: RCFG of Bhojpur district is selected for the present study. The reason for the selection of the site is convenient for the researcher, which is held on the basis of exploratory and descriptive research method. The study is based on primary and secondary data and the nature of data is qualitative.

Among the total households, only 114 households are chosen by caste or ethnicity for the study. Respondents were selected for interview and male as

well as female were selected according to the convenience for household survey. Key informants collected house hold survey and focus group discussion also used to collect information. According to the field survey, Female literacy rate is 56.94 percent and only 32.41 percent household heads are female. In forest resource collection, female's involvement in firewood collection is 53.25 percent, in grass cutting is 64.07 percent and low participation in timber cutting and collection because hired workers also has been used. Participation in grass and firewood collection of female is higher than the rest. Participation of Females in general meeting of RCFG is only 26.21 percent and participation of males 73.79 percent. Participation of female in attending meeting was like audience is high. Taking part actively in general meeting, sharing in decision-making and discussion is very low. Women involvement and the government policy minimum 1/3 of the committee members must be female but in RCFG committee there are just 2 female members among 15 members of the total committee.

Oli and Treueb (2015) have determined of people's participation in community forestry activities in Baitadi district. Data were analyzed through an ordered probit model as well as through the marginal effects of socio-economic factors on the probability of households' participation. Of the 12 variables considered in this study, only gender, caste, household size, livestock holding, network, and amount of firewood extraction proved statistically significant. In all household wealth categories, a moderate level of participation was by far the most common. Further, the results indicate that users participating more in community forestry activities have extracted higher amounts of firewood, fodder and timber although this relation was not statistically significant. Female headed and low caste households, however, participated significantly less than other household categories.

Gadel (2016) conducted a study to analyze and to establish the valid tripartite statistical relationship among the number of employment, number of industries and total capital investment through Poisson Regression Model using statistical

software named XI-stat. Analysis shows insignificant impact of capital investment in employment generation where as ratio of increment in the number of industry and job creation is 1:1. Average capital investment required to generate a single job in small scale industry is only NRs. 0.21 million where as this capital in medium and large scale industry is NRs.0.85 and NRs. 6.82 million, respectively. On the other hand, in comparison to another category of industry, agro-forest based industries are the best category of industries which can generate more employment opportunities with low capital investment and average capital investment per employee in this category of industry is only NRs.0.49 million.

Research also demonstrates that the only capital investment and the number of industries can't determine the number of job creation in the industrial sector. Hence other more factors influencing the industrial sector should be included in the model in order to predict the expected number of jobs created in the sector of industry. Despite of lot of entrepreneurship promotional activities, entrepreneurship development in Nepal is in slow pace and is blamed on load shedding, lack of irrigation facilities, shortage and high cost of raw material, lack of transportation facilities, political instability and industrial unrest and the like.

Rai, Paudel and Pathak (2016) conducted a study on "Promoting Forest Based Enterprises in Nepal: Lessons from Piloting Activities in Koshi Hill Districts".

The studies show that forest resources in Nepal have great potential to contribute equally in local and national economy of the country. However, studies, field observation and stakeholder consultation over a couple of years suggest that the establishment and operation of forest based enterprises in Nepal is one of the less successful sectors. At present most of the forestry sector programmes and interventions in Nepal have prioritized the establishment and promotion of forest based enterprises. The main objective of their priority is to increase the economic contribution of the forestry sector by

producing job opportunities at the local level and increase national revenue. Multi Stakeholder Forestry Program (MSFP) was also implemented with the aim of supporting to the establishment and development of forest based enterprises as one of its prioritized activities in Nepal.

The MSFP Lot 1, jointly implemented by Rural Reconstruction Nepal (RRN) and Forest Action Nepal, during the last three years (March 2013 to July 2016) has also supported in the establishment and functioning of more than 100 forest based and forest related enterprises in Koshi Hill districts (Dhankuta, Terhathum, Bhojpur, Sankhuwasabha). In addition, four enterprises have been supported as piloting interventions for three models (viz. co-operative model, community-private partnership model, and private model) to draw field based lessons and knowledge from Koshi Hill districts. It is learned that existing forestry sector policies and regulations in Nepal do not facilitate the establishment and functioning of the forest based enterprises.

Moreover, the regulatory nature of forestry bureaucrats and officials from national to the local level discourages people (and local communities) from this sector. Lack of basic infrastructure of development, such as road transportation, electricity and communication is also equally hindering the establishment and functioning of the forest based enterprises in the rural villages. In addition, establishing and functioning forest based enterprises for the people in rural area itself is challenging. Availability of individuals with at least basic technical capacity and skills that are required for an enterprise is very rare and access to basic services for the operation of an enterprise, such as access to finance and access to improved technology, is very far from the reach for people in rural areas. In conclusion, establishing and functioning forest based enterprises in Nepal has become impossible in the absence of technical and financial support of the external agencies and forestry sector projects like MSFP.

Amatya and Lamsal (2017) reviews and analyses the present status of private forests and tenure administration in light of existing legal, policy, and

regulatory frameworks in Nepal. Additionally, the present status of private forests, as well as the scenarios of timber harvesting, transportation, marketing, and their administration are thoroughly revised. Provisions regarding forests and trees on private land and their basis are examined and implications are articulated for potential policy improvements for enhanced tenure security. It is shown that robust national-level policies and legal frameworks exist, and that there is an increasing trend of timber flows to markets from private forests over the past five years. However, there is still skepticism, mistrust and fear amongst private forest owners, saw millers, and forest administration that prevents the full use of the bundle of rights that legal and policy provisions have promised. An unusually slow pace of private forest registration, lengthy and multi stage processes for obtaining harvesting and transportation permits, and official bans on important commercial species, among others, are found to be the factors that most hinder the private forest owners' and tree growers' interests, and their rights and obligations with respect to the management and use of their private forest resources.

It is concluded that a simplified permitting process along with programmatic support would promote and help to grow private forestry and that Nepal's experience and lessons learned from community forest implementation would be a great asset to move towards this end. Connecting community forest user groups for organized and cooperative action, and mobilizing their institutional strength and accumulated funds for pro-farmer technical and regulatory support would allow farmers to intensify tree plantations and forest management. Further steps are required to convince policymakers and secure necessary budgetary support to this end.

Paudel et al. (2018) observed into details at three representative cases of SSFEs to better understand their organization, management, resource governance, production, harvesting, technologies used, financing, and benefit sharing schemes. These cases show that the SSFEs governance frameworks in Nepal are still evolving, particularly in the case of those managed by groups. In

addition, although most SSFEs in Nepal are struggling to generate a profit, they are sensitive to ensuring equitable benefit sharing, especially for the poor, women and other marginalized and forest-dependent groups. The study formulates the enabling policy and institutional arrangements to boost the productivity and effectiveness of SSFEs by facilitating their partnership with the private sector and their access to funding, technology and markets and empower SSFEs, entrepreneurs and forest managers by developing capacity in appropriate technical and managerial skills and by facilitating their access to business development services such as for market information, legal advice on business development, information on product quality standards, and product marketing and branding; and• foster a conducive business environment that promotes SSFE development, reduces the administrative burden, offers economic incentives and encourages investment.

