

## CHAPTER- ONE

### INTRODUCTION

#### 1. General background of the study

Poverty reduction is the sole issue of under developing countries poverty generated more interest among academicians planners and policy makers. According to World Bank definitions poverty is hunger, poverty is lack of shelter, poverty is being sick and not being able to see a doctor, poverty is not having access to school and not knowing how to read, poverty is not having a job is fear for the future, living one day at a time, poverty is losing a child, to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom. In short it can be viewed as future to meet the basic requirements of a daily life. Poverty reduction involves improving the living conditions of people who are already poor. Poverty reduction is always the main objective of every plan, although the fact is an ironic poverty reduction is being more slogan than actions

Rural poverty in Nepal is a widespread. Complex and multi dimensional phenomenon. Poverty is deeper more intense and more server in rural (as compared to urban) areas; and even more so in the hills and mountains and in the western four western region. Even within rural areas, the poorer segments of the population have less access to fertile land, irrigation, modern inputs credit and marketing facilities and road infrastructure the rural areas are badly under served in terms of equality and coverage of basic education, health care, drinking water roads and access to other infrastructure and markets. Poverty is also closely related to the degree of social political and economic inclusion/exclusion. Women and ethnic groups by and large are left out of the mainstream of development because they lack voice empowerment representation and access to economic opportunities and resources. Thus they are various included in various circle of poverty (NPC, 2003).

Over 80% of Nepalese population live in rural areas. The lack of income earning opportunities in these areas is a central cause of the widespread poverty and worsening food security in the country. It also forces over more Nepalese to leave home to seek work in Nepalese towns and cities. In India and further a field. The

sustainable development of Nepalese village depends on generating many new local jobs especially for the rapidly growing number of young job seekers. The government in its three year interim plan (2007-2010) calls for creating 1,00,000 new jobs in small scale enterprises in part due to its importance in removing a major grievance that filled the conflict the lack of job opportunities in rural areas.

Many rural communities depend upon goods and services provided by the natural resources while these communities need to protect and improve environmental equality, they also need to improve their own quality of life in areas that include, income food security and nutrition and equity. To address these issues micro-enterprises development programme (MEDEP) promotes low impact poverty reduction micro enterprises in areas as agriculture, forest and livestock farming. The MEDEP is multi lateral donor funded poverty reduction initiative supported by the Micro enterprise development programme is a multi-donor funded poverty reduction initiative supported by the ministry of industry (Nepal Government) and the United Nation Development Programme in Nepal since 1998. To support Nepalese poverty reduction efforts, the MEDEP has been identifying the poorest of the poor. The programme has been working with poor people. Especially women indigenous nationalities, Dalit, Muslim other Madheshi groups and involving them in micro enterprises (CDG, 2009).

MEDEP has been creating off-farm employment and income opportunities for the rural poor and especially for women. Young people and disadvantaged people since 1998. The MEDEP focused on providing skill and business training and other support mainly for women, poor and disadvantage people to set up micro enterprise. Helping establish business support services and representative organization for micro entrepreneurs and (3) working the government to improve the policy environment.

In the context of research about the micro interpreted, first of all it is important to understand what an enterprise is ? Enterprise is the entire organization, including all of its subsidiaries. It implies a large corporation or government agency but it may also refer to a company of any size with many system and users to manage ([www.business.dictionary.com](http://www.business.dictionary.com)). An enterprise includes any economic unit engaged in production of goods and services. A micro enterprise is known as a type of small business that is often unregistered and run by poor individual. Broadly stated, a micro

business is a little capital as possible or less capital than would be usual for a business. Micro and Home Business Network an Australian organization, defines a micro-business as one with five or less employees same definition is followed by USA. In Europe a business with less than 10 employees may be officially considered a micro-business. Different parameters are used to define micro-enterprise in developing countries. Such as: number of employees and turn over etc. Micro-enterprise activities are undertaken mainly at the individual or household level employee, relatives and neighbour, where salaried labor is negligible (<http://en.wikipedia.org/wiki/micro-enterprise>). Micro enterprise is defined as an economic activities carried out with the following characteristics (Enterprise Act 1992).

- ) Self employment
- ) Self-managed.
- ) Employing 1 to 5 person.
- ) Fixed capital investment up to NRs.200000
- ) Power machine if used not exceeding 5 kw.
- ) No licensing requirement.

The micro enterprises development programme (MEDEP) takes a longitudinal approach while promoting the development of micro-enterprises for the poor. The longitude approach means delivering a package of service needed by entrepreneurs in a sequential order leading up to the establishment of sustainable enterprises operated and managed by the poor. Service providers in Nepal have in the past tried to address poverty by providing their assistance independently of other service providers. However, not correlating their services with other services, which are of paramount importance for the success of micro-enterprises, have resulted in micro-entrepreneurs being wedged from expansion and have been disorganized in terms of market and management. The foundation of the enterprise development model promoted by MEDEP therefore based on the programme's strategic approach to interlink and coordinate local resources, low income people's interest in enterprise development and entrepreneur's access to local and national markets. The approach taken by the programme in Nepal is an innovative initiative and has opened up new debate in the development and private sector on the effectiveness of micro-enterprises to promote

local economic utilize natural resources, create economic and employment opportunities with the private sector.

## **1.2 Statement of the Problem**

Poverty is one of the burning problem which I existing in each and every corner of the world including developing as well as developed countries. It is particularly serious problem in developing countries like Nepal. Nepal's poverty mostly concentrated in the rural areas where 90% of its total population lives (NPC, 2003). Among them 24% of total population below the poverty line and they give in very miserable condition. More people are poor on various aspects like, health care, education, skill development, awareness and economic resources. Most of the rural people are not acting the role of decision making, which directly affect to their self help programme and their interest.

Poverty unemployment low economic growth, social inequality and political instability are the major problems in Nepal. Although Nepal is known as rich in natural resources and natural scenery, but poor management of resources and ignorance of its value could not improve the economic condition of the poor. Micro-enterprise is one of the basic part of rural areas and it is directly related to the agriculture sector. It provides various income generating opportunities through establishment of the micro enterprises. But micro enterprise development activities are not free from problems, lack of still development, training, lack of awareness of market chains and ways of delivering of the product are the constraints to sustainable development of micro enterprises in local level (Poudel, 2003).

In developing countries like, Nepal where the economy is basically agriculture oriented industrial development plays a vital role in economic development In many developing countries of the world industrialization has been adopted as a major solution to the problems of over population unemployment and how standard of living enterprise and entrepreneurial development in Nepal has not picked up well though there is much a hidden potential. Being an agricultural economy, agro based enterprise are slowly expanding and profiting. However, other sectors are not running up relatively well. Rural people have a big role to play in developing the micro enterprises sector of this country because they are not only the backbone of

agriculture but they also have the ability to develop other type of micro enterprises products such as home based food stuffs, handicrafts, garments and many others (MEDEP, 2000)

Micro credit is that micro enterprise through the support MEDEP has been able to meet basic need; provide still and entrepreneurial training, and act an a vital link with formed sector business in Nepal. More important HMG in it 9<sup>th</sup> five year plan have viewed it as. One of the main avenues for poverty reduction. On balance MEDEPS micro credit program has provided mix results. while the potential for beneficial target group has been demonstrated (i.e. poor) sustainability and out reach remain as key challenges in remote and rural areas. From many years different types of programme have been launching in Nepal. Such as MEDEP. But many organizations are not fair. They were just lunching programme but not so much in practice. Various organization are made familiarize. So, the MEDEP was established our helping the rural poverty reduction in Nepal.

### **1.3 Objectives of the Study**

The general objective of this study is to find out the role of micro enterprises development programme in rural poverty reduction. The specific objectives are as follows:

- ) To analyze the MEDEP situation among the poor people
- ) To analyze the income generation sources of rural people through MEDEP programme.
- ) To analyze the employment creation in rural people through MEDEP programme.
- ) To analyze the skill development of rural poor through MEDEP programme.

### **1.4 Significance of the Study**

This study is important because in Nepal UNDP has initiated micro enterprise programme for the poor rural by involving micro level income generating activities through (MEDEP) where the main objective of the MEDEP is to reduce the poverty through creating and developing micro enterprises in rural areas, with high utilization of local resources. That is supported to meet local demand of people. The programme

is implemented in 10 districts. Since 1998 in Nepal as a pilot phase. This study is significant because the main objective of the program is to involve rural poor in micro finance program for creating micro enterprise to change their socio-economic conditions. In this context the researcher will be studying for the program whether micro enterprise could made the mile stone to reduce the rural poverty or not.

The micro enterprise and small business has always played s significant role in the economic development of our country. Its role might not have been as spectacular as that of the large corporation involving the development of enormous physical, financial and human resource. However, the impact of micro enterprises has been tremendous, particularly in the area of job creation. Study abut micro enterprise has always an important for researcher and also an assets for the nation. It will be useful for general readers as well as planners.

MEDEP has been playing an important role in socio economic life of rural poor people of Nepal In spite of the significance of micro enterprise only few studies have been conducted. The study helps to explore the potentialities and challenges of sustainable micro enterprises. Moreover, it also helps in understanding more about the role of MEDEP on poverty, reduction. However, the present study on various aspects of micro-enterprises seems pertinent and the findings and recommendations of the present study may useful for other studies of this kind.

### **1.5 Limitation of the Study**

Each and every study has its own limitations. Due to the time and financial constrains the study does not cover the whole area of Sunsari district rather its confines within Dumarahan VDC only. The present study is based on the survey of 50 entrepreneurs of Dumraha VDC of Sunsari. It was not possible to go through all the individuals of the VDC. Beside, the present research does not cover other enterprisenuers without MEDEP entrepreneurs. This study only focus on MEDEP activities and those person who are involving MEDEP or accepting micro enterprise in this VDCs.

## **1.6 Organization of the Study**

This thesis has been divided into six chapters. The First chapters includes general background, statement of the problem, objectives of the study, significance of the study, limitation of the study, organization of the study. The second chapter deals with conceptual and empirical review of the available literature found in the time of study. The third chapter includes research methodology. Fourth chapter describes about poverty alleviation programmes and their implementation status in Nepal and also describes about micro enterprises development programme in project base. Chapter five describes features of micro enterprises development programme ant its features in detail. Chapter six is about summary of whole research study.

## **CHAPTER- TWO**

### **REVIEW OF LITERATURE**

Review of literature is an essential part of all studies. It is a way to discover what other research in the area of problem has uncovered. A critical review of the literature helps the researcher to develop a thorough understanding and insight into previous research works that relates to the present study. It is also a way to avoid investigating problem that have also a way to avoid investigating problem that have already been definitely answered. The purpose of literature review is, thus, to find out what research studies have been conducted in one's chosen field of studying and what remains to be done (Wolf and Pant, 2007).

