

# CHAPTER – I

## INTRODUCTION

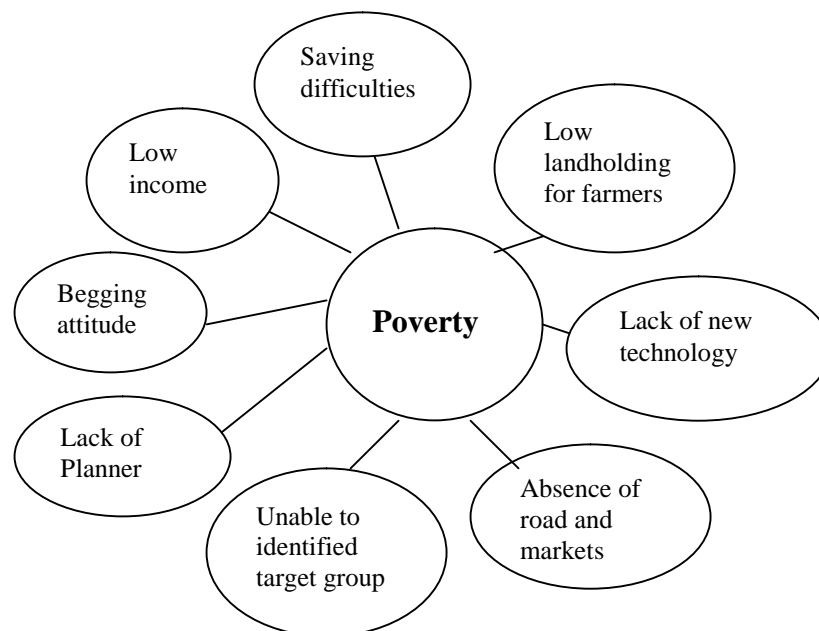
### 1.1 Background.

Economically, Nepal is an agrarian country. It is located on the two big countries India and China having 147181 sq. km in area. According to the census 2001 85.5 percent of the people live in rural area. The majority of the people (65.2%) depend on agriculture for their livelihood (MOA, 2005:371) the pressure of population on agriculture is high. 69.4% has below 1 hectare of landholders (Nepal population and Environment, facts and figure, 2001). This shows that Nepali farmers fall in the category of small and marginal farmers. The population is growing at the rate of 2.25% but the food production is not keeping pace with the increase in population. 31% of the people are below the poverty line (CBS, 2005).

### What is Poverty?

Poverty means, surrounding position by the low level of income, insufficiency of daily foods, absence of science, traditional and cultural backwardness, high rate of death and birth and absence of entrepreneurship is the status of poverty. By following the figures the causes of poverty try to clear more here.

Figure no. 1.1 causes of poverty



Nature is gracious in her gift here, productive soil and adequate rain for agriculture, diverse climate condition and topography has opened the potentiality of crop diversity. The southern part of country with fertile soil is remarkably potential for agronomy, vegetable farming and horticulture mainly the tropical and sub tropical varieties. Similarly, the middle part of country with varied climate, combination of mountains, river basins, tars are also moderately appropriate for agronomy and highly potential for vegetable farming and horticulture as well as animal husbandry/livestock. The northern side of country is largely occupied with High Mountain and less favorable for agriculture but potential for livestock. The high Himalaya representing richness in biological and cultural diversity has contributed to great prosperity and progress of the nation. But the country is unable to absorb its prosperity for the multidimensional development aspect of the nation and suffering from poverty. The country has been consistently ranked as one of the poorest country on the world. Poverty is characterized on above the figure. The latest report reveals that, poverty headcount of Nepal remained 30.85 percent in 2003/004 with per capita income of \$269 (CBS, 2004, MOF, 2004) or \$230 (World Bank, 2004).

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

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

The agriculture prospective plan has emphasized to increase agriculture productivity and alleviate poverty as well as to achieve significant improvement in the standard of living through the expanded employment opportunities. App's goals to

achieve agriculture growth rate of 5% from a present level of 3% per annum, by reducing poverty level to 14% and increasing food grain production per capita per annum to 426 kg from the level of 276 kg require a set of input like agriculture credit, improved seed, fertilizer and agriculture market for all small and middle class farmers.

The data shows that, the population growth rate is 2.25% (census, 2002) and agriculture production growth rate is 2.6 but the issue that agriculture production growth rate is mainly through cropland expansion and this growth rate does not contribute significantly in GDP is remarkable. Agriculture sector has contributed 40% of total population is involved in this sector.

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

At 1975, a survey jointly held by UNDP and FAO in 9 developing countries of Asia including Nepal had made common consensus to improve the governmental ongoing programs in favor of small farmers and bring them in the mainstream of development process (kunwar, 2004:178) and the Nepal Government had made initiation to lunch the target program for small and marginal farmers as intensive program. The Small Farmer Development Program (SFDP) was also the effective program under target group approach and was introduced as pilot project in Dhanusha and Nuwakot in tarai and hill respectively with support of FAO/UNDP and ADBN at the mid of 70s. Due to its positive impact the program was extended nation wide and the number of sub project offices of SFDP reached a maximum of 459 in 1993, benefiting about two hundred thousand small farmers households, which is more than 1.2 million population below poverty line, scattered over 649 VDCs of 75 districts (ADBN, 2005:1).

The main objective of SFDP was to improve the socio economic condition of small farmers living in the rural areas of hill and terai by providing financial and non financial services. In 1987 an innovative idea to transfer SFDPs into fully administered and managed co-operatives of small farmers was introduced by ADBN. As a result, in 1993 four small farmers co-operatives limited were formed, and since then the 219 SFCLs have been established in 36 district of the country.

Small Farmers Co-operative Limited is principally formed by the provision of co-operative and designed to deliver primarily financial as well as non financial services to its members in rural areas. In global context, first of all co-operative was introduced in 1844 by Rochdale society in Britain. It was the initial movement of co-operative initiated by workers of factories to protect themselves from cunning businessmen of contemporary environment.

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

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

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

### **1.2 Statement of Problem.**

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

Cooperative movement in Nepal began with the holistic objectives to augment socio economic status of the underprivileged rural sector people having no access to the socio economic means. This was the perfect system that provided members strength to compete against the exploitative forces of capitalist economy and to function in democratic manner.

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

To improve the economic level of kalleri small farmers, income level should be increased through development of entrepreneurship as well as improving the conventional type of farm practices. To enhance the given term certain opportunities and input requires. Importance of agriculture is possible in such circumstances, when farmers can get all sorts of input like improved and healthy seed, chemical fertilizer,

irrigation facilities, training and market of the product etc. The facilities generally offered by government could not reached to small farmers because of their low accessibility or due to the lack of education and poor economic condition, not only this the cumbersome administrative process to get the services. They are so poor and can not pay new techniques. Due to the lack of collateral and good security it is impossible to get credit from bank.

Considering this, Government has lunched many programs for small farmers to improve the socio economic condition of the rural people of kalleri VDC, The ADBN had lunched the SFDP since 1987 (2044 B.S.), and it was institutionalized as form of co-operative managed by small farmers since 1994 (2051 B.S.) of the area. Due to the lack of managerial skill, large coverage, ethnic diversity in members and limited resources some tribulations are raised and cooperative management is also being problematic. Service like micro credit, technical services like training and counseling, irrigation facilities, providing seed, fertilizer and marketing is not sufficiently supplied. It may hamper the mobilization of the farmers and level of trust may be decreased.

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

Small Farmer Co-operatives are formed and operated in village level by farmers. Principally, Small Farmers Cooperative Limited is a multi purpose co-operative designed to deliver primarily financial and non financial services to its members in rural areas and basically it aims at promoting farmers' economic status and itself sustenance. To achieve identified objective, better understanding between members and commitment on co-operative principal as well as institutional behavior is very crucial. The economic and social betterment of the members is prime objectives of SFCLs. This concept was introduced by Agriculture Development Bank-Nepal and supported by GTZ and initially SFDP was transformed into SFCL in Chhatredeurali, Bhumisthan, Maidi and Dhunkot VDC of Dhading district as piloting. Presently,

SFCLs number has reached 219 which are working throughout the country (SKBBL-2008).