Tamang (2018) carried out on the basis of exploratory as well as descriptive research design. This study is mainly based on primary data and secondary data. The research was mainly focused on; why large number of people of Dakshinkali Village involved in Lamagaun Community Forestry? How people are participating in implementation process of LCF? How all interest groups are taking part in the process of decision-making and benefit sharing? Which factors are controlling people from active participation? Are there any changes in attitude, knowledge and skill of users after existence of LCF? What is role of LCF for local community development?

The study important of community forestry has been important because it expect, to some extent, to contribute the theoretical knowledge regarding how to understand the community forestry from sociological perspective and also provides the empirical knowledge regarding social background of Community Forestry Users' Group of the study area i.e. how people participate and share benefits of the community forestry, what are the factors that effect to participate in community forestry. This study is a small-scale study or an academic dissertation to fulfill the partial requirements for master's degree in

Sociology. So, it has been based on limited objectives under limited samples, limited time and resources. Similarly, the study has been based on the information of LCFUG so the findings of the study may or may not be equally generalized to the other area of Community Forestry Users' Group. Thus, the study is no exception either from its limitation.

There are several laws and policies related to forest based enterprises in Nepal. The successful establishment and management of the forest based enterprises are regulated not only by forest related laws but also by the laws on various sectors such as industries, agriculture, environment, biodiversity, and natural resources. Obligations to international conventions and treaties are equally important determinant to the forest enterprises in Nepal.

Despite various promises of the government and support agencies, there are several policy and legal challenges for the establishment of new enterprises (FAO, 2009a). Moreover, forestry sector policies and laws are not conducive for the establishment and operation of forest based enterprises (Info Resources, 2007). For example, dilution, distortion and ineffective enforcement of original spirit of policies, power imbalance and conflicts between implementing authorities and various professional and disciplinary orientations of key regulatory institutions such as different line ministries and their functional units also bring confusion and contradiction in establishing and promoting forest based enterprises in Nepal (Ojha, *et al.*, 2008). Currently, Nepal's forestry sector operates under a complex policy environment that comprises: a) national level sectorial policies; especially the acts, regulations, directives, guidelines, and circulars; b) cross sectoral laws and policies, including the five years periodic plans; and c) international conventions and treaties; all these are relevant to the enterprise in Nepal (Kunwar, *et al.*, 2009). So, the stakeholders need to work together to develop a comprehensive set of support services, including those for market information, business development services, financial services and access to technology for the success of forest based enterprise (FAO, 2009).

) Import and Export (Control) Act, 1957

Considering the scientific studies, the government can ban to export of any NTFPs/Medicinal and Aromatic Plants (MAP) to control trade of those species which are threatened/ endangered or CITES listed species.

) Plant Protection Act 2007

To import and export of NTFPs/MAPs and extracted/value added products based on NTFPs/MAPs the private sector or any exporter or importer require to obtain quarantine certificate to prevent disease and sanitary or photo-sanitary certificate to maintain hygiene.

) National Park and Wildlife Conservation Act 1973 and associated regulations

Warden can grant permission to local people for the collection of raw materials for cottage industries to produce Nepali paper and various handicrafts within protected area.

) NTFP Inventory Guideline 2012

Describes the process for inventory of leafs, roots, barks, flowers and whole part of NTFPs and it also explained the detailed inventory methods of 30 prioritized NTFPs and MAPs.

) Master Plan for Forestry Sector (MPFS), 1988

It is one of the Nepal government's major long term (25years) plans for the development of forestry sector. It has the objectives to meet basic needs of people on sustained basis, conserve ecosystem and genetic resources, protect land against degradation and other ecological imbalance and contribute in local and national economy. Six major programmes (community and private forestry, national and leasehold forestry, wood-based industries, medicinal and aromatic plants, soil conservation and watershed management, conservation of

ecosystems and genetic resources) and six supportive programmes (policy and legal reforms, institutional reforms, human resource development, research and extension, forest resources information system and management planning, monitoring and evaluation) are mentioned in this document.

) Forest Act, 1993 and Forest Regulation, 1995

The act provides enabling legislation to permit Forest User Groups (FUG) to obtain 100 percent of all benefits from their community forests. However, some constraints exist in these laws and regulations. Two important constraints are: first, the laws and legal provisions are comparatively conservation oriented that impose excessive control to NTFP resources (excessive bureaucratic procedures for collection, transport, processing and sale); second, the permit and royalty systems for collection from government-managed forests do not facilitate sustainable management (Kanel, 1999; Subedi, 1999; Ojha, 2000 in Pokharel, *et al.*, 2006). The registration of forest based enterprises requires a recommendation from the DFO, which in practice is very difficult.

Moreover, a legal provision about the distance of forest based enterprises itself is one of the constraints for the registration of forest based enterprise. Similarly, the provision of the Company Act, 1997, for the enterprise registration is also very lengthy, expensive, and tedious. For example, companies must often appear in Kathmandu to be registered. Therefore, hiring a legal advisor with payment is often necessary. In addition, enterprises need to renew their registration every year for which a number of documents are again required. Despite the different legal provisions about the environment and international binding laws such as CIRES, 1973 and IPPC, 1997, the Local Self Governance Act (LSGA) further creates confusion about the access to forest resources.

Besides legal difficulties there are various practical difficulties for the establishment and running of the forest based enterprises. One of the important difficulties is uncontrolled and authoritative power of DFO. This means a DFO

has almost uncontrolled authoritative power when it comes to dealing with forest resources. For example, recommendation, permits, order and consent of DFO are essential at different levels of forest based enterprise establishment and operation. This authoritative power slows the enterprise running processes. It is liable to petty corruption and delays, particularly in situations where the attitude of DFOs is negative. At checkpoints and stops, bribe-seeking tendency (common in the contractor-based business model) has important negative impact on pro-poor enterprises.

Operation of forest based enterprises is difficult and complicated due to the provision of DFOs official permission for all levels such as registration, collection of raw materials, processing/production of goods, environmental provisions (EIA/IEE), financing, tax systems, transportation/storage, marketing (domestic and international), and revenue distribution (in community based enterprises). Similarly, rent seeking behavior of forest and finance bureaucracy through imprecise taxation is also a big problem in operating forest based enterprises in Nepal.

1.4 Research Gap

The review of above related literature has contributed to enhance the fundamental understanding and knowledge, which is required to make this study meaningful and purposeful. there are various researcher conduct on community-based forest enterprises (CBFEs) exist in various modalities, which can be described according to geographic isolation, eco-region, ownership and management structure, product types, linkages to sources of raw materials (e.g. wild crafted vs cultivated), technological development, target markets and seasonality of operations. The significance of SMFEs in the developing world even harder to come by, but the work that has been conducted suggests that the vast majority of forest-based commerce in these regions. Here are number of possible investigations and policy reforms that Governments, civil society and development agencies can initiate for fostering SMFEs. While direct subsidies

may be falling out of favor, there are instances where they are justified. However, there are general agreements those interventions. In this research secondary and primary data were used and the data were systematically analyzed and generalized. Past researchers are not properly analyzed about enterprises but they only conducted a survey on forest management and community participation.

CHAPTER III

RESEARCH METHODOLOGY

This chapter outlines the methodology for analyzing the small enterprises in Batadi district. There is an extensive literature regarding the methodology in these areas but this study is confined to deal with research questions set in Chapter 1.