#### **2.1 Literature Related to MEDEP/Micro Enterprise**

A Microenterprise is a type of small business that is often on unregistered and run by a poor individual. Specifically a microenterprise is to alleviate poverty and improve the livelihood of the people below the poverty line particularly marginalized woman of different poor communities for instance Dalits, Indigenous nationalities, Madhesis and other backward communities.

Theories on entrepreneurship development are still evolving since the concept of entrepreneurship itself is of relatively recent origin. An entrepreneur has been defined in numerous ways. At a basic level, an entrepreneur is a person who owns and runs a business not necessarily a new, small, growing, or successful business.

The word 'Entrepreneur' is derived from the French word "Entreprenre" which literally means "Undertake". This word first appeared in the writing of Richard cotillion in the eighteenth century. Cotillion was the first person to infuse the term with the precise economic content and gave it analytical prominence. He viewed entrepreneur as risk taker who purchase at a certain price and sell at an uncertain price and hence is operating at a risk. The fact that a common, thought imprecise usage of the term existed prior to cotillion, is corroborated by an entry in savory's dictionary Universal de Commerce (Paris 1723) in which entrepreneur is defined as one who undertakes a project, a manufacturer, a master builder (Hebert and Link 1988).



The Webster New Dictionary defines entrepreneur as person who organizes and manages a business undertaking assuming the risks for the sake of profit.

Economists define the entrepreneur as a person who risks capital and other resources in the hope of substantial financial gain or as someone who specializes in taking judgmental decisions about the use and co-ordination of scarce resources.

Sociologists define the entrepreneur as a creative innovator in the business sphere, in contrast to the conventional business-owner, capitalist, or professional manager, which conforms more often to established procedures, and objectives. This conception originated with Joseph Schumpeter, who defined entrepreneurs as individuals who develop and implement new combinations of means of production, a function that he described as fundamental to economic development in his book “ The Theory of Economic Development (1934).”

## **2.2 Definition of micro Enterprise**

Micro enterprises cover wide range of activities. It is playing a pivotal role in employment and not only in local but also in national economy development with low capital investment by individual and private sectors. The definition of micro enterprise is different in different country as level of economy and per capita income of people. In India, a definition that included both total investment and labor employment was used, but it is given up subsequently in favor of investment on plant and machinery alone. In Nepal, there is no any specific definition is published by any government in any government documents. But, Nepal government has run micro enterprise development project for poverty reduction and additional employment generation with taking of support from donor agency. In this way, we can found different definition of micro enterprise as per nature of projects. By attributes of micro enterprise, is defined as an economic activity carried out with the following characteristics:

- ) Fixed capital investment of up to Rs.200, 000.00 excluding land and building. (According to the definition given by cottage industry under the industrial enterprises ordinance, 1997)
- ) Self employment
- ) Employment up to 5 employee including self and family members.

- ) Used power machine not exceeding 5kw (according to the industrial enterprise Act, 1992).
- ) No licensing requirement (according to the industrial enterprise Act, 1992).

### **2.3 Informal Sector**

The definition of the term “Informal Sector” changed a lot since it was first used in a study on Ghana in 1971. Keith Hart wrote the article “Informal income opportunities and urban employment in Ghana” (1973) which was published in a in a Journal of Modern African Studies. This article was also presented before on the Conference on Urban Unemployment in

Africa (1971). After reusing this term in the report of ILO/UNDP “Employment, incomes and equality: a strategy for increasing productive employment in Kenya”(Geneva 1972), it gained more attention in the literature on development and employment policy. The “Informal Sector” is not a sector per se; it is a nomenclature of an economic phenomenon. Nowadays the term “Informal Economy” is used more, as it does not provoke confusion. The varied views include different aspects of economic activities and as already mentioned, there is no common agreement about how to name this phenomenon. The following description of informal economy is based on a declaration of the ILO. Later on the dualistic problem of formal and informal economy and differences between the urban and rural informality are going to be discussed.

When ILO first introduced the concept of the informal sector, informality was broadly characterized and compared as opposed to formal sector as shown in table.

**Table 1: Characteristics of the informal and formal sectors**

| <b>Categories</b>    | <b>Informal Sector</b>                | <b>Formal Sector</b>                          |
|----------------------|---------------------------------------|---|
| Entry                | Easy                                  | Difficult                                     |
| Resources            | Indigenous                            | Overseas resources                            |
| Ownership            | Family                                | Corporate                                     |
| Scale of Operation   | Small                                 | Large   |
| Nature of Production | Labor-Intensive                       | Capital-Intensive                             |
| Skills               | Acquired outside formal school system | Formally acquired, often expatriate           |
| Nature of Markets    | Unregulated and competitive           | Protected (Tariff, Quotas and Trade licenses) |

Source: UNDP, Bucharest 2001

In 1993, The Fifteenth International Conference of Labor Statisticians (ICLS) adopted an international statistical definition of the “Informal sector”. The definition was based on production units or enterprises rather than on employment relations. The Resolution adopted by ICLS in 1993, defined the informal sector as:

“The informal sector is regarded as a group of household enterprises or unincorporated enterprises owned by households that includes:

- ) Informal own-account enterprises, which may employ contributing family workers and employees on an occasional basis; and
- ) Enterprises of informal employers, which employ one or more employees on a continuous basis.
- ) The enterprise of informal employers must fulfill one or both of the following criteria:
  - o Size of unit below a specified level of employment, and
  - o Non-registration of the enterprise or its employees”. (ILO, 1993)

A study entitled “Garment Industry in Nepal,” has conducted by Bista (1987). The study tried to find out the problems faced by entrepreneurs of the garment industry as well as employee. Another comes along with some policy recommendation sustainable for the promotion and development of readymade garment in Nepal. The study mainly aimed at examining the emergence and growth of garment industry in the context of industrialization process, particularly in cottage industry sector. It has tried to examine the socio-economic characteristic of garment industry workers and find out problems faced by the entrepreneurs.

**Shrestha (2002)** has examined that the social and economic constraints of women entrepreneurship. One can summarize that all the respondents belongs to middle class family of Katmandu and Lalitpur district with all the advantages which are available to the privilege and progressive families in Nepal and they are the first generation of the educated woman living in Katmandu and Lalitpur. The majority i.e. 70% of the women entrepreneurs was found to be from Newar ethnic group followed by chhetris and Brahmin caste. Most of the entrepreneurs belong to Hindu religion (74%) followed by 24% of Buddhist. All entrepreneurs were found to be not only literate but highly educated 62% of them are found to be graduates. 52% of women entrepreneurs have their fathers engaged in business. The study showed 88% are married women. 53.3% of the women entrepreneurs have two children followed by 24.4% has three children. And most of them belonged to the age group between 36 to 45 years. Most of the women started business to become financially interdependent (32%) followed by 20% for the need of achievement. They are involved in small industrial enterprises. 76% of them are involved in informal sector and 24% in formal sectors. In the formal sector, 83% of employees women where as the informal sector has only 65.9% of employees as women. Most of the women entrepreneurs, while stepping into the world of business, were in positive state of mind. They were confident, saw opportunity, did not have problems regarding the fund, were aware of technical know-how and knew the market. More than 80% of the women entrepreneurs are helped by their husbands in funding during the start of their business. 58% of the women entrepreneurs spend their earned money to their children followed by 48% for self and 42% for basic needs.

**Aryal (1992)** has studied the Entrepreneurship Development Program in Nepal. He argued that the basic objectives of developing entrepreneurship are to generate productive human resources, local technical know-how, mobilize domestic capital and there-by raise the net national product. Entrepreneurship is at the heart of national advantage. Without developing entrepreneurship, business firms cannot raise their competitive advantages. Successful business firm in the modern world means knowledge in an intensive form. Increasing knowledge of entrepreneurs increases rates of the firms. Nepal is an agricultural country. Its agricultural sector cannot provide employment opportunities to ever increasing population. Large industries are not viable in Nepal due to the lack of adequate resources and infrastructure. Small industries are suitable in view of socio-economic and geographical condition of Nepal. To promote enterprises, Entrepreneurship Development programmer is necessary. An entrepreneur initiates ventures, develops markets and influences the development of managerial thoughts. If his energies are released through EDP, development process could accelerate. So there is a need to strengthen existing EDP programmers. Entrepreneurship Development Programmers tailored to the needs of entrepreneurs and the market place go a long way in boosting national development. Nepal depends on imported raw materials still holds the fact as depicted by the findings that almost 77.25% of the startup industries had imported raw materials from India and overseas. Likewise 62.5% of the startup industries had to import its capital goods from India and overseas.

Finally it could be concluded that the EDP efforts in Nepal is a fruitful activity in terms of industry start up, employment generation, foreign exchange advantage etc. however the weakness of the existing institutions has to be realized based on the comparative analytical findings made in the report by the respective institutions. The success of EDP should merely be not measured in terms of industry start up only but it should also closely look upon the start up industry's extend of indigenous resource. Since EDP is gaining momentum in Nepal and the necessity of such programme is further supported by the findings. The focus on the recommendation part is therefore on the institution's shortcomings and strengths of the programme.

### **2.1.1 Literature Related to Poverty Reeducation**

Ghimire (1999) carried a study entitled "Impact of South Asia Poverty Alleviation Programme on the Alleviation of Rural poverty in Syangja district: SAPAP has been implementing the programme within the area with the financial support from UNDP. Through social mobilization approach poor are organized generate their own capital through serving and enhance skill through training. In this way, poor are empowered through organization and capital are generated and skill enhancement. He has pointed a success of poverty alleviation model only through harvesting of locally available resources.

Adhikari, (2002) carried out a study on rural poverty in Madhesha VDC in Sunsari district. He identified and measured the absolute and relative poverty in the area. The absolute poverty was identified as the poor whose level of income is insufficient even to fulfill the basic needs such as education and health. He also found relationship between poverty and unemployment. He concluded that poverty in Nepal arises due to various reasons, such as small landholding, low productivity, lack of market facilities and other basic infrastructure, lack of farm jobs, lack of rural credit lack of agricultural training etc. So far as their fooding is concerned, the poor people were suffering from hunger and malnutrition. They were found to be frequently ill due to insufficient nutrition. Their clothing is concerned they were ranges and turn clothes. Regarding education most of the poor people in the study area were found to be literate because of their poverty.