Initially, SFCL was introduced as an exit strategy of Small Farmers Development Program and now it is emerging as a small bank managed by small and poor rural people. So there is a significant role of such type of financial institution and it is necessary to study the role of SFCL relating it with rural economic development. There are 19 SFCLs in Dhading district. The 17 SFCLs are functioning at present out of two SFCL, Tripureshwor and Dhunkot. The study has been focused on criterion of credit facility, its activities related to entrepreneurship development and other non financial services. This study is concerned the performance of the institution as well as the socio economic impact on the farmers of kalleri.

Basically, this study is being done to identify the role of Small Farmer Co-operative Limited role in entrepreneurship development and income generation among its members. The SFCL is a significant poverty alleviating institution with ground foundation. It is emerged with aims of increase productivity, income and improving the life standard of poor farmers through the rural financing. Small Farmers Co-operatives are service provider, incase of Dhading these institutions seems to be devoted to provide financial and non financial services but the effectiveness has not been measured yet. Its effectiveness can be studied in kalleri SFCL. It was established in 2051 and regularly providing services to its shareholders. This study was carried to examine its role in improving socio economic life of poor.

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

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

The specific objectives are as follows:

I. To analyze the financial and non financial services of Small Farmer Co-operative Limited (SFCL) to its members regarding to economic development of poor people.

II. To examine the role of SFCL in income generating activities in rural community.

III. To examine the employment opportunities by SFCL interventions.

#### **1.4 Importance of the Study.**

Co-operatives must have certain principles, which are also set of rules and regulation to regulate and govern the activities of co-operatives business/enterprise. There have been 3 types of co-operative systems. They are Rochdale system, Raiffersen system and Schulze system. Raiffersen system is concerned with farmers (Badal, 2004:57-60).

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



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

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

### **1.6 Organization of the Study.**

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

The fourth chapter mainly deals with introduction of the study as well as introduction of SFCL kalleri. The fifth chapter includes the data analysis and interpretation. The concluding part (Summary, conclusion and recommendation) of the dissertation is summed up in chapter six.

## **CHAPTER-II**

### **REVIEW OF LITERATURE**

#### **2.1 Background:**

Literature review consists of reviewing both the theoretical and previous related studies to shape to the present study. Different documents related to agriculture and economic of Nepal, concept of co-operative, emergence and performance Small Farmers co-operative and management practices, services provided by farmers co-operative and its institutional performance are reviewed briefly. Its aim is to apply reflection to existing achievements and problems related to social, institutional and economic sphere. Literature review chore has been fragmented into several sub chapters to simplify the work. To proof the rationale of study a brief note on view of literate persons is remarked here under Agriculture and rural economy, co-operative movement, small farmer development program small farmer co-operative limited and small farmer.

#### **2.2 Agriculture Economy.**

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

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

Agriculture and credit play very important role in poverty alleviation and in the creation of employment in the village by promoting agricultural and other business. There have been enough achievements as target from the agricultural programs. Lack of easy access to receive loan, inadequate institution expansion, lack of security, excessive indirect expenditure to receive loan and high interest loan have been observed as the obstacles in the development of this sector. To create opportunities for income generating activities and employment by removing these obstacles it is necessary to agricultural and rural credit system easily accessible to the general public (NPC, 2002).

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

### **2.3 Co-operative.**

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

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

The definition given by International Labor Organization has covered the most of the principles of cooperative as such it can be considered to be the most comprehensive one. Cooperative society is "An association of the economically weak who voluntarily associate on the basis of equal right and equal responsibility transfer to an undertaking one for several of their functions, corresponding to one of several of their economic needs which are common to them all but which each of them is unable fully to satisfy by his own individual efforts and manage and use such undertaking in mutual collaborations to their common material and moral advantage.

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

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

The 10<sup>th</sup> 5 years plan has emphasized for quality improvement of cooperatives. The role of cooperative in rural economic development is significantly identified and policy is mentioned as "the small farmers group community based organization in the

remote setting will be encouraged to take up initiation for providing improved seed and other inputs by providing technical support to them".

The concept of "Agriculture cooperative" refers to the conventional classification of cooperatives according to economic sector (Helm, 1968). It is an association of farmer and other rural households who have voluntarily joined together to fulfill a common socio economic objectives (basically raising income) by undertaking suitable business activities, making contribution to the capital required and accepting fair share of the risk and benefits of the business according to the principle of cooperation as reformulated by International Cooperative Alliance. The Cooperative can operate and expand their business and service activities through the process of networking as primary, secondary or tertiary cooperative. It should be effective in this connection that village level primary agriculture cooperatives need to adjust their size and scope of activity in accordance with the demands of members to meet their complex requirements of planning, production and off farm activities (Acharya, 2005:40).

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

Agrawal has clearly mentioned the problems of small business cooperatives in Nepal:

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

- ) Lack of clear vision, strategies and plans for future road map
- ) Traditional management practice
- ) Ineffective leadership of part time members in the management committees

) Poor quality and competencies of employees due to poor training and development.

Hiring of employees tend to be based on relations and connections of the members of management committees.

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

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

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

**4. Government policies and regulation:** Small business cooperatives in Nepal need to cope with changing government policies. They are burden subject to burden some government policies, regulation and procedures. They suffer from excessive depending on government. This has led to political interference in their operations. Acharya Bishow Mohan has clearly emphasized the importance of participation in farmer's cooperative in this way:

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

## 2.4 History of Co operative Movement:

The journal called SAHAKARI SAMBAT published by co-operative development board has mentioned the historical development of co-operative in Nepal.

**Table no. 3.1 History of Cooperative movement**

Date	Activities.
1953	Established of cooperative department.
1956	13 saving and credit cooperative societies formation in Rapti valley of chitwan district.
1959	Promulgation of first cooperative act.
1961	Promulgation of first cooperative regulation.
1962	Establishment of cooperative training centre and Sajha Yatayat.
1963	Establishment of cooperative bank.
1966	To carry in cooperative department under the ministry of land reform, food and agriculture.
1967	Central investigation committee constituted. Co-operative emphasized in back to the village campaign, cooperative bank converted into agriculture development bank.
1968	Administration of cooperative put under the land reform department.
1969	Department of cooperative put under the ministry of land reform, guided co-operative scheme implemented.
1970	Revitalization program implemented setting up of central and district cooperatives revitalization committees.
1976	Cooperative program extended nationwide.
1978	Management of cooperative entrusted to management committees, withdrawing from agriculture development bank. Government emphasized determination to raise quality of cooperative services.
1980	Initiation of separate cooperative for small farmers.
1983	By laws and program of national cooperative federation passed by convention of 33 district cooperative union.
1984	Promulgation of cooperative society Act.
1986	Promulgation of cooperative society regulation.
1987	High level cooperative development central coordination committee constituted. Department of cooperative brought under the ministry of agriculture.
1991	Sajha central office dissolved and formation of National Cooperative board.
1992	Commencement of Cooperative Act and Cooperative regulation.
1993	Formation of Central users Cooperative Union, Formation of NEFSCUN, Formation of National Cooperative Union.
1997	National cooperative Union obtained membership of ICA International cooperative Alliance.
2000	Restructure of Agriculture and cooperative ministry.
2004	Restructure of prevailed cooperative office and establishment of 38 division office.

## **2.5 Small Farmer Cooperative Limited.**

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

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

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

Small Farmers Cooperative Limited has unique identity than other type of cooperative with its differentiating system approach. The three tiered structure with small farmers groups, inter groups and the main committee as the three pillars. Small Farmer groups are set up as joint liability groups at village level, usually consisting of 5 to 15 members. Those bodies allow members to start and operate financial and non financial services required by the group and group members. From each small farmer group with in a defined area, one representative members joints the so called inter group. It functions as an intermediary between the groups and the main committee. One representatives of each inter groups join the committee at the VDC level. The member of the main committee approves the program of the SFCL and decides on the implementation of any projects like, consumer store, livestock insurance scheme and building construction etc (ADB/N).