3.1 Research Design

This study was based on the descriptive and analytical research design. Research design is the framework that is created to seek answers to research questions. It explains about the research sites, methods of data collection and way of interpretation. The research is based on qualitative data analysis under which both descriptive and explanatory methods are being used. Hence, this study was carried out on the descriptive as well as analytical research design.

This approach to research does not answer questions about how, when and why the characteristics occurred. Rather it attempts to determine, describe, or identify what is. The characteristics used in this study to describe the situation are some kind of categorical such as age, marital status, ethnicity, religion, family types and occupation groups and groups of socio-economic indicators. Descriptive research generally precedes explanatory research. Based on the descriptive design all the primary data are presented in tables and analyzed in the descriptive way using frequencies, averages and other statistical calculations. Moreover, this study used description, classification, measurement, and comparison to describe the remittance income.

3.2 Nature and Sources of Data

The nature of the study is descriptive as well as analytical. This study was based on primary and secondary sources of data. Data was collected from Central Bureau of Statistics (CBS), Ministry of Finance (MOF) Economic

survey of Nepal, Nepal Rastra Bank (RB), Ministry of Agriculture, Ministry of Irrigation and Ministry of Forest.

3.3 Sample Size and Sampling Methods

Out of total households, 50.0 percent households were taken as sample of this study. Out of 55 households (50.0 percent), 43.6 percent households were made from stone, mud and steel, followed by 32.7 percent from wood, mud and steel, 20 percent from wood, mud and straw and (only 3.6 percent) households were made from RCC (rod, concrete and cement) buildings. Selected respondents' sex, caste/ethnicity, religion, family type, educational level and economic activities, taken as the socio-economic background of the respondents, have been presented in the following way;

3.4 Tools and Techniques of Data Collection

To collect primary data necessary for the study, direct interview has taken with the respondents using a structured questionnaire. The researcher has the advantage to recognize some of the emigrants' house with the help of her relatives, friends and the like. The required primary data has been collected from the field study by the researcher himself using the questionnaire method. Finally, the collected data has been tabulated in a master table using spreadsheet and the processed according to the need of the study.

3.5 Methods of Data Analysis

The data was collected from different sources to process, analyze and interpret them to drive meaningful conclusion. The various data was collected from different sources and was compiled, condensed, analyzed and presented in the form of tables and graphs. The data were arranged, grouped and accordingly entered into appropriate tabular form. Moreover, simple one-way table used to present the data which was followed by an in-depth interpretation as necessary for the thesis to prepare for the students of Economic department

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Analysis of Secondary Data

4.1.1 Forest Enterprises in Nepal

Nepal has long been acknowledged as being a leader in community-based forest management. Community forestry has been a priority programme of the forestry sector in Nepal over the last three decades. In 1978, the state initiated a Community Forestry (CF) programme and started to hand over the accessible national forests to the surrounding communities by giving community members full rights for the protection of forests, preventing further degradation as well as allowing for sound management and sustainable utilization of forest resources (Shrestha et al., 2010; Joshi 1997). So-far, 18960 community forest user groups (CFUGs) including 2,392,755 households are involved in the management of 1,798,733 ha of community forest land in Nepal (CFD, 2015).

In all, about 30 percent of the total national forest (i.e. 5.83 million ha) has been managed under the community forestry program which includes about one third of the national population. As such, Nepal has wide-ranging experiences in recognizing the contribution of local communities in conserving and sustainably managing forest resources. The Forest law (1993) and Regulation (1995) clearly mentioned the rights and responsibilities of Community Forestry User's Groups (CFUGs) in detail by changing the role of forestry staff from controller to facilitator.

Community forestry is the dominant Community Based Forest (CBF) regimes followed by the buffer zone forests and protection forests. Community forests alone cover nearly one third of forests land of country and more than 90 percent of forests land under CBF regimes. Community forestry in Nepal is often cited as a successful model for increasing forest coverage, restoration of soil, promoting environmental well-being, fulfilling the subsistence needs of

local people and strengthening social processes (i.e. leadership development and local people's participation in forest protection, management and utilization). Although we have a very dense forest with valuable timber and non-timber species (Sal: Shorea Robusta, Sissoo: Dalbergia Sissoo, Bel: Aegle marmelos, Lapsi: Choerospondia saxillaris, Babiyo: Eulaliop sisbinata, Lokta: Daphne papyracea, Amriso: Thysanolaena maxima, medicinal plants etc.) in CFs, efficient utilization of those forest resources and economic growth through sustainable forest management is still lacking at this point. Lots of forest resources are decaying because of a lack of proper use of these resources, as well as policy constraints.

58 percent of the Nepalese living in rural areas (MoF, 2018) relies on natural resources for their livelihood. In the present context, annually about 150 million cubic feet timber can be produced through sustainable forest management in Nepal which can provide employment to about 1,400,000 people. And the total annual timber demand in Nepal is about 100 million cubic feet (Pandey, 2012). The analysis of timber production potential in 40 earthquake affected districts of Nepal showed that total 3,059,587 cubic meter timber can be produced through proper forest management annually (MoFSC, 2015).

Similarly, because of unique geology, varieties of biodiversity and diverse socio-ecological features, CFUG have more opportunities (i.e. NTFP and medicinal plant, tourism, livestock farming, etc.) to develop the forest based enterprise for employment and income generation. In this context, community based enterprise development in CF has progressively been a major concern and priority for employment opportunity rural communities, enhancing the social, economic and environmental growth of community forest user groups as well as of the nation through efficient utilization of forest resources.

Decades of our efforts have focused on subsistence needs fulfillment which did not provide opportunities to the local users for economic growth to

significantly change their vulnerable livelihood. It is argued that poverty is not simply the lack of income and resources but it is determined by inequity in decision making and lack of social and political capital resulting in very limited scope to develop skills, attitudes to help themselves. Forest based enterprises development in collaboration with community forestry is regarded as one of the most viable options to create employment opportunities to the poor and socially vulnerable people, thereby ensuring equity, narrowing down income disparities, developing entrepreneurial skills and consequently contributing to reduce poverty. Some of the existing community collaborated enterprises have clearly demonstrated the features, capabilities and efficiency to generate income along with addressing equity issues in a heterogeneous social structure.

Products that can be harvested and merchandised from forest are tremendous; at the same time markets are complex, however, the international market trends seem to favor the local forest enterprises with growing demand and awareness for naturally derived products. The value of forest products exports has been raised (35 million US\$ in 2011) during 1990s to 2011 and so have the imports (82 million US\$) (FAO, 2014). Forest based industries can generate economic value worth about NRs.88 billion which could go over NRs.370 billion and generate 0.4 to 1.38 million sustainable full time jobs if the forests are actively managed using forestry science and bringing value-chain improvements (Subedi, *et al.*, 2014). Marketing of the products and ecosystem services provided by forest may become significant sources of revenue for local people in the near future.