The article on "*sustainable rural livelihoods: practical concepts for the 21<sup>st</sup> century*" was made by Chambers and Conway (1991) discussed about the livelihood strategy Existing empirical studies related to livelihood and concluded that the way of earning livelihood is not always constant. It is a changing process and varies from space to social groups. Different types people have involved in different types of ways of earning livelihood strategies among different people and place are not as a result of common factor to adjust in present context, they are compelled to change their way of living. Livelihood comprises the capabilities assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when capabilities and assets both now and in the future.

A study on the Kumal 'tribal' group of Pokhara valley was made by Bhurtel (2000) emphasized the changing livelihood strategies. Obviously, the emergence of modern amenities and rapid development intervention were major cause in the decline of their traditional occupations, making pots by using clay, but the author found some diversification of the present livelihood strategies, towards labour export to Gulf (Gaun to the Gulf), local wage labour, sealing of Raski, growing mushrooms, raising livestock for market, fishing, horticulture, service (Government, Private) and business (owner/partnership). Additionally, the younger generation of the Kumals had not inherited the skill of making pots. In conclusion, Bhurtel suggested that in order to help the kumals attain a more secure livelihood security, their local, institutions and culture should be taken in to account in any strategies.

**Pathak (2004)**, towards the livelihood strategy keep his arguments in his dissertation paper "*livelihood strategies of street cobblers, A case study of Katmandu valley*" Argue that existing studies related to the occupational caste e.g. Cobbler conclude that cobbling is one of the traditional occupations of the low caste people in society. Due to global change their traditional occupation of leatherwork has been pushed back. There markets are going to displace. So to adjust in present situation, they have left their customary way of earning livelihoods and diverted themselves in to another occupation, to move on their livelihood pattern too.

**Koirala (2006)** has attempted to make an understanding of how rural societies in Mountain areas are responding to their changing environment. His study shows that Mountain environments are changing perceptibly in their natural and economic settings. Bringing examples from three villages namely Jitpur, Murtidhunga and Parewading of southern Arun valley, Koirala has undertaken spatio- temporal analyses of resource utilization between 1984 to 2004. The major livelihood strategies included agro based activities characterised by several distinct types such as cereal crop farming, horticulture, cash crop farming etc. and these were changed in time for example, development of road network triggered human pressure to cause expansion of cultivated area during 1992. Better connectivity changed traditional food crop production to horticulture and cash crops and has helped to improve household income. The role of remittance is becoming increasingly important in livelihood maintenance as well as overall status of the households in those areas. Despite

changes in land use pattern into more intensive ones, positive change in the livelihood security of majority of the households, increased awareness and understanding of the people, development of the community based natural resource management system such as that of forestry has helped to conserve the marginal lands and resources.

**Chaudhary et al. (2007)** have attempted to make broad assessment of interrelationship among the existing environmental and socio economic factors with their implications on peoples' livelihood in Manang - one of the Mountain districts of Nepal and to predict about local effects of large scale global changes. Their study finds that environmental changes in Manang include traditionally managed agricultural production that is closely dependent on agricultural crop productivity and diversity, forest resources, animal husbandry, and glacier melt water for irrigation; whereas socio economic changes are related to tourism and trade, traditional knowledge on conservation and intellectual property rights and social equity among the communities. Recent developments such as road construction and other induced by global changes are considered by the authors to bring adverse environmental and social impact at the local level. In this context, the authors conclude that different adaptive strategies need to be recognised and addressed by local communities and greater national development activities and international co-operation in the context of climate change and globalisation will be required for proper management of cultural landscape.

**Subedi (2007)** interestingly presents the picture of changing livelihood strategies in upper Manang tuning with global and regional socio economic changes. Manangis are very dynamic and adaptive to changes taking place in outside world. Despite being Mountainous, remote and limited growing seasons, crop farming remains integral to livelihood. But out migration that was adopted by Manangis were long ago which intensified when they were granted special privilege in trade in the 1960s and tourism that developed after 1970s when Manang was opened have been established as other major occupations. Such changes have become so important that out migration and tourism have ultimately changed the traditional agriculture based livelihood patterns to more of modern one. However, the peak season for agriculture and tourism overlap in Manang and labour shortage is very critical where in migration of labourer has spurred. Thus the increasing contacts of Manangis with outside worlds through both



their movements outside the valley and others' entry in the valley the social landscape of Manangis is at the verge of change towards attaining a new identity.

A study on "livelihood of flowers seller in the religious places or different temples in Kathmandu" has made by Yadav (2007). Yadav concluded that Because of low investment requirements being easy to handle and as their traditional occupation people have adopted this activity. Marginal and poor people have adopted the flower selling occupations and researcher finds that income from this occupation is not fully supportive (not sufficient) for them to sustain at the household level and they have also been seeking livelihood in other strategies too.

**Paneru (2008)** has studied the livelihood strategies and assets, socioeconomic background, migration status, working condition and occupational vulnerability of street ice-cream vendors in Kathmandu valley. He found that this occupation is male dominated and the vendors are young and energetic. They have poor educational status and illiterate. Their cause of migration into Kathmandu valley, since almost all of them are from outside districts, include multitude of socioeconomic aspects; poverty, landlessness, social insecurity, personal factors etc. The factors to lead the choice of this particular occupation are: it need very little income, is easy to handle, no special skill and no additional manpower is needed. There is remarkable economic gain the vendors have got after they adopted this occupation; however, there are many constraints and vulnerability. There is not clear policy on this occupation and they are running without rules and regulations so are very often harassed by the authority and policy. There are space restrictions, some place are restricted for such occupations. Seasonality is rather a phenomenon in ice-cream consumption, which has direct impact on their income. Moreover, the vendors themselves perceive this occupation as non-prestigious.

**Panday (2008)** studied on livelihood strategy of the street food vender in Kathmandu city on the objective of socio economic condition, livelihood strategies and status, vulnerability context, sustainability and consumer perception towards the street food vendors. Researcher concluded that the street food vending is a new trend in Nepal but it has taken a growing space and seems to be indispensable part of the city life. Researcher further concluded that being an output of the growing urbanization. The street food vending is taking a rapid step to be part of the city life in Kathmandu. The

occupation is itself has many positive aspects but keeping in mind all the negative aspect. Lastly Researcher concluded that need of honest move from both the concerned authority and the vendors to solve their matter with certain long-term plans.

## **2.4 Marketing Concept for Micro Enterprises**

In simple term market is a public place where people meet to buy and sell goods. Similarly, market center is a place where exchange of goods and services takes place, so it is also a place for exchange of services and ideas a place for processing different products; a place for community and production services; a place for periodic market (hat) and place for transport service. Thus market center possesses various activities including micro enterprise development (Poudel, 2009).

According to Kotler (1999) “marketing is social process by which individuals and groups obtain what they need and want through creating and exchanging product and value with others.” In marketing terms, a market is made up of people with needs to satisfy, the money to spend, and willingness to spend it (Poudel, 2009). It does not simply mean a physical marketing place. For the market demand for any given product, there are three factors to consider.

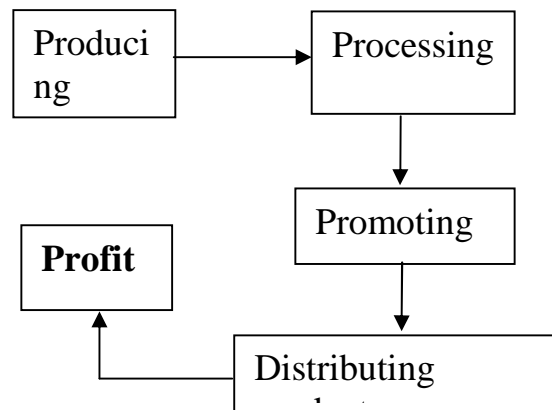
- a. People with product needs;
- b. Their purchasing power and
- c. Their buying behavior.

Marketing is often defined as the movement of a product from where it is produced to the ultimate consumer or processor.

Micro entrepreneur  $\longleftrightarrow$  product  $\longleftrightarrow$  consumer.

Marketing however, is not only the movement of goods, but also a process. It is a process of exploring which products customers will purchase and then producing, processing and promoting and distributing them at a profit (Kotler, 1990).

**Figure 1: Framework of Marketing Concept**



Marketing is not only selling the product, but in business point of view best marketing includes: the first step is producing second step is processing and promoting product then only distributing products and gaining profit.

#### **2.4.1 Micro Enterprise and Marketing Plan**

In order to make a success of the enterprise that needs to have a good marketing plan. In the marketing plan the key factors to be considered are location, pricing, buying and channels of distribution of goods and promotion, strategies and selling skill. Further a plan for the inventory, credits should also form a part of the marketing plan (Harper, 2008). Micro entrepreneurs have to decide on the best way to tell potential customers about services. Marketing plans covers various market related information which support to micro entrepreneurs to make long term marketing strategy.

Marketing plan has played prime role to improve selling skill of entrepreneurs. From the field survey, it has analyzed that, there is lacking of business literacy and awareness to micro entrepreneurs to make marketing plan. Due to lacking of entrepreneurship knowledge, entrepreneurs are not motivated to make marketing plan. Informal sector business has not in any strong association so they are far to get any types of business knowledge from the government and other development agencies.

## 2.4.2 Marketing Channels of Livestock and Product

Market is one of the most important components required for the sustainable and profitable operation of micro enterprises. An entrepreneur needs to have a market oriented approach at all levels and stages in the life cycle of enterprise development. Most of the development programmes geared towards poverty alleviation through micro enterprise development and income generation basically focuses on credit skill training and entrepreneurship development training, technology study support etc. unfortunately enough attention is rare paid to the marketing needs of the business.

Market may be local, district, regional, national and international. There are different level of markets for livestock and it product in study area (table 6.1).