A study done by Ishwor Nath Mishra Role of SFCL in alleviation of poverty, focusing to Dumarawana VDC of Bara district (2005:76) has summed up the findings: The SFCL Dumarawana has provided two types of loan. They are short and medium term of loan in different 8 portfolios. The higher amount of loan is disbursed for cereal



crops, agriculture marketing and livestock purpose and smaller amount of loan agriculture tools, irrigation, biogas and cottage industries purpose during the fiscal year 2001/2002 to 2003/2004 at the outstanding amount of disbursed loan is also higher in highly invested portfolio in comparison of low investment portfolio, as well as overdue amount/ percentage is also in same ratio.

## **CHAPTER- III**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Design.**

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

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

SFDP for the first time was introduced in Tupche VDC of Nuwakot district in hill and Mahendranagar of Dhanusha district in terai. But for the first time SFCL was introduced as exit strategy of SFDP in 4 VDC of Dhading, they are chhatredeurali, Bhumisthan, Maldi and Dhuanwakot. The 19 SFCL are handed over in Dhading to the community form ADB/N in this process. Out of 19 SFCL, the 17 SFCL are functioning in rural area of Dhading. One of them SFCL kalleri is devoted to provide agriculture related inputs and other social services since 2051.

Dhading is adjoining district of capital city kathmandu. Dhading district is expanded from Mahabharat Mountain in southern aspect to boarder of Tibet in north with varied climate and topography. It has been shelter place of Chepang community in southern to large volume of Tamang in northern hilly area. The diversified topographical feature has provided great potentiality of agriculture business. Fertile tar and river basins along the Trisuli River, Netrawati River, Belkhu River and Malekhu River are most potential for vegetable farming and food grain production and hilly area/ terrace land is favorable for horticulture as well as milk production. Capital city Kathmandu is a big market of agriculture products. Prithvi and Tribhuwan highway are backbone for transportation facilities. So there is great potentiality of commercial farming of different types of which can contribute to reduce the rural poverty and

promote the national economy. It seems that community based organizations like SFCL can play significant role to provide technical, financial and marketing facilities to rural people. The rationale of the selection of this area for study is to analyze the services of this cooperative in rural economic development effort as well as suggest ideas to strengthen forward and backward linkage of SFCL, such type of study has never been conducted and study signifies on economic development of study area.

### **3.3 Sources of Data Collection.**

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

### **3.4 Sampling Procedure.**

The total 9 wards of the VDC is the working area of the SFCL, 5 wards were considered for sample ward. 7 people from each ward were selected as sample for study purpose. The total shareholder numbers of the cooperative have 618 out of them 35 households were considered as sample. The 35 respondents s/he was selected from specified random sampling. The respondent consists of male and female from different ethnic groups.

### **3.5 Data Collection tools and technique.**

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

### **3.6 Data Processing and Analysis.**

Data collected in the field and secondary sources were processed and analyzed by using different statistical tools. Different excel files are created to enable efficient handling, storage and management of collected data. The Table, bar diagram and pie charts are used to present data. Most of the data are presented in tabular form and out of some which are also presented in graphs also. After analyzing the collected data, outcomes have also analyzed. To improve the affectivity of SFCL and to overcome the problems the necessary recommendations have been put forth.

## **CHAPTER- IV**

### **INTRODUCTION OF THE STUDY AREA**

#### **4.1. Dhading District**

Dhading District lies in the Central development region of Nepal. It is bounded by Kathmandu, and Nuwakot district to the east, Gorkha district to the west, Nuwakot district and Tibet (China) to the north and Chitwan and Makwanpur district to the south. The total area of this district is 1926 Sq. km. It has 50 village development committees. Dhading Bensi is the district's headquarter of this district. The district lies between the elevations of 488 to 7409m. The major rivers in the district are Trisuli, Budhi Gandaki, Ankhukhola, Belkhu, Malekhu, Thopal and Maheskhola and etc. The district has subtropical, temperate and alpine climate.

Topographically the district can be distributed into three areas. They are High Himalayas, High mountain and mid mountain. Among its total area, the 44388 hector lands cultivated and 92856 hector lands is under the forest covered. The total population of this district is 338658. Among them, 165864 are male and 172194 are female. The total number of household is 62759, with the average household size of 5.4 the literacy rate of 6 years and above is 36.5 and the population density per sq. km. is 158.5 (CBS, 2004).

#### **4.2 Kalleri VDC.**

Among the 50 VDC of Dhading district, Kalleri is one which lies to the east from district headquarter Dhading Beshi. This VDC is bordered by Trisuli River to the east and south, the Khalte VDC lies to the north and Kumpur and Sunoula bazaar VDC to the west.

Kalleri VDC has diverse caste / ethnicity such as Bramhin, Chhetri, Magar, Newar and other occupational cast. The total household of VDC is 1978 with total population of 6009 male and 6254 female with the 5.32 average size of household. The majority of the population is followed Bramhin/Chhetri. The literacy rate of this VDC is only 43%. The average land holding size per house hold is below than 1 hector. (VDC profile kalleri)

The VDC have 15 schools in all total. Among them 2 are high school, one is lower secondary and others are primary school. The office of VDC established on the top of the village and sub health post is also with in same place. The main occupations of most peoples are agriculture, they produced rice, maize and millet as food grain, vegetable production and livestock also mixed their occupation.

#### **4.3 Introduction of SFCL Kalleri.**

The small farmer cooperative is really as an outcome of small farmer development program (SFDP). According to implementer of the small farmer development program, it is the first group based poverty alleviation program of the country. First of all the program was initiated as a pilot test in the Dhanusha and Nuwakot district of the country in the mid seventies. The success of the pilot test in terai and the hill with support of FOA/ UNDP encouraged the policy makers and Agriculture Development Bank, Nepal to expand the program.

According to SFDP village profile, small farmer development project entered in kalleri since 2044-10-05 and started to household survey 2044-10-11 and completed it in 2044-12-15. The office of SFDP in kalleri established by the hands of an oldest farmer Mr. Tika Prasad Acharya, among the attendance people of opening ceremony date in 2045-03-10. The profile explained that, there were 922 households, out of them 826 were small farmers and 96 were rich farmers. There were 6499 population in total, out of them the 3377 were male and 3122 were female and 5569 were small farmers.

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

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

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

Small Farmers Cooperative Limited has unique identity than other type of cooperative with its differentiating system approach. The three tiered structure with small farmers groups, inter groups and the main committee as the three pillars. Small farmer groups are set up as joint liability groups at the village level, usually consisting of 5 to 15 members. These bodies allow members to start and operate financial non financial services required by the group and group members. From each small farmer group with in a defined area, one representative members joins the so called inter group. It functions as an intermediary between the groups and the main committee. The member of the main committee approves the program of the SFCL and decides on the implementation of any projects like consumer store, livestock insurance scheme and building construction etc. Thus the history of SFCL kalleri is changes picture of SFDP program like other SFCL in the nation.

#### **4.4. Program handover to the community.**

Establishing the office of SFDP in kalleri started to work since 2045-03-10. At the end of hand over date the 496 small farmers were involved with in 79 groups. The 235 small farmer had got many kinds of trainings such as bee keeping, fruit farming, nursery keeping, training of livestock management, adult and education, food protection, cutting and sewing, promoters, smoke free stoves, planning, rural agricultural and veterinary JTA, vegetable farming, environment motivator, livestock's insurance, loan collection, account keeping and leadership trainings were done and exposure visits also be done in different places at that period. Apart from the trainings

following the social and community development activities were also provided to the community. They are mentioned as under the table.