At present there are two types of micro-enterprises: formal and informal. Informal enterprises are generally initiated by an individual family to earn money by means of their traditional craft skills, whereas formal enterprises are either initiated by NGOs and government agencies as income generating programs for poor families and the marginalized, or self-initiated by the rural people themselves. Formal enterprises are often supported by training and the allocation of funds. Often, however, business counseling and market linkages

are not considered and environment-impact considerations are neglected. Since micro-enterprises are very small and family-based, they are generally operated from home. This can have an adverse impact on the home environment, depending on the enterprise (e.g. poultry raising, wool carding, chemical dyeing, welding, furniture repairing). Since this impact is originated at home, it is rarely documented. Despite these limitations, micro-enterprises tend to be more profitable entities because of the non-valuation of family labor and reduced overhead. In underdeveloped countries like Nepal, micro-enterprises are one of the most viable options to create employment opportunities and consequently to reduce poverty.

4.1.2 Forest-Based Enterprises in Baitadi District

The main forest management strategy of Nepal, based on forest dependent peoples' participation, is known as community forestry (CF). This approach was formally introduced in the late 1970s to encourage active participation of local people in forest management as a means to improve livelihoods. Since then, a strong legal and policy framework has been adopted to secure local people's rights and access to forests. By 2006, community forestry had grown to involve one third of all households in the country. Under the community forestry program, local people decide on forest resource management and utilization and distribution of benefits to community members. Local people are organized into Community Forest User Group (CFUGs). The Community Forestry Program in Nepal is one of the most recognized success stories for community-based forest management.

The primary motive for promoting community forestry initially was its potential to provide basic forest products such as firewood and forage to rural people, to improve their livelihoods, and to preserve the hills of Nepal from further degradation. The promotion and implementation of CF in Nepal significantly affected the life of many people in the rural areas of Nepal.

The community forestry policy of Nepal is regarded as a progressive method for establishing rights of local people over forest resources; however, the promotion of forest-based enterprises has been limited. Recently, more CFUGs are initiating poverty alleviation activities, helping to establish community forestry as a recognized pro-poor program. The main areas of intervention include the promotion of income generating activities and establishment of concessions for forest products distribution. The income generating activities include domestication of non-timber forest products (NTFPs), support to livestock production, and establishment of Forest-Based Small-Scale Enterprises (FBSSEs).

The recent focus that forest-based enterprises have the potential to contribute to better management of natural resources, along with providing income and employment opportunities to poor and disadvantaged groups. A considerable amount of information has been gathered in the past on NTFP-based enterprises. However, evidence suggests that a large proportion of benefits is captured by outsiders, especially middle men and the poor are not always able to fully exploit the opportunities available from community forestry.

The development of small scale enterprises based on the existence of local resources, local skills and local markets could be a good option for poverty alleviation. Subedi (2006) believed that enterprise-oriented community forest management can generate positive outcomes for both conservation and local livelihood development, This thesis brings together information that is currently available from wood based enterprises in Baitadi district.

4.1.3 Status of Forest Enterprises in Baitadi District

There are provisions in the community regulations that require the enterprise to update its record of inputs and outputs monthly, which the CFUG then has to monitor. The record keeping system is currently very poor, with only a few instances where monthly records have been updated and maintained. The entrepreneurs have not felt that formal record keeping is important, as it was

not required in their traditional jobs. The CFUG also has not been able to conduct the required monitoring and enforce the requirement. A contributing factor to the poor record keeping is the low literacy levels of the participating households. However, the households involved generally believe that the enterprise is profitable and doing well.

Table 4.1

Status of Forest Enterprises in Melauli Municipality of Baitadi District

Particulars	No. of units
Bamboo work	12
Furniture	4
Lokta	36
Allo processing enterprises and weaving	7
Community forest-based local wood depo	5
Khoto collection and sales	4

4.1.4 Types of Ownership and Management Structure

In Nepal, there are four legal options available for enterprise registration: sole proprietorship (only one shareholder), private limited (1–50 shareholders), public limited (at least 51 shareholders) and cooperative (at least 25 members). Three different legislations govern these registration options. The Private Firm Registration Act 1957 governs sole proprietorship firms, while the Companies Act 1997 addresses the registration process for private limited and public limited companies, and the Cooperative Act 1992 is related to cooperative registration and operations.

A sole proprietorship firm is registered with the Department of Cottage and Small-Scale Industry (DCSI). The registration process is simple and uses a standard format. A firm does not need to produce its balance sheet for purposes of tax assessment and clearance. However, the firm cannot issue shares or

debentures, and the owner's liability is unlimited. The firm is subject to income tax and value added tax, depending on revenues.

As per the Companies Act, a minimum of one and a maximum of 50 shareholders can register a private limited company, while seven shareholders, at the time of incorporation, can register a public limited company, although the number of shareholders should exceed 51. The Office of the Company Registrar registers the companies incorporated under the Companies Act. For the registration of the company, shareholders must produce a Memorandum of Understanding and an Article of Association during the incorporation process. It can issue and allocate different types of shares (preference, ordinary and bonus) and debentures, and the liability of the shareholder is limited. Similarly, provisions for converting private limited into public limited (and vice versa), are clearly stipulated in the Act. The company is subject to income tax and value added tax, depending on their revenues, and needs to produce an audited balance sheet for purposes of tax assessment and clearance. In addition, any enterprise that intends to undertake trading as part of its business needs to register with the Department of Commerce. A minimum of 25 members can register their enterprise as a cooperative.

A cooperative can issue and allocate shares and debentures. It is also authorized to operate limited banking transactions, including savings and borrowing schemes, for their members. However, authorization from the Nepal Rastra Bank (the central bank of Nepal) is required. Cooperatives can distribute net profits to its members after retaining one quarter of the profit. However, dividend amounts cannot exceed 15 percent of the paid up capital per share. A cooperative is exempted from local taxes (i.e. full or partial waiver on the import of agricultural machinery, industrial plants, raw materials, and office supplies).

In addition to the four enterprise options outlined above, there are also other forms of enterprises that often operate informally. Below we present seven

types of enterprises operating both within and outside the aforementioned legal options.

4.1.4.1 Individual or Family Enterprises

The enterprises primarily owned and managed, with or without formal registration, by an individual or a family fall into this category. Many of the household-based enterprises are limited to the collection and sale of NTFPs from community or national forests. Examples include the production of handicrafts using traditional skills, and in a few cases, small scale, value added, processing enterprises, such as handmade papermaking.

4.1.4.2 Community-Based Organization (CBO) Enterprises

These enterprises include community forest user groups (CFUGs), National Park buffer zone management groups, forestry leasehold groups, and community groups with forest management or access rights. They are engaged in an economic activity which is allowed by a legal provision within their statutes or local codes. As they expand, they can consider getting registered, either as a cooperative or as a private company. (Betalewor furniture industry is an example of an innovative approach that meets local needs and is legally compliant. There is a private company that is registered as a CFUG in local municipality. Individual collectors, who are also shareholders, receive annual dividends.

4.1.4.3 CFUG Network

A CFUG network enterprise includes two or more CFUGs working together for the collective production and marketing of forest products. CFUG networks have been using locally established institutions in order to introduce capital intensive technology and improve products, as well as to achieve economies of scale in production and marketing. Once the CFUG members agree to work together for a processing or marketing enterprise, the CFUG network has the choice to register as a cooperative or as a private company.