**Table 2: Major Destination Places to Sell Livestock Product**

| <b>Destination</b>  | <b>Number of Entrepreneurs</b> | <b>Percent</b> |
|---------------------|--------------------------------|----------------|
| Local level         | 46                             | 46.94          |
| District level      | 22                             | 22.45          |
| Regional level      | 12                             | 12.24          |
| National level      | 9                              | 9.18           |
| International level | 9                              | 9.18           |
| <b>Total</b>        | <b>98</b>                      | <b>100</b>     |

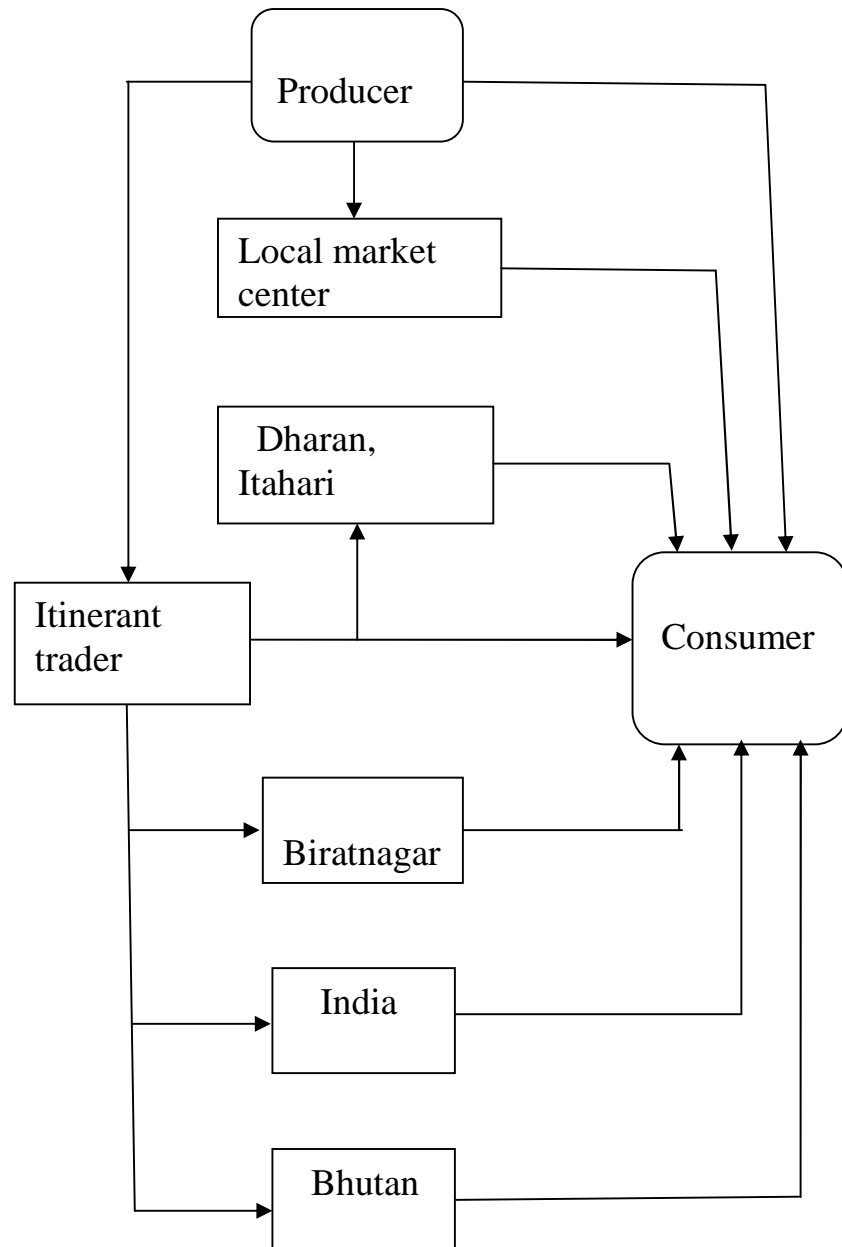
*Source: Field Survey, 2010*

The table 6.1 shows the relation of the study area with its service centers and five type of interaction. Local level markets shares about 45 percent which is the highest among all the five level of markets. However, about 22 percent entrepreneurs sell their product at district level and it is taken as the second largest destination place. On the other hand, entrepreneurs sell their product at national and international level of markets is minimal compare to regional level which is more than 5 times less than that of local level.

The way of selling the products through different markets is said to be the marketing channels (Poudel, 2009). Marketing channels are necessary for each and every product to be sold. And it is much more necessary especially for livestock products.

On the whole, a good marketing system can be generating higher income to the farmer in the form of a reasonable price. The marketing of livestock and its product at study area (Hasposha VDC) of Sunsari to market centers is concerned, there are five levels of intermediaries between production sources and the final markets figure 6.2.

**Figure 2: Marketing Channels of Hasposha VDC**



## **2.5 Literature Related to Plans Policies and Programmes**

### **2.5.1 Poverty Reduction Program of Nepal Government**

Poverty has always been an overriding concern in development planning in Nepal since the sixth plan (1981-1985). It has been explicitly stated as a development objective. During the seventh plan period (1986-1990). The government formulated its program to fulfill the basic needs. The first separate plan form reducing poverty. Incorporating it as an integral component the seventh plan envisaged to culminate poverty from within a 15 years period. Similarly, poverty alleviation was one of the major objectives of the eight plan (1993-1997) too, the first national plan formulated after restoration of multiparty democracy in 1991.

The term poverty refers not only to material deprivation but also to low achievements in education and health, vulnerability and exposure to risk, and lack of voice and empowerment. All these elements severely restrict the capacity of an individual to escape poverty (see <http://www.adb.org>). However, poverty is an important issue for Nepalese development process. Various short and long term plans have been implemented for reducing the poverty. Likewise, at the turn of millennium, the Asian Development Bank (ADB) issued a poverty reduction strategy which could be considered in any poverty alleviation strategy.

Similarly, access of land is regarded as a key element in any poverty alleviation effort. It is a basic requirement for developing a financial sector and security for loans, credit worthiness is difficult to establish. Next, livestock is considered as the important resource for producing foods, generating income and employment in all areas. In addition to direct production, livestock sector helps to promote the other economic activities and support of day-to-day life of the people. The development of the livestock sector would be helpful to affect the life of all people so that poverty alleviation would be possible.

Economic growth is the most powerful force for sustained poverty reduction. Therefore, investment should be effective in promoting economic growth, particularly growth in which all can share. Lastly, gender equality is also the important element in

poverty alleviation effort. Active participation of both men and women also requires improving livelihood of the poor.

The Ninth Plan (1998-2002) adopted poverty alleviation as its sole objective and unlike previous plans, established long-term goals for improving development indicators in all sectors, based on the potential of each for reducing, poverty, one of the goals of the ninth plan was to lower poverty incidence from 42% to 32% by the end of the plan period. The Tenth plan (2003-2007), with the main objective to alleviate poverty, by mobilizing optionally the means and resources on the mutual participation of government, local agencies, non government sectors private sectors, and civil society. It seeks to extend economic opportunities and open new ones enlarging employment opportunities and economic achievements for women. Dalit people of remote areas and poor and backward groups through programmes thereby to improve the status of overall economic, human and social indicator.

The interim plan (2008-2010) aims to improve change to majority of people through reducing poverty and disparity as well as to establish place (NPC, 2007). The interim plan has also envisaged in reducing poverty with focus on employment oriented programme and poverty alleviated based wide economic growth It has further prioritized agriculture tourism, and industrial sectors which are also the major sectors of micro enterprise development. The strategies for development of micro enterprises include; ensuring participation of women, Dalit Adibasi, Janajatis, the poor and backward groups in training and promoting the micro enterprise that involves those target groups.

## **2.5.2 Industrial Sector Policy Strategy and Program**

The industrial sector policy (2004) has stated "Support poverty alleviation by putting emphasis on social inclusion through micro, cottage and small industries. It has adopted the following strategies particularly in relation to the development of micro enterprises.

- ) To make the selection mechanism effective in order to ensure the participation of women, Dalit, Janajatis, Adibasi, The poor and backward,

groups and those affected by the conflict in trainings related with micro-cottage and small industries.

- ) To promote micro, small and traditional cottage industries, which have the involvement of the marginalized and socially dejected groups such as dalit woman Madhesis, Muslim, Adibas and disable people.
- ) To run capacity enhancement program in order to provide assistance to the development of micro cottages, small and traditional industries.
- ) To campaign like "Be entrepreneur, reduce youth unemployment and "one village one production" form employment generation.

### **2.5.3 Micro Enterprise Policy 2007 (2064 B.S.)**

The micro enterprise policy for the first time come in 2007 as a policy guideline to address the micro enterprises based on locally available raw materials indigenous technology and small capital investment. The policy has mainly emphasized to the goal of poverty alleviation and improvements to the goal of poverty alleviation and improvements in the living standard of the people below the poverty line particularly women, dalits indigenous nationalities Madhesis and other backward communities as specified by the government of Nepal by providing opportunities of employment self employment and entrepreneurship development in the micro enterprises.

The micro enterprise policy (2007) has defined micro enterprise as "any industry enterprise or other service business based particularly on agriculture forest tourism mines and handicraft (MOICES, 2008) that meets following conditions.

- ) In the case of a manufacturing industry, enterprise, involving the investment of fixed capital of not exceeding two hundred thousand rupees except house and land.
- ) In the case of the service enterprise and industry and enterprise involving the investment of fixed capital of not exceeding one hundred thousand rupees.
- ) The entrepreneur himself or herself is involved in the management.



- ) A maximum of nine workers including the entrepreneur.
- ) It has annual turnover of less than two million rupees.
- ) If it uses engine or equipment the electric capacity of such engine or equipment is less than five kilowatt.

## **CHAPTER- THREE**

### **Research Methodology**

This part will clarify the methodologically approaches applied and contain a description as well as how data collection procedure data analysis and processing had carried out Similarly, it also describes the selection of site nature and sources of data, techniques of data collection, sampling procedure, sample size and sample size justification and procedures adopted in the study.

#### **3.1 Research Design**

This study has been mainly based our exploratory research design because the study has been focus on to investigate the role of MEDEP in rural poverty reduction, and their employment opportunity, skill development and income generate to them. Moreover, the study has been change of rural poor work load, change of girl child involvement, access on health services, change income and their social prestige. In this regards it was an exploratory research. Besides this the study has also followed descriptive method.

#### **3.2 Selection of the Study Area**

This study has been carried out in Sunsari district which is working area of MEDEP program. MEDEP has selected the district due to its huge potentialities to develop of micro enterprises. Sunsari district covers 49 VDCs among them, this study has chosen Dumeraha VDC as a study area. The are is plain area and due to this circumstance greater part of people ratio on the farming livestock and agriculture.

#### **3.3 Universe and Sampling**

For this study Dumraha VDC has been taken as a study place and sample place were chosen through sample random sampling. From the selected sample place, 50 entrepreneurs (23.69%) were selected from 211 entrepreneurs. Altogether 50 household first simple random sampling has been used in different VDCs and different types of entrepreneurs and different cast group.

### **3.4 Sources of Data**

This study is to explore the role of micro enterprises Development Programme for the rural poverty reduction of rural poor people of Dumraha VDC of Sunsari district. Thus both primary and secondary data has been used for the study.

#### **3.4.1 Primary Data**

The primary data has been collected from the rural poor who participate in the micro enterprises Development programme in Dumraha VDC of Sunsari district.

#### **3.4.2 Secondary Data**

Secondary data was collected from previous research report, books, journals, government, non government, organization report follow up report, progress report and monitoring and other reports of the (MEDEP). In the process of data collection similar type of organization has been visited to acquaint with their programs and policies regarding poverty reduction. The secondary data has been collected from published or unpublished written documents from individuals, experts and organization related to poverty reduction and micro enterprises development program specially secondary data has been collected from MEDEP.