#### 4.1 Social Activities to the Community at SFDP Period

S.No.	Activities	number and units	grant	social contribution	total amount	Remarks
1	Distribution of vegetable seeds	231 packet	2000	310	2310	
2	construction of community hall	5	38500	47392	85892	
3	construction of office building	1	97000	254000	351000	
4	public toilet	2	20000	20000	40000	
5	individual toilet	166	96807	44100	140907	
6	Smoke free stoves	102	6120	2040	8160	
7	support to landless farmer	2 member	6000	13000	19000	
8	livestock insurance	14	4425	4425	8850	
9	Adult education	27	124000	0	124000	
10	small drinking water	4	78995	43745	122740	
11	Group nursery for vegetable	3	5434	4923	10357	
	<b>total cost</b>		<b>479281</b>	<b>433935</b>	<b>913216</b>	

(Field survey 2009)

The main purpose of SFDP was to make program sustainable and to provide service regularly in the long run society. This purpose ADBN helped economic and social programs as well as trainings to the small farmers. At this period the concept of institutional development program (IDP) considered. As under the IDP, a main committee formed date in 2049-02-19 first time in kalleri with the leadership of Jagan nath Nepal. After sometimes the committee was reformed for the second time date in 2050-07-13 with the leadership of Anirudra Dhungana. For the purpose of program sustainability the concept developed handover to the community. The constitution of organization, rules and regulation to daily function and trained manpower were prepared with the help of the ADBN and GTZ financially and technically. Conducting a handover program by ADBN date in 2051.10.22 this program is handover to SFCL Kalleri trail basis for six month direct supervision project chief Mr. Purushottam khadka. The three types of main committees in kalleri are mentioned here. They are as followings.



#### **4.2 First main committee. (2049.10.19)**

S.no.	Name of members	post	address
1	Jagan Nath Nepal	Chair person	kalleri – 2
2	Ramsharan shrestha	Vice chair person	kalleri – 9
3	Padma Kanta khatiwada	Member	kalleri – 8
4	Gyan Lal Tuladhar	Member	kalleri – 7
5	Dilli Prasad khatiwada	Member	kalleri – 6
6	Krishna Prasad Adhikari	Member	kalleri – 5
7	Anirudra Dhungana	Member	kalleri – 4
8	Durga khatiwada	Member	kalleri – 3
9	Sita khatiwada	Member	kalleri – 1

#### **4.3 Reformation committee. (2050.07.13)**

S.no.	Name of members	post	address
1	Anirudra Dhungana	Chair person	kalleri – 4
2	Padma Kanta khatiwada	Vice chair person	kalleri – 8
3	Krishna Bdr shrestha	Member	kalleri – 9
4	Sittalkaji Tuladhar	Member	kalleri – 7
5	Toya Nath khatiwada	Member	kalleri – 6
6	Krishna Prasad Adhikari	Member	kalleri – 5
7	Bhim Bdr Dhungana	Member	kalleri – 2
8	Durga khatiwada	Member	kalleri – 3
9	Sita khatiwada	Member	kalleri – 1

#### **4.4 Latest main committee. (Functioning at present)**

S.no.	Name of members	post	address
1	Krishna Prasad Adhikari	Chair person	kalleri-5
2	Hari Bahadur Malla	Vice chair person	kalleri-3
3	Yadu kumar khatiwada	Member	kalleri-1
4	Bhim Bdr Dhungana	Member	kalleri-2
5	Dev kumari shrestha	Member	kalleri-3
6	Chandra Bdr Magar	Member	kalleri-4
7	Chun kumari shakya	Member	kalleri-7
8	Mukti Nath khatiwada	Member	kalleri-8
9	Sarashoti khanal	Member	kalleri-6
10	Siddhi Man shrestha	Member	kalleri-9

(Field survey 2009)

At the period of second committee the program of SFDP hand over to the SFCL. The causes of little knowledge about IDP second committee have got difficulties to prepare constitution of institute, to prepare operating rules and policy and to register it in cooperative department. Crossing the difficulties the institution registered date in 2051-09-26 in kathmadu.

Another task was to establish the office stable in same place. For this work a thought came out to make own office building of small farmers. To the purpose of office a wedded woman pitamber Devi khatiwada became impressive and ready to donation half ropani of land to the committee suggestion of her son Ram Chandra khatiwada, to remembering as her led husband Hasta Prasad khatiwada. Then the office of SFDP transferred kalleri-6 belinitar to kalleri 4 in keurenitar. For some times the office settled at the Beach of Trisuli River at the house of Chandra Bahadur Magar. Latter on its 7 month the office entered in own building.

ADB/N conducted a program of handover date in 2051-10-22 district headquarter in Dhading beshi, at this occasion the general manager of ADBN provided handover certificate to Anirudra Dhungana implementing required since 2051-10-01. The program was hand over trail basis for six month, with the half yearly closing account under the direct supervision of project chief Purushottam khadka. Six months latter seeing the performance the bank left totally. Thus the program of SFDP was hand over to SFCL kalleri.

## CHAPTER - V

### DATA ANALYSIS AND INTERPRETATION

#### 5.1 Castes Composition and Religion

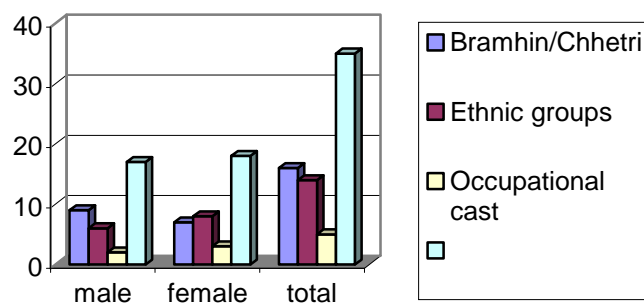
The table below shows the ethnicity of respondents. Among the respondents, the representation of Bramhin / Chhetri is 46%. Like this, representation of ethnic groups is 40% and remaining part is positioned by occupational cast. Among the 35 respondent were 17 male (49%) and 18 were female (51%). Among 35 respondents, 9% were Buddhist and rests of all were Hindus.

**Table 5.1 Caste Composition of the Respondents**

Category	male	female	total	percent
Bramhin/Chhetri	9	7	16	46
Ethnic groups	6	8	14	40
Occupational cast	2	3	5	14
Total	17	18	35	100

Source: VDC Profile

**Figure 5.1 Caste compositions of the respondents**



The table no 5.1 and figure no 5.1 shows the population of Bramhin and chhetri with majority of khatiwada 46 percent. The population of ethnic group with magar and newar consists 40 percent and occupational cast seems 14 percent.

#### 5.2 Educational status of Respondents

The educational status determines the social status of the people. To analyze the education status of the respondents, level of education was asked with all respondents. The condition of literacy and education is given in table below.

**Table 5.2 Educational status of the respondents**

Classification	male	%	female	%	total
Illiterate	3	18	5	28	8
Up to 5	5	29	6	33	11
5 to 10	8	47	7	39	14
Above 10	1	6			1
Total	17	100	18	100	35

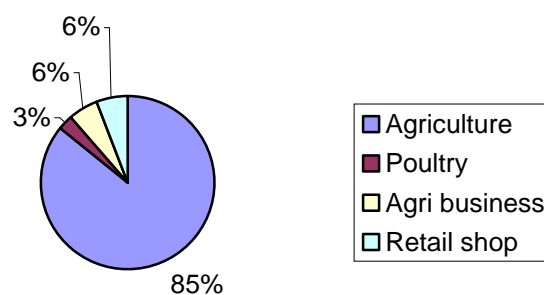
Field survey 2009

Among 17 male respondents 18 percent are illiterate and 82 percent are literate. Out of 82% the 6 percent farmers are comparatively well educated with education above 10 classes. 47 percent farmers have moderately literate with the education class of 5 to 10. 29 percent male farmers are simply literate with the education below 5 classes. The figure presented below shows that, among 18 female respondents 28 percent are illiterate, 33 percent are simply literate with the education of below 5 classes or from the informal education classes. 33 percent female have seemed as better educated with the education ranging 5 to 10 classes.