Table 4.2

**Status of Community Forest User Group Committee Melauli
Municipality of Baitadi District**

No. of Community Forest User Groups	No. of Committee Members	No. of Women in Committee	No. of Men in Committee
11	2,200	1,200	1,000

Source: Field Survey, 2075

4.1.4.4 Network of Individuals

There are various options to register an enterprise when more than one individual is involved. If the enterprise has a few members working closely under the leadership of

One individual, then a sole proprietorship company can be registered. In order to provide individuals with greater control, the enterprise can be registered as a private limited company or as a cooperative. The main advantages of a network such as a cooperative is to obtain financing, provide savings and credit services, support marketing functions (access to information and bargaining with buyers), provide technological inputs and broker products on behalf of members.

4.1.4.5 Government Sectors

This category includes companies with all shares or the majority of them owned and controlled by the government. They also have the option to register either as private limited or as public limited companies. But the study area there no government sectors timber industry.

4.1.4.6 Promoters and Public Shareholders

There are no public enterprises in this sector with public shareholders. This indicates that the NTFPs subsector lacks the viability to attract public investment or that the promoters are unwilling to issue shares to the wider public.

4.1.6 Reasons for Success

The main reasons for the successful operation of the furniture enterprise are as follows:

1. The selection of the right enterprise and entrepreneurs: (this can be measured by willingness of respondents, pre-existing skills and utilization of traditional practices).
2. The location of the enterprise within the district capital has provided a broad and easily accessible market, while the housing construction in the area requires a considerable amount of processed wood of the type produced by the enterprise.
3. The ready availability of raw materials from the CF, other CFs in the area, and local private farms.
4. There has been a growing market for furniture due to improved income, combined with changes in the behavior of consumers in relation to home furnishings, (e.g., transition from the use of traditional floor mats to the use of chairs and tables).
5. Locally available sawmill equipment that produces waste has motivated the use of smaller sized timber for furniture purposes, resulting in an overall increase in furniture volume.

6. Strong institutional support from the CFUG, FECOFUN and the bilateral donor (LFP).
7. Low investment input from the entrepreneur helped the operation become profitable almost immediately, which boosted the motivation of the households involved.

With its advancement, community forestry has been recognized increasingly as a viable means for poverty reduction in Nepal. The tenth government periodic plan specifically mentions CF as an approach to address rural poverty in Nepal. During the fourth National Workshop on Community Forestry, there was extensive debate on how community forestry can contribute to poverty reduction. Secure access to resources and the recognized decision-making authority of the poor in the management and utilization of community forestry for equitable benefits sharing were the major challenges identified.

The furniture enterprise demonstrates a multi-party partnership modality for developing a FBSSE within a CFUG. The enterprise consists of five major stakeholders: individual households organized into a CFUG, a sub-committee, LFP (donor), consumers of forest products, the CFUG and FECOFUN. The main reasons for its success are the employment opportunities, earned income, the fact that repayment of the entrepreneurs' loan can be made after production of the furniture, and an almost immediate realization of earned income and savings. In addition, the furniture business is going well and is perceived by local consumers as providing a needed service, which can be regarded as a positive indicator. The FBSSE is based on local resources, local skills and a local market, all of which are easily accessed.

4.2 Socio- Economic Status of the Study Area

4.2.1 Sex Composition

Selected respondents sex has, corresponding its frequency and percentage, been given in the following table;

Table 4.3 Sex of the Respondents

Sex of Participation	Number of Respondents	Percent
Female	37	67.27
Male	18	32.72
Total	55	100.0

Source: Field Survey, 2019

The data of table 4.1 shows a little more than half individuals (67.72 percent) participated in LCFUGs were male and a little less than half of them (only 32.72 percent) were female unveils the fact that most of the respondents in the activities of LCFUGs were female. The high participation of women while compared to male in LCF shows that the role of women in the community forestry related activities in study area is very active. The high participation of women in LCFUGs as presented in the figure of Table 4.1 also makes us clear that woman of Baitadi has not been discriminated to take part in the activities of CF being woman by their husband and other male member from their home.

4.2.2 Age

Age, a most significant variable, determines the flow of participation in the activities of community forestry. Respondents' age group in the activities of the community forestry has been grouped by below 21, 21-30, 31-40, 41-50, 51-60 and above 60 gradually, presented in the following way:

Table 4.4 Age Group of the Respondents

Age Group	Number of Respondents	Percent
Below 21	3	5.45
21-30	3	5.45
31-40	5	8.96
41-50	4	7.27
51-60	19	34.54
Above 60	21	38.18
Total	55	100.0

Source: Field Survey, 2019

Table 4.2 shows that most of the individuals (72.4 percent) participated in LCF were between the age group of 31 to 50, followed by 10.9 percent each from 21-30 and 51-60. Table 4.2 also shows that only 5.45 percent respondents were aged below 21 unveils the fact that participation in the activities of the community forestry from the new generation is very rare.

Forest Users Committee has tried to integrate the people of all age group. However, participation of people below the age group of 21 is very slim because most of them are busy in their study. Similarly, due to the old age, people of above 60 cannot perform active role in the activities of CF so they have found to be placed as the advisor.

4.2.3 Caste/Ethnicity

It is no doubt that Nepal is a multi-caste/ethnicity country so people of different caste/ethnicity live in Nepal. While conducting the field work in LCFUGs, three different caste/ethnicity viz., Brahmin, Chettri and Dalit were found to be involved in LCFUGs.

Table 4.5

Frequency and Percent Distribution of Caste/ethnicity of LCFUGs

Caste/Ethnicity	Number of Respondents	Percentage
Chhetri	20	36.4
Brahman	20	36.4
Dalit	15	27.3
Total	55	100.0

Source: Field Survey, 2019

Table 4.3 shows the number of people participated in Community Forestry from Chhetri and Brahman Caste/Ethnicity were equal (36.4 percent) which is a little bit more than Dalit Caste/Ethnicity (27.3 percent). The survey data shows that there are three types of caste/ethnicity participated in LCFUGs, Baitadi. However, there is no discrimination among them because of caste, so all caste people were found to be participated openly without any hesitation.

4.2.4 Religion

Nepal is the mosaic of the different religious groups of people. As a result of it, mainly two religious followers' viz., Hindu and Buddhist, were found in the field survey. All respondents 55 (100) of study were Hindu. This figure reveals the fact that majority of the individuals participated in LCFUGs were the followers of Hindu Religion. It is interesting to note that LCFUGs has been found heterogeneous. However, there is unity in diversity in the activities of LCFUGs. They were not discriminated being distinct religion.

4.2.5 Marital Status

Most of the married individuals, instead of unmarried and single, were found to be participated in LCF. Number of respondents and their corresponding percentage based on their marital status has been given in the following table;

Table 4.6 Respondents' Marital Status

Marital Status	Number of Respondents	Percent
Married	48	87.27
Unmarried	4	7.27
Single	3	5.45
Total	55	100.0

Source: Field Survey, 2019

Table 4.5 shows most of the individuals (87.27 percent) participated in LCF were married where as only 7.27 percent and 5.45 percent were gradually unmarried and remained single. Most of the unmarried people in Baitadi were relatively less aged and student. So, their participation is very less. Based on the figure of table 4.5, it is interesting to emphasize that three widow women were found to be involved in the activities of LCF which make us clear that all people have been given equal opportunity to involve in the activities of LCFUGs.