### **3.5 Tools and Techniques of Data Collection**

Various research techniques were used for the collecting data which are mentioned below.

#### **3.5.1 Questionnaire Survey**

Questionnaire survey was one of the major survey of this research work. This survey has been used to gather information as micro enterprises development program, its types market channels, income, profit advantage constraints skill development to enterprising activities and potentialities of micro enterprise.

Sampling is an essential part of any investigation. The exact number micro entrepreneurs are not known, random sampling has been used to get the information. Altogether 50 respondent have been interviewed in different location / settlement (Table 3.1).

**Table 3: Sampling Frame**

| Settlement | Sample of male | Micro entrepreneurs | Total |
|------------|----------------|---------------------|-------|
| Sitpur     | 2              | 9                   | 11    |
| Marchaiya  | -              | 12                  | 12    |
| Artaha     | 3              | 5                   | 8     |
| Jhoda      | 1              | 6                   | 7     |
| Chhapki    | 4              | 8                   | 12    |
|            | 10             | 10                  | 50    |

Source: Field Survey, 2010.

Both structured as well as unstructured questionnaire was design consisting 40 question. It was administrated personality to a respondent. So this helped the researcher to explain the nature and purpose of investigation and to make the meaning of the question clear to the respondents. The questionnaire survey was conducted 10 days. The questionnaire has been included in appendix of the report.

### **3.5.2 Observation Survey**

Field observation survey is an important weapon of research in every field. Observation has been carried out in order to get additional information including spatial phenomenon such as location features and also observed the 'access' road access market assess, resource access, means of facilities available in the study area. In the same way, the condition of micro enterprise also been observed. And found that most of the entrepreneurs were in good condition.

And observation protocol sheet has been used to acquire additional information. An important thing observed during, the field visit was there is a huge potentiality of micro enterprises development (MEDEP program) because of its market access and road, access and high demand of Mudha, surbottom pito, cosmetic materials, hens.... stick, fast food and so on.

### **3.5.3 Key Informant Interview**

Interview with key person was one way to get detail information about this issue. Therefore, key informant interview was used to get detail information that were not explored through questionnaire survey.

The survey was based on key informant interview checklist has been used as a survey tool DDC office, MEDEP coordinator, school head master of local school, VDC secretary, local leader, were the key persons / informants of this study. Key informant interview has been basically used to gather information to find out the pocket areas of micro enterprises in Sunsari potentialities challenges and the market channels of micro enterprises development program.

### **3.5.4 Focus Groups Discussion**

The focus group discussion has been made in different areas with the active participation of the entrepreneur, school teachers, social workers and local leaders. The discussion has been focused on poor involvement in micro enterprises their financial status, their social prestige participation in household jobs and constraints they face for intake more profit.

### **3.5.5 Field Note**

Field note was mentioned to record necessary any information observed during field survey. It was means to record supporting information not capture by then survey questionnaire. Important information for the study such as incidence, events discussions which has not been included in either structure or unstructured question has been record in the dairy. Some respondents have interested to share their enterprising background, problems and benefits but some were really not ready to share information such as education, name, income, expenditure, problems etc. Most of the poor farmers are suffering from financial problem to run their enterprise. These were the notes taking after completion the daily field work.

### **3.6 Data Analysis**

Data analysis has been conducted with help of computer software program like MS-word, MS-excel etc. and simple statistical tools like table, graph and diagrams has been used for data analysis; quantitative and qualitative data, descriptive method has been used.

## **CHAPTER - FOUR**

### **Poverty Alleviation Program in Nepal**

#### **4.1 Poverty Alleviation Program Implementation in Nepal**

Nepal has initiated planned development efforts after 1950. In the beginning, three decades of our efforts had been higher concerned on infrastructure development process i.e. roads, bridges, telecommunication, irrigation, bank branches, post, office, hydro project etc. Besides these, some of the work was also be done towards development the social service delivery institution such as hospital, health post, school, drink water supply etc. It is realized that are the major factors of development at that time.

The government only realized after 1980 that with out address the socio-economic aspects of the people. The process of development could not be sustain. Though, government was explicitly and specifically focused in poverty alleviation issues of the people. The basic need program was announced in mid 1980, which was the great testimony of such concern even if that was not implemented for along time. Besides that these were numerous project and program implemented with the direct support of donor agencies. But these were also unsuccessful to obtain their objectives effectively.

Whatever the plans programs and project were implemented most of them were followed top-down approach. In this context they would not address the peoples are problems. Some of the urban elites and rural elites were only more, benefited these efforts rather than these poor and vulnerable sector of the society. So, they were remained in the periphery of the development cycle. After than the concept of people's participation has been developed. The main trust of this approach is to involve the target group in every activities of the program i.e. implementation, monitoring, evaluation and benefit sharing. That was significant efforts for transformation socio-economic condition of the people.

Nepal is poor country. The situation of poverty is serious in rural areas as compared to urban areas. Within the rural areas most of the women marginalized groups landless people are being vulnerable due to vicious circle of poverty. So the transformation process should be need through social, economical, political, cultural change of these section. In this context, various program, plans and projects has been implemented. Out of them, some of them are still under functioning some of were exited. Which are as follows:

- (1) Redistributive programs:
  - ) Land from program 2021
- (2) Rural Development Program
  - ) District development program
  - ) Local development program
  - ) Remote area development program
  - ) Integrated rural development program
- (3) Target group oriented program
  - ) Intensive banking program.
  - ) Small farmers development programs
  - ) Food for work program
  - ) Banking with poor program
  - ) Bisheshwor among the poor.
- (4) Gender group oriented program
  - ) Production credit for rural women (PCRW)
  - ) Regional R.D. Bank program.
  - ) Women awareness and income generation program.
  - ) Micro credit project for women.
- (5) Donor Agency Directly Involved Program
  - ) Participatory district development program (PDDP)
  - ) South Asian poverty alleviation program (SAPAP).



- ) Local governance program (LGP)
  - ) Micro enterprises development program (MEDEP)
  - ) Rural energy development programme (REDP)
- (6) Others Program
  - ) Fulfillment of basic needs program.
  - ) Build our village ourselves program (now VDC grant program)
  - ) Long term agriculture development master plan program (APP).

#### **4.2 Micro Enterprise Development Programe in Project**

The MEDEP is a program implemented by government of Nepal, ministry of industry, commerce and supplies (MoIOS), with technical and financial supports of the United Nations Development Program (UNDP). The UNDP's role is the program has been to help the government is its endeavor to create income and employment generating opportunities through micro enterprises development to reduce poverty. The program was initiated in July 1998 and has been implemented under first phase covering 10 district across Nepal again 10 districts on the second phase and total 31 districts in the third phase.

Since it began MEDEP has developed over 32000 micro entrepreneurs (68% women, 20% dalit and 67% youth) and created about 37000 sustainable jobs. 80% of MEDEP enterprises continue to do business a high success rate that reflects the strength of this program. The average MEDEP micro-entrepreneurs earns over twice what they earned before coming into contact with the program. MEDEP has established business support organizations in all its 31 districts. These are providing a very useful service and are likely to continue as the ex-MEDEP staff that run them earn a good living advising entrepreneurs. The program has also helped establish micro entrepreneur associations that new service their members and are the focal point for the government and donors to keep in touch will the progress and needs of these sector.

#### **4.2.1 The Vision of MEDEP**

To establish a partnership between low income families (which from the micro enterprises sector), consumers of micro enterprises products, services and the local delivery mechanism to create a new dynamic micro private business sector.

#### **4.2.2 Goals**

The twin goals of MEDEP are:

- ) poverty reduction of low income families and
- ) capacity building of service delivery organization.

#### **4.2.3 Immediate Objectives**

**Development of Micro-Entrepreneurs:-** Based on the market potential and the special needs of women new and running micro-entrepreneurs from poor families are linked to local service delivery organizations so that their micro-enterprises can explained and their family's income increase.

**Creation of Sustainable Service Delivery Mechanism for Micro Enterprises:** A micro-enterprise service mechanism has been created through the networking of local organizations in sustainable enterprise partnership with micro-entrepreneurs and building. The local capacity of local government and community through participatory programme management and share information system. In line with this objective, district programme implementation committees (DPICs) have been formed and are functional in all ten implementing districts.

#### **4.2.4 MEDEP Target Group**

##### **4.2.4.1 Low Income Families Living below the Poverty Line**

- ) Unemployed youths and under employed men and women.
- ) Self-employed proprietors and stunted micro enterprise owners.
- ) 80 percent rural and 20 percent urban based beneficiaries.
- ) 70 percent women participation.

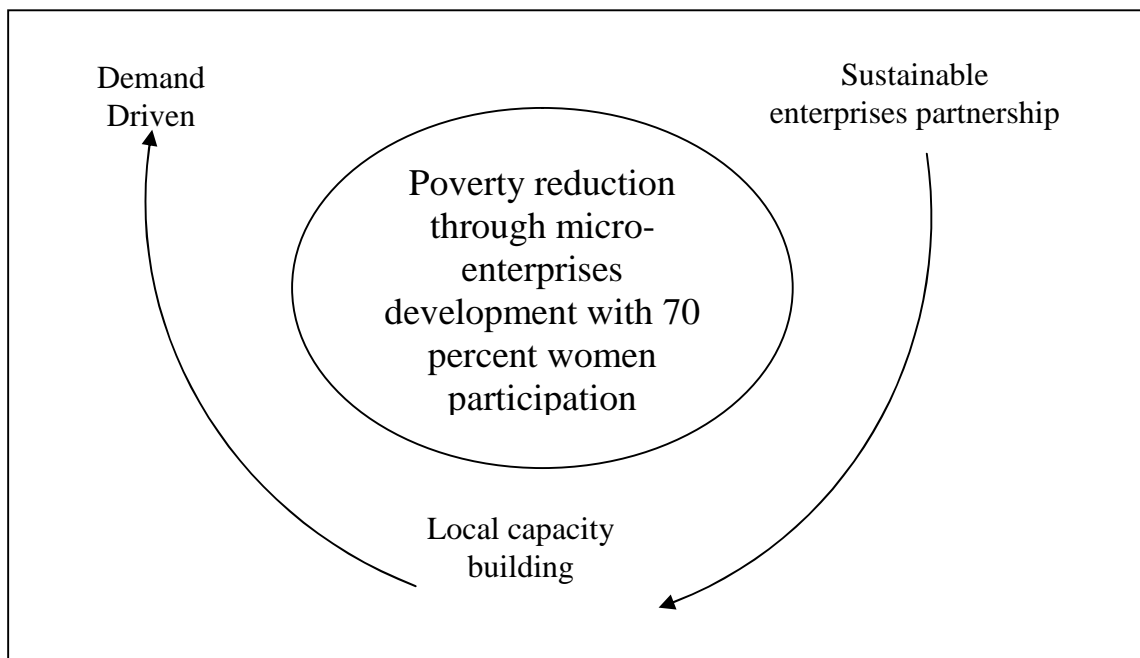
#### 4.2.4.2 Service Delivery Organizations

- ) National level partners organization.
- ) District level partner organizations.