### 5.3 Occupation of the Respondents

Among the 35 respondents all are attached with agriculture primarily or secondarily. 85% of the population primarily involved in agriculture including livestock. 6% have retail shop but also involved in agriculture and agribusiness, Agribusiness and poultry seemed 6 and 3% in each.

### 5.2 Primary Occupation of the respondents



#### 5.4 Land holding size of the Respondents

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

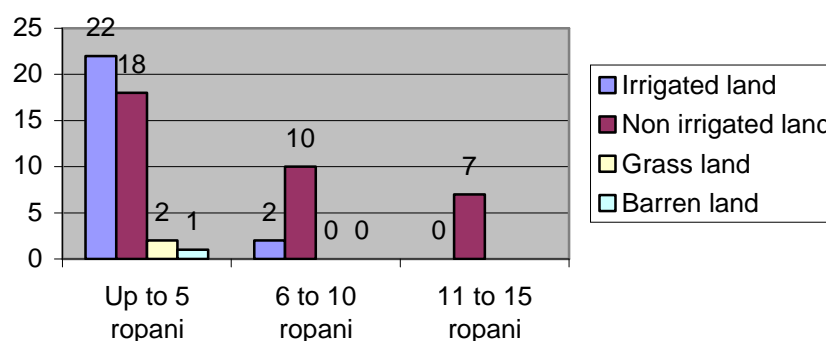
**Table 5.3 Land holding Size of the Respondents**

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

Field survey 2009

The above table shows that the average land holding size of the study area is 6.8 ropani (Bari or non irrigated land) and 2.33 ropani (khet) irrigated land. Comprising both irrigated and non irrigated land, the average land holding size is 4.55 ropani. The size of non irrigated land is greater than irrigated land. Only 60% farmers have irrigated land with average of 3.5 ropani. In case of non irrigated land cultivated land holding size. Like this 17.5% of farmers have owned more than 11 ropani of land.

### 5.3 Land availability of respondents



### 5.5 Sources of credit of small farmer

Mainly Cooperative provides services to its members. In case of small farmer cooperative limited, it provides financial services to its members and community development services / activities to both members and non members of the community. SFCL has been providing credit facilities to small farmers / share holders categorizing it into three terms. They are:

- Short term loan (refund with in one and half year)
- Medium term loan (refund with in 3 years)
- Long term loan (More than 3 years)

Main portfolios of lending are goat keeping, buffalo raising, vegetable farming, ox, cash crop, retail shop, agro processing mill and cereal crops. The main feature of SFCL is to provide credit without any procedural complexities or administrative difficulties. The field survey shows that 90% farmers are benefited from credit services of the SFCL. The trend of borrowing credit, which is given below from formal institution is increased vastly.

**Table 5.4 Source of Credit of Small Farmers**

Source of credit	Before SFCL	After SFCL
ADB	0	0
Money lender	18	2
Land lord	2	0
Neighbor	15	3
SFCL	0	30

The above table shows the sources of credit before and after the commencement of SFCL in study area. Among 35 respondent 30 farmers are have been borrowing loan from SFCL merely. The record shows that, before SFCL, they totally depend to the informal sector for credit. Procedural complexities and cumbersome administrative temperament was the person that people dislike to go ahead for loan from bank source. The circumstances after the establishment of SFCL has changed and people are benefiting from the credit facilities and access of female also has augmented to such financial and non financial institution has increased.

### **5.6 Functional area, Loan coverage of SFCL Kalleri.**

SFCL kalleri is a community based grass root institution managed and controlled by local small farmers of the VDC. More than 618 shareholders are joined with it and the significant participation from 9 wards people has increased the coverage of area. Credit facility is the key service of SFCL. The provision of loan sub committee under the main committee has made the credit procedure more easy and effective, like this supervision and follow up sub committee is also existed according to SFCL constitution. The intermediary body of SFCL organization called inter group formed in ward level helps to provide loan to right application in equal basis between main committee and groups. Some financial activities of this institution up to 2065/03/30 are mentioned as under.

### **5.5 Shareholders and representation from different wards**

wards	total	male	%	female	%	Total %
1	82	61	10	21	3	13
2	45	31	5	14	2	7
3	87	35	6	52	8	14
4	125	88	14	37	6	20
5	52	31	5	21	3	8
6	72	47	8	25	4	12
7	35	17	3	18	3	6
8	68	54	9	14	2	11
9	52	34	6	18	3	9
All total	618	398	66	220	34	100

Record of 2065.03.31 of SFCL kalleri

Field survey 2009

SFCL kalleri is a field level communal entity. 618 small farmers tied with each other influenced by the motto of "**each for all and all for each.**" There are 618 shareholders. Among them, 398 are male and 220 are female. The table mentioned on above shows the representation scenario of male and female members from 9 wards. There is the highest representation from ward no 4, in which consist 125 farmers (male 14% and female 6%). Like this the ward no 7 has slightest representation having number of total 35 (male 3% and female 3%). The highest female participation from ward no 3 is 52 personal and lowest female participants from ward no 2 & 8 is 14.

### **5.7 Source of capital of SFCL kalleri.**

From the starting phase of SFDP, ADBN is providing both financial and non financial support to it. ADBN is implementer of this development program. After the transformation of SPOs into self administered, self managed institution small farmer cooperative limited and it has tried financially self sustained through the arrangement of provision like individual saving, group saving, share capital. Although, due to large scale of credit demand by farmers internal source only not sufficient. Considering the fact bilateral agreement between ADBN and SFCL has been made and ADBN is providing credit facilities to SFCL in annual basis, so the major sources of finance are ADBN. Besides this grant for development work is providing by cooperative union, District Development committee and VDC. Now SFDBL has been established and financing to SFCL regularly. In case of SFCL kalleri ADBN is the main source of capital, share capital and saving fund is self generated capital of cooperative.

**Table 5.6 source of capital (Rs. in "000")**

S. no	Headings	handover period	Present situation. 2065.03.31
1	Share capital	0	1087
2	group saving	140	994
3	livestock insurance	12	423
4	Client security fund	0	1007
5	Staff welfare fund	0	189
6	Individual saving	0	1981
7	Borrowing loans	2875	8761
	Total	3027	14442

Field survey 2009



Mentioned on above table shows that, the sources of capital in SFCL is increased so much than previous days (Progress report of SFCL 2065/03/30). Before establishment of SFCL, total capital sources was borrowing loan from bank leaving some group saving and livestock insurance fund. But now the sources of capital are diverse in different ways. The internal fund of SFCL is reached 5.529 million. The 5.886 million borrowing loans also are increased in this period. In total the 377 percent transaction increased than before.

### **5.8 Donation to SFCL kalleri after SFDP.**

A short period of establishment, the members are benefited social and economic activities lunching saving credit programs. Unfortunately at the mid night date in 08 poush 2056, the moist attacked and disturbed to this institution. Main purpose of that party was to grab the money and to create political disturbances among the farmers. They captured NRs.148129.45 at the mean time. As a result the SFCL could not run for five years. The institution has gone in loss nearly 4.8 million. The staffs of this institution compelled to stay in unpaid for 5 years. In this five years period the farmers are stay as wait and see but no one come to address the problems after then. So the shareholders called the AGM and completed it in 29 jestha, 2061 declaring to run the SFCL again in kalleri. Since then the organization is continuously running.

SFCL kalleri is credit institution and providing services to its nature to the member. More than 90 percent of the members are benefited from these activities. Including credit activities, SFCL has been supporting social development program to the community such as, the maintenance of drinking water system, improvement of small irrigation channel, improvement of school infrastructure, track road construction and etc. Apart from these programs, after beginning SFCL, this institution implemented some kinds of programs related to its business. They are as under the table.