4.2.6 Family Types

Family size is a prominent factor that affects the movement of people's participation in community forestry's activities. Out of three types of family, joint family- generally comprises three descendents members grandparents (or grandparent), parents (or parent), uncle/auntie, unmarried sisters and grandchild (ren), and nuclear family- comprises merely parents (or parent) and their dependent child (ren) (Jary and Jary, 2000), were found in the survey.

Table 4.7 Family Types

Family Types	Number of Respondents	Percent
Nuclear Family	46	83.63
Joint Family	9	16.36
Total	55	100.0

Source: Field Survey, 2019

Regarding the family types, most of the respondents (83.63 percent) was from nuclear family which is nearly 3 folds more than the respondents of nuclear family (only 16.36 percent). Number of family size plays a vital role to the active participation. Most of the respondents in LCFUGs were from joint family because the size of the family determines to take part in the activities of community forestry. Generally, nuclear family has small-sized number of members. Small-sized families were found to have been faced a problem of sending a representative in the activities of the LCFUGs.

4.2.7 Land Ownership

Among three caste/ethnicity groups viz., Chhetri, Brahman and Dalit; Chhetri and Brahman were found to be hold more land than third ethnic groups. No Chhetri and brahman family was found having less than three *ropanies* of land. Pursuant to the data of the survey (2013), the average land holding capacity of Chhetri and Brahman Caste/ Ethnicity was about 3.15 *ropanies* irrigated land and 2.5 *ropanies* non irrigated land. Chhetri and Brahman cultivates their land themselves by hiring daily wage labor during preparation of plantation and harvesting agricultural products. But most of the Dalit Caste/Ethnicity was found to be performed bamboo works for their income generation.

Table 4.8 Land Holding in ROPANI

Land Holding	No. Respondents	Percent
Landless	3	5.5
0-1	7	12.7
2-5	19	34.5
6-10	17	30.90
More than 10	9	16.36

Source: Field Survey, 2019

Table 4.8 shows that majority of the households (34.5 percent) were found to have 2 to 5 *ropani* land where as only 5.5 percent households were found landless, followed by 30.9 percent, 16.4 percent and 12.7 percent households were found to have gradually 6 to 10, more than 10 and 0 to 1 *ropani* land.

4.2.8 Livestock Holding

Cow is common domestic animal for LCFUG. All households were found to be kept more than two cows for their own use at home. Some household also kept buffalo. Likewise, Chettri respondents were found to be kept pigs and hens for their own use.

4.2.9 Agricultural Production and Food Sufficiency

Main agriculture productions are rice, pea, potato and some green vegetable in the settlement area of LCFUG. Pea and green vegetables are produced as cash crop. However, only few households were found independent on agricultural production. Generally, females of household occupied with the agricultural work and male were occupied with government and non-government sector service. Only few households of this area are completely dependent in agriculture that has sufficient production for their livelihood because they have small family size and sufficient land for them.

Table 4.9: Food Sufficiency from Their Own Agricultural Production

Month Duration	Households' Number	Percentage
Less Than 1 Month	2	3.6
1 - 3 Months	5	9.1
4 - 6 Months	5	9.1
7 - 9 Months	10	18.2
10 - 12 Months	25	45.5
More than 12 Months	8	14.5
Total	55	100.0

Source: Field Survey, 2019

Table 4.9 makes us clear that only 3.6 percent households of LCFUG had less than one month's sufficient food from their own agricultural production. Similarly, 21.8 percent households had less than 6 month's sufficient food from

their own agricultural production. Little less than half (45.5 percent) households had 10 to 12 month's sufficient food from their own agricultural production. In the same way, table 4.9 makes us clear that only 14.5 percent households had surplus food from their own agriculture production.

4.2.10 Income Sources/Occupation

Income sources measure the flow of resources of the household in the past 12 months intends to capture the flow of resources which enables the household to achieve its living standard. The households of the study area had not limited only on one source of income. Instead, they were found to be involved in multiple income sources. Only agricultural production is not sufficient for the livelihood of LCFUG. So they were found to be involved in multiple areas of income. However, main income of the respondents' households was presented in the study. The households' involvement in different income sources and their corresponding contribution have been presented in the following table;

Table 4.10: Occupational Distribution of Sampled Households

Occupation	Households' Number	Percent
Agriculture and Husbandry	20	36.4
Foreign Employment	10	18.2
Government Service	10	18.2
Pension	5	9.1
Trade and Business	5	9.1
Wage Labor	5	9.1
Total	55	100.0

Source: Field Survey, 2019

Table 4.10 unveil the fact that 36.4 percent households were found to be involved in agriculture and husbandry, followed by 18.2 percent were involved each in foreign employment and government service. Similarly, it is interesting to note that 9.1 percent households were found to be depended on pension, trade and business and wage labor each.

Some people from Chhetri Caste/Ethnicity were found to be extended their occupation in business, government and non-government salaried job, and few of them were found to be involved in agricultural works. Some female from Chhetri and Tamang Caste/ Ethnicity were found to be engaged in government school as a teacher. Tamang were also found to be involved in salaried job in governmental and non-governmental organization. They were also involved in agricultural work. Similarly, most of the people from Lama Community were found to be involved in agricultural works. The participation of Lama in governmental job was very little.

4.3 Problems and Prospects of Forest Enterprises in Baitadi District

Nepal is currently undergoing state restructuring under federalism after the promulgation of its new Constitution since 2015. Federalism demands substantial changes in forest governance and in the process, a number of laws and regulations are currently being drafted, government organizational restructuring is underway, and debates over governance modalities are yet to be settled. In this regard, it is of utmost importance that principles and governance arrangements for the various existing forest tenure types under federalism be outlined which would be useful in defining the forest governance architecture, particularly when federalism has clearly recognized local, state and federal as autonomous governments. This is vital for SSFEs as such arrangements will have direct and indirect implications on multiple fronts such as access to and extraction of forest resources, revenue generation, taxation, and benefit sharing.

In Nepal, promotion of forest based enterprises in CFs for economic growth and poverty reduction has been one of the most important programs produced through

the modern developmental paradigm. Although some forest policies have been favorable for income generation through micro-enterprise development, government initiatives have focused mainly on the promotion of community-based conservation and the fulfillment of subsistence needs. Such a controlling policy environment is hindering the growth of small-scale enterprises which are forced to follow legal procedures that have been developed for the sake of larger production enterprises and high investment projects. The policy environment for community based forest enterprises is control-oriented rather than facilitative for the access and promotion of the market at both national and international levels.

The establishment of SSFEs is seen as an appropriate way to achieve this objective. The Forest Policy (2015), Industrial Enterprise Act (2017), Company Act (2006) and some provisions in Nepal's fiscal laws have created ample opportunities for the establishment and operation of SSFEs at the local level. Local people and communities can use these opportunities to establish and operate their respective SSFEs. The Forest Policy 2015 has prioritized forest-based industries involving private and community entrepreneurs.” In addition, Nepal's taxation, royalties, subsidies and insurance provisions can also contribute to enriching SSFEs. For example, some legal provisions grant tax exemptions to SSFEs and forest product-based cooperatives. However, under the new federal structure of the country, there is a possibility that the SSFEs will have to pay more taxes on their respective revenues to different tiers of the government local, provincial and federal. The government has established several agencies to support SSFEs at both the central and local level.