#### 4.2.5 Key Strategies of MEDEP

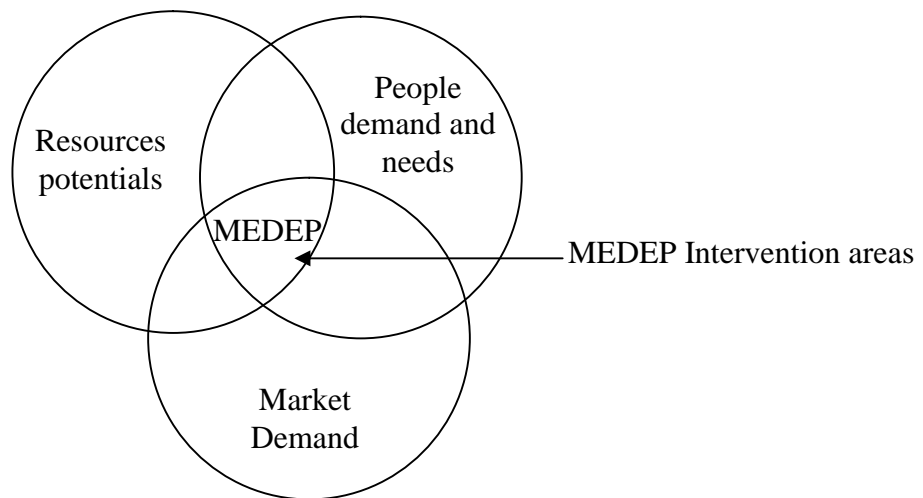
MEDEP programme which contributes to enterprise development by offering training consultation and support services to entrepreneurs. The strategies of MEDEP to achieve its objectives and goals are based on the following (Figure 1).

**Figure No. 3 Key Strategies**



**Demand driven approach :** Program activities of location areas under the project are based on the needs and demand of markets (consumers) and the ability and potentials of micro entrepreneurs to meet demand. All the program activities are being conducted in conformity with the individual requirement and capability of the micro-entrepreneurs and the market demand of their products and services program intervention and entry and based on the through understanding and study of the resource potential people's and market demand of products and services MEDEP intervention is focused on the intersection of these three board areas (Figure 2).

**Figure No. 4 Intervention Concept of MEDEP**



**Sustainable Enterprise Partnership:** The program promotes strategic alliances and networks between project partners to support micro-enterprises development. These alliances and networks aim to make a concerted effort to mobilize local resources and initiatives to reduce poverty by stimulating micro enterprise growth.

**Building Local Capacity:** Program activities under the project are focused to strengthen the capacity to local business, institutions and organizations to promote and develop micro-enterprises and employment opportunities. The program works in partnership with district Development Committee (DDCs) and others organizations that are engaged in creating local level employment. The program also helps them in the process of capacity building for planning and implementation of micro-enterprise development.

MEDEP has been designed with emphasis on six building blocks. The six building blocks within the program facilitate to provide package of services to micro-entrepreneurs in partnership with relevant implementing partner organization (IPS) at the district level. In delivering the packages of services its focus is centered on the following building blocks in sequential order which are:

- ) Entrepreneurial competency development
- ) Skill development.
- ) Management information system.

- ) Micro credit support.
- ) Appropriate rural technology and product development.
- ) Market promotion and business counseling.

MEDE Partners and their roles in the program

**Table 4: Stakeholders Programs Partners**

| Partners   | Roles  |
|--|--|
| - Department of cottage and small industries (DCSI).                       | - Skill development training.                                |
| - Cottage and small industries department board (CSIDB)                    | - Skill development training.                                |
| - Agriculture development bank Nepal (ADB/N).                              | - Micro credit   |
| - Federation of Nepalese chambers of commerce and small industries (FNCCI) | - Business counseling and follow up support.                 |
| - Industrial enterprise development institute (IEDI)                       | - Entrepreneurship development training/business counseling. |
| - District development committee (DDC)                                     | - Micro enterprise planning                                  |
| - Local trust fund board   | - Micro credit   |

**Table 5: Networking programme Partners**

|  |   |
|--|---|
| Product associations and NGOs                    | Market promotion, business counseling and follow up support |
| RECAST (Tribhuvan University)                    | Appropriate technology                                      |
| Centre for Rural Technology (CRT)                | Appropriate technology                                      |
| Rural Band/Local saving and credit co-operatives | Micro credit  |

#### 4.2.6 The Program is guided by a commitment to

- ) Provide service to clients living below the poverty line.
- ) Geographical diversity (representation of districts from all five development regions including both hills terai districts).

- ) Gender consciousness (Programme has target of 70 percent women participation).
- ) Team work and partnership (Govt. organization NGOs, INGOs local government bodies partnership).
- ) Indigenous knowledge tap local resources and existing skills.
- ) Scientific approach (Management information system/monitoring).
- ) Diversity of opinion and approach (Participatory approach).
- ) Demand driven approach (Based on market dynamic)

**CHAPTER - FIVE**  
**STUDY ON SOCIO- ECONOMIC CONDITION**

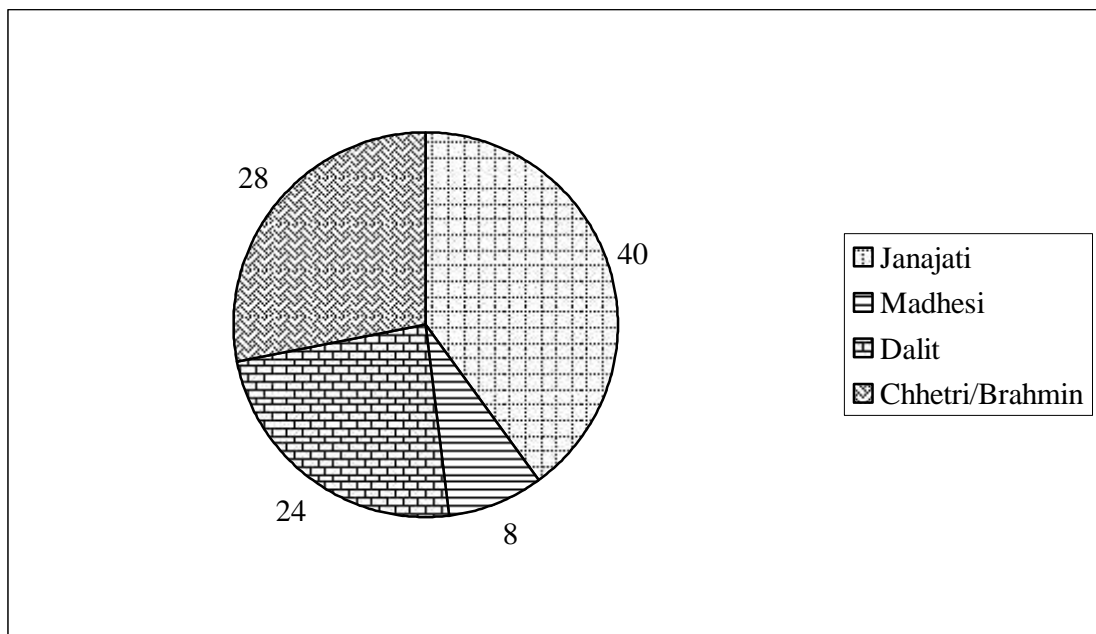
**5.1 Features of Micro Enterprise Development Programme Activities**

This chapter deals with the finding pertaining to the street MEDEP Role in Poor people's (entrepreneurs) - regarding their socio-economic impact through micro enterprise activities. It tends to give an insight of their change in socio-economic status. The social status comprises the information like demography, education and decisive role at family, health etc. The study on economic status comprises of the information regarding the occupation, income, consumption employment, skill development expenditure, current status and information regarding to their current job. The social status comprises the information like demography, education and decisive role at family, health etc .The study on economic status comprises of the information regarding the occupation, income, consumption and expenditure pattern and information regarding to their current job.

**5.1.1 Personal Detail**

This chapter specifically focuses the background of the pertaining to micro enterprise. The finding pertaining to their personal characteristics are presented here.

**(A) Figure 5: Caste/ethnic group**



The figure 5.1 shows the distribution of respondents by caste. Out of respondents who were participated at MEDEP in Dumraha VDC of sunsari district, more than 40% are Janajati. In the second position Madhesi respondents are 28%. Similarly, among total respondents 24% of respondents are Dalit and 8% respondents are from Chhetri / Brahmin caste groups.

## **B. Age Structure**

All poor can be a member of group under the micro enterprise development programme. There is no age bar to be a member of the group. Marital status and age variation of the sample is presented below in table 3.

**Table 6: Distribution of Entrepreneurs Sample by Age Structure**

| S.N. | Age      | Number of respondents | Percentage |
|------|----------|-----------------------|------------|
| 1    | 10-20    | 2                     | 4          |
| 2    | 20-20    | 4                     | 8          |
| 3    | 30-20    | 14                    | 25         |
| 4    | 40-20    | 17                    | 34         |
| 5    | 50-20    | 9                     | 18         |
|      | Above 60 | 4                     | 8          |
|      | Total    | 50                    | 100        |

*Source: Field Survey, 2010*

The data presenting to the age of the micro entrepreneurs shows that the average age of people is 45. The minimum age of entrepreneur (MEDEP member) is 18 while maximum age is 67. The data shows that maximum number of enterprenrurs are within the age group of 40-50 i.e. percent.

## **(c) Family type**

Size of family within the nuclear and joint family may vary to a great extent. Though nuclear families are also large in size, comparatively extended families have larger number of members. The family background is considered as the main basic of economic activities of the people. The family type and their size are known in table below.