**Table no 5.7 Donation to SFCL kalleri related to its business.**

S. no.	Programs	donation	social contribution	total cost	Agency
1	Institutional development	125000	0	125000	GTZ
2	Revolving fund	796153	0	796153	GTZ 721153 NRB 75000
3	As plantation	100000	60000	160000	GTZ
4	Learning centre building	100000	189650	289650	GTZ
5	Rural banking program	410078	0	410078	GTZ 100000 NRB 310078
	Total	1531231	249650	1780881	

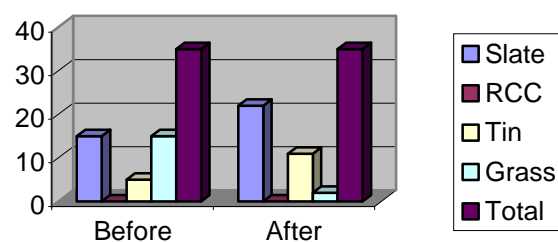
### 5.9 Housing status of respondents after and before condition

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

### 5.8 Housing status

Type	Before	After
Slate	15	22
RCC	0	0
Tin	5	11
Grass	15	2
Total	35	35

### 5.4 Hosing status of respondents



Housing status remarkably symbolized the status of rural settings. In case of this study area, housing/ roofing pattern has vastly changed after the intervention/ commencement of SFCL. Among 35 houses, 42.85 percent of houses were with grass roofing, now it is decreased into 5.71 percent. The roofing of tin was 14.28 percent, now it is increased into 31.42 percent and in case of slate roofing 42.85 percent of the

respondents was at before, now it is 62.85 percent. The house of RCC is no changed after and before condition.

### **5.10 Income Source of the Respondents**

The identity of rural area is agrarian economy. Basically, primary sector is the major source of economy and in the context of Nepal and subsistence type of agriculture has become the profession of rural people. Due to the lacking of commercial farming and entrepreneurship farmers are becoming marginal. Economic conditions of the people do not accelerate with out entrepreneurship development and commercial farming and of crops of different types. Entrepreneurship means adoption of creative and productive work or any efforts to boost the economic condition of initiators primarily. Seeking new business, investing as the situation of market and imagination and innovative nature are the qualities of entrepreneurs. Entrepreneurship boosts people both socially and economically. Most of the questions were related to the profession, productivity and enterprises of the small farmers. SFCL is the source of credit and inspiration of entrepreneurship in case of kalleri small farmers. Small farmers are self employed entrepreneurs and constituting an individual enterprise either agro based or livestock. SFCL has been fulfilling the capital scarcity of small farmers and continuously feed backing for new venture. The detail structure of the entrepreneurship and income status comparing after and before SFCL is given below.

#### **5.10.1 Before SFCL major source of income of Respondents**

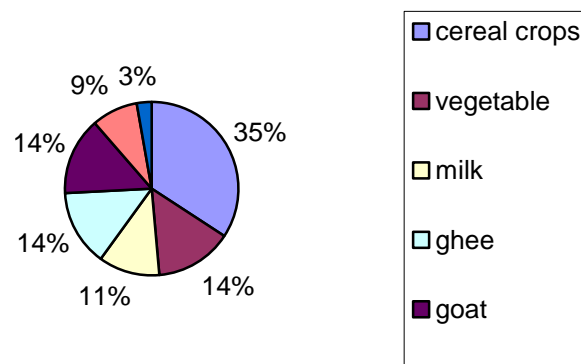
Income of the household is the important indicator of economic condition of the people. The level of income determines the purchasing power of the people and they can invest money in education and other essential sector properly. The nutrient quality and health maintenance also depends on the economic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

**Table 5.9 Income of respondents before SFCL**

Source	Farmers	Average income
Cereal crop	12	5000
Vegetable	5	10500
Milk	4	5000
Ghee	5	2000
Goat	5	6000
Laboring	3	3000
Bamboo products	1	4000

The above table shows the income source and average income of the respondents before commencement of the SFCL. Among 35 respondents 12 had intensively taken cereal cropping as major source of income and 1 farmer was involved in handicrafts enterprise with the average income of Rs.4000.

**Fig 5.5 Source of Income before SFCL**



Majority of the small farmers were unconscious with income generating activities and commercial production of agriculture products as well as livestock seems very little before intervention of SFCL. The above table shows that production side was not for commercial purpose and income. Subsistence was the genuine issue in rural area. It is interesting to interpret that 35 percent of farmers have accepted agronomy as major sources of income but the average annual income was Rs.5000 per year. Only 14 percent small farmers practiced vegetable farming with average income of Rs.10500. Like this 11 percent people were benefited from cows and buffalo raising selling milk in local tea shop and earned Rs.5000 in average. 14 percent rural settler relatively in difficult spatial location and far from the transportation facility were closely tied with goat raising as primary source of income with average income of Rs.6000 annually. Another 14 percent farmers of remote ward loved ghee making as source of income but they use to exchange rice in spite of selling it in the market, they earned Rs.2000 in average. 3 percent people were depended in (bamboo products) handicrafts like doko, dalo nanglo and etc with average income of 4000 annually. 9 percent were depended in seasonal labor in during agriculture planting, growing and harvesting.

### 5.10.2 Average Income Status of Respondents after SFCL

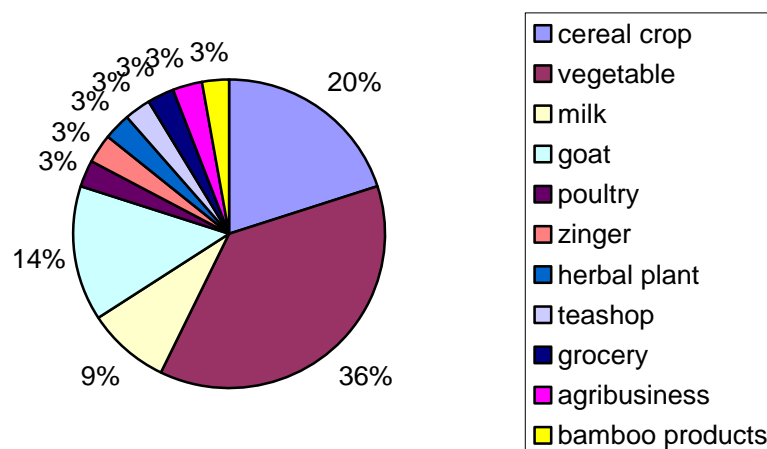
After the commencement of SFCL source diversity and increased level of income of respondents is vividly shown. The source of income and amount is given below in tabular form.

#### 5.10 Income Source of Respondents after SFCL

Source	No of farmers	Average income
Cereal crop	7	10000
Vegetable	13	20000
Milk	3	13500
Goat	5	12000
Poultry	1	40000
Zinger	1	15000
Herbal plant	1	7000
Teashop	1	12000
Grocery	1	50000
Agribusiness	1	45000
Bamboo products	1	15000

Field survey 2009

**Figure 5.6 Major income source after SFCL**



After the membership of SFCL, the entrepreneurship pattern and income from livestock and agriculture is remarkably increased and commercialized. 36 percent of household shifted their profession into off season vegetable farming with average income of Rs.20000 annually. The average income of vegetable farmer has considerably increased with 7.3 percent growth rate. Like this number of vegetable farmers has also grown at 5.21 percent.