Despite of the challenges, among other CBF regimes, community based forest management have relatively higher effectiveness in sustainable forest management and enhancing livelihoods. The enabling environment in Nepal however requires further improvement in order to empower communities. The overall gap, challenges and policy issues related to the promotion of community-based enterprises in CFs are:

1. The main reason behind this is to prohibit illegal investment in an SSFE, but such provisions have created problems for the poor and landless, because they are highly unlikely to possess a land ownership certificate. Likewise, the CFUGs do not possess land ownership certificates for land falling within a CF territory.
2. The CFUGs want the power to register SSFEs in their name based on their registration certificate (which recognizes them as legal entities). In practice, however, they are required to submit the citizenship cards of every concerned citizen during the registration process.
3. The documentation requirements during the registration of were lengthy and confusing, because multiple CFUGs were involved in founding the enterprise.
4. Several international development agencies and external development partners working in the field of forestry and rural development have helped to establish SSFEs with the approval and/or support of GoN and participation by local communities. The involvement and support of these development agencies were guided by their respective approaches to addressing problems associated with initial capital, resource management and poverty.
5. Most of the SSFEs in Nepal are operating with limited human resource and technological capacity. The problem is not merely lack of machinery or technology but a lack of capacity to operate them efficiently.
6. Moreover, forest user groups (FUGs), which were designed to nurture and protect forests and ensure subsistence use, are insufficiently equipped to deal with the market forces of demand and supply. Leadership of these groups is based on seniority (who can do the best policing), inclusive principles and availability. In addition, their operations are largely ad hoc and based on trust and informality. Consequently, those FUGs operating enterprises or in possession of marketable products are increasingly struggling to adapt to these new challenges. At present, participation by FUG leaders is largely voluntary.

7. Finally, most of Nepal's SSFEs are limited to collection and very simple processing using locally available technologies and basic machinery. Their development is further hampered by the high purchase and maintenance costs and limited availability of machinery, as well as problems surrounding adoption of advanced technologies.
8. Furthermore, CFUGs and entrepreneurs wishing to establish SSFEs lack the capacity to formulate business plans. Business development services aimed at preparing business plans, facilitating tax payments, distributing information on marketing and value chain development and providing access to legal services are some areas that must be strengthened in the future.

4.4 Factors Contributing to the Emergence of Small-Scale Forest Enterprises in Baitadi

The literature shows five key factors resources, market, policy, institutions and external support have assisted Nepal's SSFEs to develop and expand. Each is discussed in brief below.

4.4.1 Resources

Seriously degraded during the 1960s and 1970s, the quality and quantity of Nepal's forests have now substantially improved. The area under forest and other wooded land increased from 39.6 percent (in 1994) to 44.74 percent (in 2015), with a total stem volume of 982 million m³ and an average growing stock of 164.76 m³/ha (DFRS, 2015). As discussed in section 2.1, overall ecosystem services, including biodiversity and carbon storage, have also increased. These improvements can be attributed to: the introduction of CF and CBFM schemes; migration; remittances; shifting livelihoods away from forest use, policy and program initiatives introduced by the GON and its partners. This explanation is largely consistent with the growth of SSFE since the late 1990s.

4.4.2 Markets

Market for a diverse range of forest products and services has increased. Nepal's timber price (USD 50/cubic foot), for example, is one of the highest in the world and it currently imports timber from Myanmar, Malaysia and Cameroon (THT, 2016). There is growing global demand for medicinal and aromatic plant products. Similarly, around 45 percent of foreign tourists to Nepal visit protected areas, indicating an expanding market for eco-tourism. Four factors have contributed to this growing market for forest products/services: i) Nepal's location between China and India two giant and growing economies; ii) growing road networks expanding into hill districts; iii) increasing remittances and a growing middle class; and iv) globalization, enabling export of many medicinal and aromatic plants (MAPs) to Europe and Japan in addition to long-standing markets in China and India. •

4.4.3 Government Policy

Until the early 1990s, Nepal's forest policies were heavily influenced by its history of deforestation and forest degradation. Emphasis was therefore placed on protection and subsistence use. Later policies gradually encouraged sustainable harvesting, processing and value addition. The government's Periodic Plans, Poverty Reduction Strategy, 2011 Enterprise Development Policy, 2015 Forest Policy and 2016 Forest Sector Strategy have increasingly emphasized trade, enterprise development and commercial use of forest products. This policy orientation has encouraged SSFEs, both directly and indirectly.

4.4.4 Institutions

CFUGs are Nepal's most robust institutions. Functioning well even during the violent conflict and prolonged political transition, they have continued to grow from just 29 groups in 1990, to 11 102 in 2000, 17 742 in 2010 and 19 361 in 2017. A similar rise can be observed in other forest user group types. An overview of small-scale forest enterprises in Nepal 9 Cooperatives, for example, have grown to 34 000 over the last 50 years. Following the political

change that brought a multiparty parliamentary system to Nepal in 1990, the government adopted an open liberal economy that encouraged the proliferation of private companies, many of which engaged in the forest sector. These institutions provided a solid base upon which to establish and operate SSFEs at the local level. Recently, the government has recognized CFUGs and all organized forest user groups as enterprise units in their own right. Thousands of CFUGs and hundreds of cooperatives are now engaged in SSFE..

4.4.5 External Support

Financial and technical support from the government and development partners through various projects has been instrumental in developing and expanding Nepal's SSFEs. As Lamsal et al. (2017) identified, external donors have adopted five lenses or approaches through which to promote SSFEs: i) sustainable livelihoods; ii) community based enterprise; iii) integrated enterprise; iv) value chains; and v) market development to relieve poverty. In general, these external agencies assisted local communities by providing training, institutional support, market linkages and information. Many also offered capital investment in machinery and other resources. They noted, however, that most of these approaches were only partially successful. A previous study of 16 cases showed that while more than 17 international agencies have provided support to Nepal's SSFEs, most were unable to continue operating after external project support ceased. While sustainability is a crucial question, there is no doubt that external support has played the most influential role in stimulating entrepreneurship among forest communities and individuals.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The enterprises primarily owned and managed, with or without formal registration, by an individual or a family fall into this category. Many of the household-based enterprises are limited to the collection and sale of NTFPs from community or national forests. Examples include the production of handicrafts using traditional skills, and in a few cases, small scale, value added, processing enterprises, such as handmade papermaking.

These enterprises include community forest user groups (CFUGs), National Park buffer zone management groups, forestry leasehold groups, and community groups with forest management or access rights. They are engaged in an economic activity which is allowed by a legal provision within their statutes or local codes. As they expand, they can consider getting registered, either as a cooperative or as a private company. (Betaleswor furniture industry is an example of an innovative approach that meets local needs and is legally compliant. There is a private company that is registered as a CFUG in local municipality. Individual collectors, who are also shareholders, receive annual dividends.