**Table 7: Distribution of Micro Enterpreneru by the Type of Family**

| Family size | Types of family       |                       | Total | Percent |
|-------------|-----------------------|-----------------------|-------|---------|
|             | No. of nuclear family | No. of jointly family |       |         |
| 1           | 1                     | 0                     | 1     | 2       |
| 2           | 1                     | 0                     | 1     | 2       |
| 3           | 3                     | 0                     | 3     | 6       |
| 4           | 10                    | 1                     | 11    | 22      |
| 5           | 1                     | 14                    | 15    | 30      |
| 6           | 0                     | 8                     | 8     | 16.9    |
| 7           | 0                     | 9                     | 9     | 18      |
| 8           | 0                     | 2                     | 2     | 4       |
| Total       | 10                    | 34                    | 50    | 100     |

Source: Field Survey, 2010

2% of respondents reported only one. Family members, 4% respondents with joint families have 8+ members in family compared to 0% respondents in nuclear family. The majority of micro entrepreneurs have joint family structure.

**Table 8: Distribution of respondents according to their Family Head**

| S.N. | Type          | Number of respondents | Percentage |
|------|---------------|-----------------------|------------|
| 1    | Him/Her self  | 5                     | 10         |
| 2    | Husband       | 35                    | 70         |
| 3    | Father/mother | 10                    | 20         |
|      | Total         | 50                    | 100        |

Source: Field Survey, 2010.

Table no. 5 respondent that most of the households are husband headed. Out of 50 households several in the study 90% of others headed households.

#### (d) Marital Status

From 50 entrepreneur where 11 were male and 39 women, then all men are married and women are given below. Marriage is a source of comparison ship and overall security rather than a ritual, social and sexual obligation in Nepalese society. The marital status of micro enterprises shows that overwhelming majority is married and only 6 are unmarried.

**Figure 6: marital status**

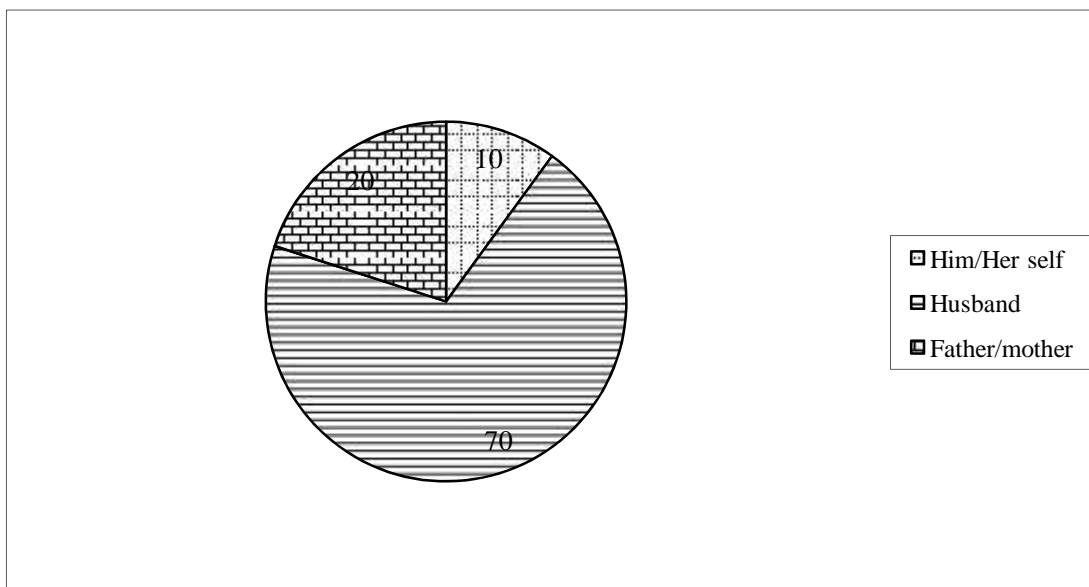


Figure 5 shows that 64 percent women are married 15.38% are unmarried, 17.95 are widow, and 2.57% are divorce women.

**(e) Educational Level**

In this study education level of respondent was summarized into 3 categories (i) Illiterate (ii) Literate (iii) Higher education. Most of the poor people are illiterate, others of them are literate and one are higher education. Education background of micro entrepreneur is not/satisfactory.

**Table 9: Distribution of Women by Their Education level**

| Education level  | No.of micro entrepreneurs |   |          |   |         |   |       |   |        |
|------------------|---------------------------|---|----------|---|---------|---|-------|---|--------|
|                  | Brahmin /Chhetriu         | % | Janajati | % | Madhesi | % | Dalit | % | Others |
| Illiterate       | 0                         |   | 7        |   | 10      |   | 9     |   | 26     |
| Literate         | 4                         |   | 12       |   | 4       |   | 3     |   | 23     |
| Higher education | 0                         |   | 1        |   | 0       |   | 0     |   | 1      |
| Total            | 4                         |   | 20       |   | 14      |   | 12    |   | 50     |

## 5.2 Economic Activities

The table shows the number and percent of people engaged in different activities. Agriculture is the main occupation of the majority of people in the district; about 40 percent are involved in this activity. On the other hand, the non agricultural activities sector which employs about 60 percent households. Next occupation is service sector, which constitutes second place with almost 10 percent followed by business with about 10 percent.

**Table 10: Distribution of Households by Occupation**

| <b>Types of Activities</b> | <b>No. of respondents</b> | <b>Percent</b> |
|----------------------------|---------------------------|----------------|
| Agriculture                | 20                        | 40             |
| Small industries           | 5                         | 10             |
| Business                   | 10                        | 20             |
| Service                    | 9                         | 18             |
| Other                      | 6                         | 12             |
| <b>Total</b>               | <b>50</b>                 | <b>100</b>     |

*Source: Field Survey, 2010*

In conclusion, agriculture seems to be the major occupation of VDC households while least households are involved in small industry sector. 20 percent business holder occupied out of total respondents, such as 18 and 12 percent are service and other.

## 5.3 Profit from Micro Enterprises Development programme

Through MEDEP small farmers and business man are earning money and progress to the better life. The major sources of cash income from MEDEP are livestock, meat, groceries, vegetables vendors and live animals like chickens and pigs. Livestock based micro-entrepreneurs sell their pigs either to butcher or to middle-man come from India, Bhutan, Kathmandu and Dharan. Live poultry and eggs are also selling to the middle man. Vegetables supply to local markets and up to Kathmandu also. There is high demand of live pigs and chicken due to quite high demands in the local markets too.

**Table 11: Distribution of Annual Profit from MEDEP**

| <b>Profit in rupees (000)</b> | <b>Number of entrepreneurs</b> | <b>Percent</b> |
|-------------------------------|--------------------------------|----------------|
| Less than 10                  | 19                             | 38             |
| 10-20                         | 13                             | 26             |
| 20-30                         | 3                              | 6              |
| 30-40                         | 4                              | 8              |
| Above 40                      | 11                             | 22             |
| <b>Total</b>                  | <b>50</b>                      | <b>100</b>     |

*Source: Field Survey 2010*

The table shows one-third of the total households are earning less than NRs 10,000 profit annually. Likewise, about 26 percent entrepreneurs earn 10-20 thousand annually. On the other hand, dramatic fall of percentage can be seen of 20-30 thousand and 30,000 to 40,000. However, about 22 percent gained profit annually more than 40,000. Overall, the table shows that a range of profit is quite different, and the household percentage is also not remained stable.

#### **5.4 MEDEP as a Source of Employment**

In rural areas of Nepal, there are very few employment opportunities, so self employment in small scale business like livestock, grocery, poultry farming, vegetables vendors presents a viable option for income generation as well as self employment for poverty reduction. In the study area livestock becomes a source of employment and provides considerable amount of benefits to the farmers.

#### **5.5 Alternative Source of Income**

Small farmers not only engaged only one income generation programme but also involve other income generation programme. Most of the entrepreneurs have their alternative source of income. They easily run other activities along with main occupation so it is very supportive for poverty alleviation effort. In the family, some members especially women are involve in livestock enterprise and male members involved in driving other activities.

**Table 12: Distribution of respondents according to their alternative Source of Income**

| <b>Alternative source of income</b> | <b>Number of entrepreneurs</b> | <b>percent</b> |
|-------------------------------------|--------------------------------|----------------|
| MEDEP only                          | 12                             | 24             |
| MEDEP and sustain agriculture       | 19                             | 38             |
| MEDEP and business                  | 10                             | 20             |
| Others                              | 9                              | 18             |
| <b>Total</b>                        | <b>50</b>                      | <b>100</b>     |

*Source: Field Survey, 2010*

The table 12 shows the alternative source of income. Different Micro Enterprises Development Programme rearing as only occupation it carried out by one-fourth respondents. MEDEP and sustain agriculture is common activity and it shares the highest percentage. Sustain agriculture means not for professional agriculture but only for gathering food for daily life. Similarly, MEDEP with business also adopting by nearly 20 percent. And other sector like driving, teaching etc. also occupies about 18 percent. On the whole, an agriculture activity is the backbone to sustain livestock enterprise.

## **5.6 Educational Attainment**

educational attainment indicates the social transformation of any place and caste ethnicity. Monetary investment on the children education indicates the socio economic status of people in general and rural people in particular. Higher the socio-economic status. Higher the expenditure on child education in the village. Without higher earning it is not possible to invest amount for children household education. Therefore, who earned better their enterprises has invested comparatively more to the child education.

**Table 13: Distribution of respondents on the basis of their educational attainment**

| <b>Types of School</b> | <b>No. of households</b> | <b>Percent</b> |
|------------------------|--------------------------|----------------|
| Private School         | 32                       | 64             |
| Public School          | 18                       | 36             |
| Total                  | 50                       | 100            |

*Source: Field survey 2010*

The table 13 shows that majority respondents send their children private school which is 64 percent. whereas only 32 percent respondent's children go to public school. The table shows the progressive social standards of respondents.

### **5.7 Challenges for MEDEP**

In Nepal generally the rural people are dependent on agriculture and small business. And MEDEP being a part of people of study area. It plays a vital role in the economy as an extra income generating business. However, the sector with small farmers are facing various challenges (table 7.4). The most common problems for MEDEP development in the study area are the lack of financial institutions, poor breed and seasonal problems.

**Table 14: Distribution of respondents by their problems.**

| <b>Challenges</b> | <b>Micro-Entrepreneurs</b> | <b>Percent</b> |
|-------------------|----------------------------|----------------|
| Seasonal problems | 10                         | 20             |
| Middle man        | 12                         | 24             |
| Diseases          | 5                          | 10             |
| Market            | 18                         | 36             |
| Others            | 5                          | 10             |
| Total             | 50                         | 100            |

*Source: Field Survey, 2010*

Table 14 shows that the different challenges of MEDEP in the study area. Market is the most serious challenge among all and almost 36 percent of the entrepreneurs have

faced this problem. Second considerable challenge is middle man. Who determine the price of product and the flexible price system in the study area has acted as an obstacle. In the same way, diseases seems to be another important problem which shares about 10 percent tougher with seasonal problems by 20 percent. On the contrary, other problems such as skill manpower, seeds, transportation seems to be the minimal among all the challenges.