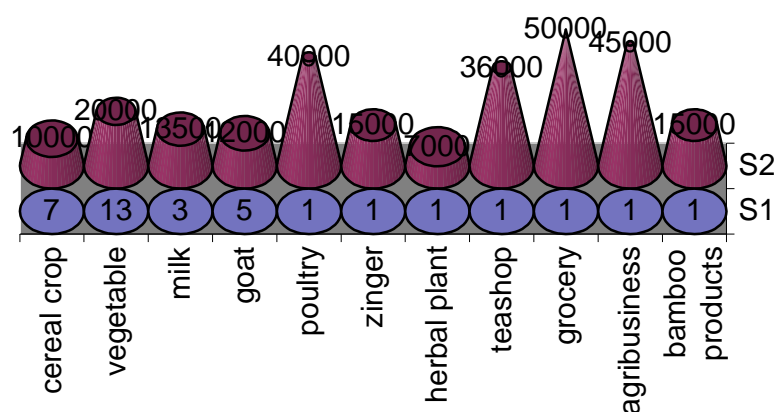
In this dimension other remarkable progress after the commencement of SFCL is divers business adopted by the small farmers. New business like medical plant cultivation, teashop shop installation, grocery management, zinger cultivation, and sericulture have appeared and these has attracted the face of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

Cereal crop is applied to fulfill the yearly feeding purpose. Livestock mainly buffalo is seems attractive source of income and food balance, balance diet as well as and dietary need of the children and aged guardians of rural sector. 9 percent population has benefited producing milk with average income of 13500. They produce 1000 kg milk in average for marketing / commercial purpose and equal for household purpose. 14 percent of people are benefited from goat rising as cashing source with average income of Rs.12000.

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

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

**Figure 5.7 Average incomes after SFCL**



### 5.11 Meat Production quantity and annual income

Traditionally, goat keeping has been embedded with agriculture in hilly area of Nepal. The status of goat rising was asked with 35 respondents during the field visit, most of the farmers have raised goat in traditional way and local breeds as well. Among 35 respondents 85 percent farmers replied the queries. The information of goat keeping and average income is given in tabular form.

**Table 5.11 Meat Production quantity and Annual Income**

Species	Amount in average	H/H	H/H consumption/kg	Marketable Amount	Average income Rs.
Goat	Below 30 kg	20	10	10	2000
	40 kg	5	10	30	6000
	75 kg	6	14	61	12000
Pig	42 kg	2	15	27	2600
Poultry	4100 kg	2	100	4000	40000

Field survey 2009

The table shows that goat keeping has positioned the best livestock profession for meat purpose. Among the 31 respondent 20 respondents produced only 20 kg meat

of goat annually and earns only Rs.2000. 6 farmers produce 75 kg goat meat with 61 kg marketable amount and get Rs.12000 annually. The pig keeping is not in commercial form and poultry is in very low volume in number but seems most attractive.

### 5.12 Employment situation of the respondents

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

**Table 5.12 Employment situation of the respondents**

Types of work	Before	work days	After	work days
Fully labor	2	175	0	0
Partial labor	5	100	2	150
Self employed	28	120	33	320

Field survey 2009

The productivity ratio and income level of people directly depends on employment, either self employed or engaged as paid. After the commencement of SFCL the small farmer working pattern has vastly differentiated. The figure given below shows that the number of seasonal labor has considerably decreased 5.71 percent to zero in case of full depend in laboring and 14.28 percent to 5.71 percent in case of partial labor. But the number of self employed farmer is in increasing trend. The data shows that, it is increased from 80 percent to 94.28 percent. The average working time per year is also increased from 120 days to 320 days in case of self employed farmers. The working hour of partial labor is also increased from 100 days to 150 days per year.



**Figure 5.8 Employments before SFCL**



### **5.13 Saving trend of the respondents.**

SFCL has been providing saving services and has tried to bring members under saving scheme. The SFCL is providing compulsory monthly and optional type of saving scheme to its members only. Among the 35 respondents 28 respondents (80%) are involved in monthly saving scheme. The nature of saving is that, members can use the saved amount in personal work and social as well as community development work according to the decision made by group. Members used to save not exceeding than Rs.30 per months and till this date they have saved Rs.2000 to 5000 cumulatively individually. The culture of saving and continuity of this unique has made SFCL popular in grass root level. People of the rural area have also extremely motivated to involved in such type of scheme in their territory in informal basis assimilating with different types of groups like community forest user groups, local clubs, saving credit groups. The NRB of Nepal has also given limited banking transaction authority to this SFCL since 2054. According to this authority, this SFCL could do saving and credit activities in kalleri, Baireni and Pinda VDC.

### **5.14 Expenditure pattern of Respondents**

To analyze the expending the trend and system a question was asked and requested to divide it under different heading and allocate the percentage of amount.

Only 31 respondents tried to estimate the expenses under different headings. The below table is vividly pictures the expending pattern of the respondents.

**Table 5.13 Expenditure pattern of respondents**

Headings	No of households			
	10%	10-25%	25-50%	50%
Enlarge IGA	3	6	10	12
Study of family members	12	9		6
H/H work	3	6	12	10
Health	12	12	6	

Field survey 2009

The table shows that, only 31 respondents became able to estimate the expenditure structure from their annual income. Most of them replied that they have not plan of expending money due to the uncertainty of income amount. So they are expending with out any plan or in accidentally. The table shows that, 12 farmers are expending 50% of their income to enlarge the IGA. The expenses or investment amount for income generating activities is increasing trend because of the increasing cost of improved seed, chemical fertilizer and labor. Only 6 households is expending 50% of their annual income in education of their children, 21 respondents are investing below 25% of their annual income in education, this means only the few respondents are expending their income in higher education of the family members. 62.85 percent respondents are expending more than 25 percent of income in household requirements. Like in education the expending pattern in health is low in comparison with other headings.

### **5.15 Change in Quality of life.**

The tangible of visible positive change is the indicator of human development. The population of rural scene is trying to obtain the improved life and SFCL is devoted for the sake of poor people's prosperity as well. So it is the issue of major concern whether the level of people is increased or not due to the intervention of SFCL. To analyze this theme a criteria of self evaluation was given asking direct question related to improvement of their life style. Among 35 respondents only 21 (60%) accept the role of SFCL for improvement the life standard. The response of respondents and significant change in condition are given below.

#### 5.14 Improved condition of respondents due to the intervention of SFCL

Indicator of improved condition	No of H/H	%
Housing amenities	13	61.9
Land purchasing	1	4.7
Income increased from IGA	5	23.8
Increased access to service provider	2	9.5

Among the 35 respondents only 21(60%) people accept the positive role of SFCL for their improved status. Among 21 respondents 61.9 percent have improved their houses and qualities amenities which are the indicators of improved life. 3.3 percent have purchased land and transferred into big farmer which is the subject of success. Like this 23.8 percent have become able to get better earn from commercial vegetable farming, livestock, poultry farm, grocery and tea shop etc. 9.5 percent members are satisfied for increasing access to other service provider institutions inside and outside the VDC.

#### 5.16 Financial Analysis of SFCL Kalleri

##### 5.16.1 Loan Disbursement record of SFCL Kalleri

SFCL has provided loan to small farmers in different portfolio in term basis. They are categorized short term, medium term and long term loan. SFCL has provision of loan disbursement. As the provision farmers submit scheme paper requesting type and amount of loan to inter group that existed in ward level. Inter group verifies request papers collected from shareholders and submits it to management committee. Finally management committee approves it.

**Table 5.15 Loan Disbursement record of SFCL Kalleri**

Headings	Amount in thousand					
	062/63		063/64		064/65	
	Disbursement	%	Disbursement	%	Disbursement	%
vegetable	677	14	636	7	932	10
Land dev.	30	1	263	3	60	1
Buffalo	1335	28	496	5	465	5
Goat	1399	30	4825	51	3789	40
Ox	5	0	0	0	0	0

Retail shop	284	6	728	8	1022	11
Cottage industries	0	0	25	0	0	0
Ginger	0	0	140	1	0	0
Fruits	145	3	395	4	0	0
Others (internal capital)	856	18	1941	21	3171	33
Total	4731	100	9449	100	9439	100

SFCL kalleri is a financial institution. The main motto of SFCL is to improve the socio economic life of poor small farmers providing loans. Since the handover phase, it has been providing micro credit to micro enterprises in different sectors like cereal crops, vegetable production, and livestock management and so on. The table above shows the disbursement trend of loan under different portfolios. The disbursement pattern of last three fiscal years has been calculated and analyzed. Loan disbursement amount from FY 062/63 to 063/64 has remarkably increased. In FY 062/63, total amount of Rs.4731 in different portfolios (vegetable, land development, buffalo, goat & others) was disbursed. The largest amount Rs.1399 (30%) was provided for goat keeping and the smallest amount of Rs.5 (0.10%) was disbursed for ox purchasing. On above the table mentioned in other portfolio means internal capital of SFCL. It is disbursed 18 percent out of total investment in FY 062/63.