A CFUG network enterprise includes two or more CFUGs working together for the collective production and marketing of forest products. CFUG networks have been using locally established institutions in order to introduce capital intensive technology and improve products, as well as to achieve economies of scale in production and marketing. The main objectives of the study are as follows:

1. The selection of the right enterprise and entrepreneurs: (this can be measured by willingness of respondents, pre-existing skills and utilization of traditional practices)

2. The location of the enterprise within the district capital has provided a broad and easily accessible market, while the housing construction in the area requires a considerable amount of processed wood of the type produced by the enterprise.
3. The ready availability of raw materials from the CF, other CFs in the area, and local private farms.
4. There has been a growing market for furniture due to improved income, combined with changes in the behavior of consumers in relation to home furnishings, (e.g. transition from the use of traditional floor mats to the use of chairs and tables).
5. Locally available sawmill equipment that produces waste has motivated the use of smaller sized timber for furniture purposes, resulting in an overall increase in furniture volume.
6. Low investment input from the entrepreneur helped the operation become profitable almost immediately, which boosted the motivation of the households involved.
7. The furniture enterprise demonstrates a multi-party partnership modality for developing a FBSSE within a CFUG.
8. The data show a little more than half individuals (67.72 percent) participated in LCFUGs were male and a little less than half of them (only 32.72 percent) were female unveils the fact that most of the respondents in the activities of LCFUGs were female.
9. The high participation of women while compared to male in LCF shows that the role of women in the community forestry related activities in study area is very active. The high participation of women in LCFUGs as presented in the figure of Table 4.1 also makes us clear that woman of Baitadi has not been discriminated to take part in the activities of CF being woman by their husband and other male member from their home.
10. Study shows that most of the individuals (72.4 percent) participated in LCF were between the age group of 31 to 50, followed by 10.9 percent each from 21-30 and 51-60. Table 4.2 also shows that only 5.45 percent

respondents were aged below 21 unveils the fact that participation in the activities of the community forestry from the new generation is very rare.

11. The study shows most of the individuals (87.27 percent) participated in LCF were married where as only 7.27 percent and 5.45 percent were gradually unmarried and remained single. Most of the unmarried people in Baitadi were relatively less aged and student.
12. The study shows that majority of the households (34.5 percent) were found to have 2 to 5 ropani land where as only 5.5 percent households were found landless, followed by 30.9 percent, 16.4 percent and 12.7 percent households were found to have gradually 6 to 10, more than 10 and 0 to 1 ropani land.
13. Cow is common domestic animal for LCFUG. All households were found to be kept more than two cows for their own use at home. Some household also kept buffalo. Likewise, Chettri respondents were found to be kept pigs and hens for their own use.
14. This research shows that only 3.6 percent households of LCFUG had less than one month's sufficient food from their own agricultural production. Similarly, 21.8 percent households had less than 6 month's sufficient food from their own agricultural production. Little less than half (45.5 percent) households had 10 to 12 month's sufficient food from their own agricultural production. In the same way, table 4.9 makes us clear that only 14.5 percent households had surplus food from their own agriculture production.
15. The main reason behind this is to prohibit illegal investment in an SSFE, but such provisions have created problems for the poor and landless, because they are highly unlikely to possess a land ownership certificate. Likewise, the CFUGs do not possess land ownership certificates for land falling within a CF territory.
16. Finally, most of Nepal's SSFEs are limited to collection and very simple processing using locally available technologies and basic machinery.

Their development is further hampered by the high purchase and maintenance costs and limited availability of machinery, as well as problems surrounding adoption of advanced technologies.

5.2 Conclusion

In Nepal, promotion of forest based enterprises in CFs for economic growth and poverty reduction has been one of the most important programs produced through the modern developmental paradigm. Although some forest policies have been favorable for income generation through micro-enterprise development, government initiatives have focused mainly on the promotion of community-based conservation and the fulfillment of subsistence needs. Such a controlling policy environment is hindering the growth of small-scale enterprises which are forced to follow legal procedures that have been developed for the sake of larger production enterprises and high investment projects. The policy environment for community based forest enterprises is control-oriented rather than facilitative for the access and promotion of the market at both national and international levels.

The establishment of SSFEs is seen as an appropriate way to achieve this objective. The Forest Policy (2015), Industrial Enterprise Act (2017), Company Act (2006) and some provisions in Nepal's fiscal laws have created ample opportunities for the establishment and operation of SSFEs at the local level. Local people and communities can use these opportunities to establish and operate their respective SSFEs.

Community forestry has been recognized increasingly as a viable means for poverty reduction in Nepal. The tenth government periodic plan specifically mentions CF as an approach to address rural poverty in Nepal. During the fourth National Workshop on Community Forestry, there was extensive debate on how community forestry can contribute to poverty reduction. Secure access to resources and the recognized decision-making authority of the poor in the management and utilization of community forestry for equitable benefits sharing were the major challenges identified. There are various options to register an

enterprise when more than one individual is involved. If the enterprise has a few members working closely under the leadership of one individual, then a sole proprietorship company can be registered. In order to provide individuals with greater control, the enterprise can be registered as a private limited company or as a cooperative. The main advantages of a network such as a cooperative is to obtain financing, provide savings and credit services, support marketing functions (access to information and bargaining with buyers), provide technological inputs and broker products on behalf of members.

This category includes companies with all shares or the majority of them owned and controlled by the government. They also have the option to register either as private limited or as public limited companies. But the study area there no government sectors timber industry. There are no public enterprises in this sector with public shareholders. This indicates that the NTFPs subsector lacks the viability to attract public investment or that the promoters are unwilling to issue shares to the wider public.

The enterprise consists of five major stakeholders: individual households organized into a CFUG, a sub-committee, LFP (donor), consumers of forest products, the CFUG and FECOFUN. The main reasons for its success are the employment opportunities, earned income, the fact that repayment of the entrepreneurs' loan can be made after production of the furniture, and an almost immediate realization of earned income and savings. In addition, the furniture business is going well and is perceived by local consumers as providing a needed service, which can be regarded as a positive indicator. The FBSSE is based on local resources, local skills and a local market, all of which are easily accessed.

3.2 Recommendations

Community based enterprises in CF have the potential to create local economic growth, ensuring social well-being, and promoting the sustainable management of forest resources. Still, there is an urgent need for a more enabling policy environment to better ensure its success and sustainability. Thus, the following

recommendations have been proposed to close existing gaps and address the challenges of community based enterprise development in CF:

1. Enabling policy guidelines in favor of community based enterprise development should be developed and implemented properly. Species specific non-timber forest products (NTFPs) management directives and guidelines should be developed and implemented properly for optimum utilization & marketing of NTFPs.
2. Government and private sector investment should be enhanced for CBF enterprise development for economic growth.
3. Foresters should be trained in market analyses and development and oriented towards helping establish sustainable forest based enterprises.
4. CF operational plans should be prepared through the proper study of potential forest resources. And to renew the community forest operational plan on time. Forest and land tenure right of community forest user groups for forest products use should be ensured.

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Appendix I

Questionnaires

1. Profile of the Respondents

Name:

Age:

Sex:

Caste:

Occupation:

Marital Status:

Education :

Family structure:

No. of Family Members:

Religion:

Municipality/ Rural Municipality :

2) Do you Know about Forest Enterprises?

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3) How many forest enterprises in your area?

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.....

4) What are the major forest products?

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5) Are the local community forestry user group benefited from small enterprises?

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6) What is the level of people's participation in forest activities in this area?

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.....

7). What are the major challenges of forest enterprise?

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8) What are the major problems of forest enterprise?

.....
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9) What are the main product of small forest enterprise?

.....
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10) Any suggestions:

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Thank You