## CHAPTER - SIX

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 6.1 Summary

This study reveals the situation of MEDEP in Dumraha VDC, Sunsari. The survey was carried out with 52 sample households. It examined the livestock, grocery, vendors, poultry farm based micro enterprise linking with poverty reduction, marketing channels and potentialities and challenges.

Sunsari district has been divided into several pocket areas (VDCs). Itahari, Inaruwa, Chatara VDCs are cattle areas whereas Itahari Haspossha, Medhasa , Bhokraha, Madhendranagar, Harinagar are for buffalo and Dharan, East Kusha, Sonapur, Khanar, Aurawani are known for pig raring . Similarly, Itahari, Inaruwa, Pakali, Dhuhabi and Dharan are knoen for poultry farming.

Sunsari district has 13 major weekly markets for livestock trade and several major or minor markets are available here. From the market point of view Sunsari is huge market but in the specification of micro enterprises products big industrial product coverage the market.

For any enterprise marketing plan is necessary to make success of it. In the marketing plan the key factors to be considered are location, pricing, buying and channels of distribution of goods and promotion. The field survey shows that there is lacking of business literacy and awareness among micro entrepreneurs to make marketing plan.

The study has found high potentialities of micro-enterprise base products in the study area. High demand of local made products, transportation facilities, market access and increasing number of population are also important factors. So, farmers are motivated toward micro-enterprise as it is a profit oriented small business. From small invest also different micro enterprise programme can be run and get benefit within short time.

Various challenges have been confronted to entrepreneurs. Seasonal problem and middle man, who determine the price of product together with the flexibility of price system in the study area has acted obstacles. In the same way, market seem to be the



third challenge. Still farmers are exploited by higher classes of community and also by middle men.

Out of respondents who were participated at MEDEP in Dumraha VDC of Sunsari district, more than 40% are Janajati. In the second position Madhesi respondents are 28%. Similarly, among total respondents 24% of respondents are Dalit and 8% respondents are from Chhetri / Brahmin caste groups.

Micro entrepreneurs shows that the average age of people is 45. The minimum age of entrepreneur (MEDEP member) is 18 while maximum age is 67. The data shows that maximum number of entrepreneurs are within the age group of 40-50 i.e. percent.

From 50 entrepreneurs where 11 were male and 39 women, then all men are married and women are given below. Marriage is a source of comparison ship and overall security rather than a ritual, social and sexual obligation in Nepalese society. The marital status of micro enterprises shows that overwhelming majority is married and only 6 are unmarried.

Through MEDEP small farmers and business man are earning money and progress to the better life. The major sources of cash income from MEDEP are livestock, meat, groceries, vegetables vendors and live animals like chickens and pigs. Livestock based micro-entrepreneurs sell their pigs either to butcher or to middle-man come from India, Bhutan, Kathmandu and Dharan. Live poultry and eggs are also selling to the middle man. Vegetables supply to local markets and up to Kathmandu also. There is high demand of live pigs and chicken due to quite high demands in the local markets too.

From the study one-third of the total households are earning less than NRs 10,000 profit annually. Likewise, about 26 percent entrepreneurs earn 10-20 thousand annually. On the other hand, dramatic fall of percentage can be seen of 20-30 thousand and 30,000 to 40,000. However, about 22 percent gained profit annually more than 40,000. Overall, the table shows that a range of profit is quite different, and the household percentage is also not remained stable.

Small farmers not only engaged only one income generation programme but also involve other income generation programme. Most of the entrepreneurs have their alternative source of income. They easily run other activities along with main occupation so it is very supportive for poverty alleviation effort. In the family, some members especially women are involve in livestock enterprise and male members involved in driving other activities.

From the study the different challenges of MEDEP in the study area. Market is the most serious challenge among all and almost 36 percent of the entrepreneurs have faced this problem. Second considerable challenge is middle man. Who determine the price of product and the flexible price system in the study area has acted as an obstacle. In the same way, diseases seems to be another important problem which shares about 10 percent tougher with seasonal problems by 20 percent. On the contrary, other problems such as skill manpower, seeds, transportation seems to be the minimal among all the challenges.

## **9.2 Conclusions**

The research has tried to study issues of the micro-enterprises base products pocket areas, role on poverty reduction, marketing channels and its potentialities and challenges in the study area. Various data collection tools have been used to gather data and were fruitful to gather information and to understand the issues.

Due to lacking of entrepreneurship knowledge, entrepreneurs are not motivated to make marketing plan. Informal sector business has not in any strong association so they are far to get any types of business knowledge from the government and other development agencies. There are five levels of intermediaries between production sources and the final markets. The study area has no marketing problem especially for livestock products but another products such as vegetables venders, dairy product etc has to face marketing problems.

Micro-enterprises base programme is suitable for rural community. It doesn't cost much money and skill. We can use local level resources for small business. It is being sustain from the point of view of resources, programme. Rural people direct get benefits from this types of programme.

### **9.3 Recommendations**

Micro enterprises cover wide range of activities. It is playing a pivotal role in employment and not only in local but also in national economy development with low capital investment by individual and private sectors. The definition of micro enterprise is different in different country as level of economy and per capita income of people. In India, a definition that included both total investment and labor employment was used, but it is given up subsequently in favor of investment on plant and machinery alone. On the basis of issues identified in the research, some recommendations are suggested.

- a) This study does not cover the all micro enterprises development programmes of Sunsari districts, so further researcher who have interested in this similar issues.
- b) This study does not survey non commercial entrepreneurs who produce only commercial products, I include also domestic users. So, further researcher who have interested in the similar issues, would make a comparative study between commercial and non commercial farmers.
- c) The study covers a very small area. Future researchers can pursue a larger study area so that better understandings can be derived.

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8. How you selected for the participation in MEDEP ?  
.....
9. When did you involve in MEDEP ?  
.....
10. Why did you joint the program ?  
 (a) To earn more income and to improve family condition. ( )  
 (b) To go company to friend. ( )  
 (c) To be self dependent ( )  
 (d) Other ( )
11. Type of enterprises .....
12. Starting date of enterprises .....
13. Number of worker in the enterprises.....  
 (a) From family ( ) (b) From out ( ) (c) Total ( )
14. Do you have food sufficiency from your own land ?  
 (a) Yes ( ) (b) No ( )  
 If no, how many months of the year ?
15. Land size, land tenant status and production ?

| Topic                         | Khet in bigha | Production in quintal | Bari in bigha | Production in quintal |
|-------------------------------|---------------|-----------------------|---------------|-----------------------|
| Self ownership                |               |                       |               |                       |
| Tenancy                       |               |                       |               |                       |
| Land to other (Share cropper) |               |                       |               |                       |

16. What was your cash income in last year (in Rs.) ?

| S.N. | Description         | Amount |
|------|---------------------|--------|
| 1    | Agriculture surplus |        |
| 2    | Labor               |        |
| 3    | Enterprise          |        |
| 4    | Animal product      |        |
| 5    | Service             |        |
| 6    | Other               |        |

17. What was your cash expenditure last year

| S.N. | Description           | Amount |
|------|-----------------------|--------|
| 1    | On food               |        |
| 2    | Clothing              |        |
| 3    | Fertilizer            |        |
| 4    | Education on children |        |
| 5    | Interest payment      |        |
| 6    | Others                |        |

18. Children enroll of entrepreneurs.

Before program

After program

Girl ( ) School ( . ) Boarding

( ) school ( ) Boarding

( ) non of them

( ) non of them

Boys ( ) School ( . ) Boarding

( ) school ( ) Boarding

( ) non of them

( ) non of them

19. Main occupation before joining MEDEP and now ?

| S.N. | Occupation           | Before | After |
|------|----------------------|--------|-------|
| 1    | Agriculture          |        |       |
| 2    | Household activities |        |       |
| 3    | House work           |        |       |
| 4    | Other                |        |       |

20. Average monthly income before and after joining MEDEP (in Rs.) ?

(a) Before (Rs.....) (b) After ( Rs.....)

21. How may employ in your family before and after joining MEDEP ?

(a) Before (No.....) (b) After ( No.....)

22. Have you got training from MEDEP ? Yes( ) No ( )

If you take training maintain in following

| S.N. | Name of the topic | Duration |
|------|-------------------|----------|
| 1    |                   |          |
| 2    |                   |          |
| 3    |                   |          |

23. Have you got loan from MEDEP ?

(a) Yes ( )

(b) No ( )

24. Are you benefited from the loan ?  
 (a) Yes ( ) (b) No ( ) (c) Don't know ( )
25. If yes, do you know how many income have you generated ?  
 Rs.....
26. Have you benefited from this project ?  
 (a) Yes ( ) (b) No ( )  
 (a) Increased right within the family to take decisions. ( )  
 (b) Leadership capacity developed ( )  
 (c) Increased self confidence ( )  
 (d) Increased right to spend ( )  
 (e) Change in attitude  
 (f) Increased participation in continuity activities  
 (g) Other (please specify)  
 If not, what do you think may be reason ?  
 .....
27. How many hours in a day are you working at present ?  
 .....
28. How many hours a day you used to work previously before becoming member.  
 .....
29. What is your income source ?  
 (a) Agriculture ( ) (b) Services ( )  
 (c) Enterprises ( ) (d) Other ( )
30. What are the problems you faced for the continuity of small enterprises ?  
 (a) Capacity ( ) (b) Technical problems know throw ( )  
 (c) Economic ( ) (d) Opportunities of marketing ( )  
 (e) Local resource / raw material ( )
31. Can you continue the enterprises ? Yes / No  
 If yes, what are strong aspect If no, why not ?

.....  
.....  
.....

32. What is your monthly income before and after accepting MEDEP ? in (Rs.)  
(a) After ( ) (b) Before ( )
33. What is the major impact of MEDEP on your family ?  
(a) Positive ( ) (b) Negative ( ) (c) Don't know ( )
34. What skill you have before joining MEDEP program ?  
.....
35. How MEDEP program helps to improve your skill ?  
.....
36. This program reached to the poor people of rural areas ?  
(a) Yes ( ) (b) No ( )
37. How much loan is provided by MEDEP ? (in Rs.)  
(a) ( )
38. How you have felt by accepting MEDEP ?  
(a) Easy ( ) (a) Medium ( ) (b) Hard ( )
39. Are you satisfied by MEDEP program ?  
(a) Maximum ( ) (b) Average ( ) (c) Low ( ) (d) No ( )
40. Do you want to continue this programme or not ?  
(a) Yes ( ) (b) No ( )