In the context of FY 063/64, Rs.9449 was disbursed in the similar portfolios of previous years. The disbursement amount was highest 4825 (51%) on goat keeping scheme and smallest amount Rs.25 (0.26%) of the loan was given for cottage industries. In this year, Rs.1941 (21%) own capital is mobilized by this SFCL.

In FY 064/65 the largest amount of loan is disbursed in goat keeping scheme like previous years. In this year the highest loan in goat keeping is Rs.3789 (40%) disbursed and the smallest amount of loan is disbursed in land development Rs.60 (1%). In this year the SFCL mobilized own capital Rs.3171 (33%) out of total investment.

The presented data and loan disbursement scenario shows that, the pressures of loan demand by the members are seen so high in goat keeping scheme than other portfolios. The trend of loan disbursement of this institution is increasing ratio. In FY 063/64 and 064/65 the disbursement increased 199.72 and 199.51 percent respectively

than FY 062/63. In the sense of institute sustainability, this SFCL is growing gradually. The formation of own capital and its mobilization is the sign of sustainability. It is mobilized 5 percent ration in total. The mobilization was 18 percent in FY 062/63 and it is reached 21 percent and 33 percent in FY 063/64 and 064/65 respectively.

### 5.16.2 Repayment of Loan

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

**Table no. 5.16 Repayment of Loan.**

Headings	Amount in thousand					
	062/63		063/64		064/65	
	repayment	%	repayment	%	repayment	%
cereal crops	33	1	0	0	142	2
vegetable	1070	15	361	4	918	11
Land dev.	143	2	137	1	186	2
Buffalo	1266	17	1015	11	321	4
Goat	3921	54	5755	64	3355	41
Ox	22	0	3	0	0	0
Retail shop	323	4	385	4	651	8
Cottage industries	0	0	58	0	0	0
Ginger	207	3	71	1	81	1
Fruits	0	0	410	5	200	2
Others (internal capital)	289	4	810	10	2446	29
Total	7274	100	9005	100	8300	100

Field survey 2009

SFCL kalleri has been providing loan to small farmers and micro enterprises from its own capital and borrowing loans from other banks. SFCL is service motive profitable business entity. Till this date SFCL is involved in rural banking transaction taking authority from NRB of Nepal. The income source of this SFCL is marginal amount of interest between different type of capital and repayment of outstanding loans from small farmers. So repayment of principal amount and paid money as interest is the survival measure of SFCL. Administrative cost and income have been closely tied and sustainability of institution is also depends on its progressive repayment rate. The repayment trend of SFCL is analyzed in reference of last three years. The above table clearly presents the repayment pattern of loan. In FY 062/63 Rs.7274 was refunded which was 154 percent of the disbursed amount of that year (Outstanding amount of previous year is not included here). In FY 063/64 total amount Rs.9005 was repaid which is 95 percent of the yearly disbursed amount. In FY 064/65 the amount of repayment was Rs.8300 which is 88 percent of the disbursed amount.

### 5.16.3 Loan outstanding

Outstanding loan means the repayable amount of loans. The large scale amount of outstanding loan presents the service of institution and we measured its service delivery to members and society. In large scale of overdue loan and interest receivable creates financial crisis to the institution. Some times it hampers bilateral relationship between farmers and cooperative. The outstanding scenario of last three years is summarized table in below.

**Table no. 5.17 outstanding loan**

Headings	Amount in thousand					
	062/63		063/64		064/65	
	outs	%	outs	%	outs	%
cereal crops	15	0	178	2	36	0
vegetable	560	5	797	8	811	6
Land dev.	54	1	180	2	54	0
Buffalo	1243	12	1273	13	1417	11
Goats keeping	6252	61	4310	43	5774	43
Ox purchasing	25	0	10	0	10	0
Poultry farming	60	1	60	0	30	0
Bee keeping	20	0	0	0	0	0
Retail shop	337	3	674	7	1045	9

Cottage industries	60	1	20	0	20	0
Ginger	117	1	185	2	104	1
Irrigation	13	0	1	0	1	0
Biogas	8	0	8	0	8	0
Fruits	255	3	19	0	19	0
Others (internal capital)	1192	12	2322	23	3943	30
Total	10211	100	10037	100	13272	100

### 5.18 Over due loan under different portfolios

Amount in thousand

Headings	062/63			063/64			064/65		
	outs	over due	%	outs	over due	%	outs	over due	%
cereal crops	15	15		178	178	2	36	36	
vegetable	560	84	1	797	161	2	811	98	1
Land dev.	54	0		180	24		54	9	
Buffalo	1243	435	4	1273	646	6	1417	309	3
Goats keeping	6252	938	10	4310	695	7	5774	796	6
Ox purchasing	25	12		10	10		10	10	
Poultry farming	60	0		60	0		30	0	
Bee keeping	20	0		0	0		0	0	
Retail shop	337	15		674	61	1	1045	24	
Cottage industries	60	9		20	20		20	20	
Ginger	117	1		185	45	1	104	104	1
Irrigation	13	3		1	1		1	1	
Biogas	8	0		8	8		8	0	
Fruits	255	19		19	19		19	0	
Others (internal capital)	1192	0		2322	107	1	3943	551	4
Total	10211	1531	15	10037	1975	20	13272	1958	15

### 5.19 Receivable interest under different portfolios

Amount in thousand

Headings	062/63			063/64			064/65		
	outs	inter est	%	outs	inter est	%	outs	inter est	%
cereal crops	15	3		178	40		36	3	
vegetable	560	101		797	181		811	66	
Land dev.	54	10		180	41		54	4	
Buffalo	1243	225		1273	288		1417	116	
Goats keeping	6252	1131		4310	976		5774	472	
Ox purchasing	25	5		10	2		10	1	
Poultry farming	60	11		60	14		30	2	
Bee keeping	20	4		0			0		
Retail shop	337	61		674	153		1045	85	
Cottage industries	60	11		20	5		20	2	
Ginger	117	21		185	42		104	9	
Irrigation	13	2		1			1		
Biogas	8	1		8	2		8	1	

Fruits	255	46		19	4		19	2	
Others (internal capital)	1192	216		2322	526		3943	322	
Total	10211	1847	18	10037	2274	23	13272	1085	8

Note: outs = outstanding  
Field survey 2009

#### **5.16.4 Financial Sustainability of SFCL Kalleri**

The institutional viability and financial sustainability depends upon the financial performance of the institution being it a financial entity. SFCL is borrowing wholesale loan from SFDBN on 9.5 percent interest rate. They disbursed it at the rate of 12.5 percent to the shareholders of its working area. The trend of loan repayment of last three years seems positive and satisfactory scenario of outstanding loan. But low scale of internal capital, increasing administrative cost, overdue loan and remaining interest seems against the sustainable dream of the institution.

It is clearly indicates the poor internal capital generation and consequently a larger dependence on the financial support of bank, which portrays weaker earning performance of the institution. Though we found SFCL kalleri has made three years business plan but it is not come out in operation. So it is running with out road map. With out planning anybody unable to receive targeted work and objectives easily. In the case of SFCL kalleri to the financial sustainability of institution they should have implement business plan properly.

#### **5.16.5 Institutional Development Analysis of SFCL Kalleri**

SFCL kalleri is an institution registered under the cooperative Act 2048. According to the exit strategy of SFDP it is transferred into Small Farmer Cooperative Limited date in 2051. At starting period of SFCL there was two staff in regular basis. The constitution of SFCL kalleri has not been revised since the handover date. Most of the executive members are not clear in vision, mission and objectives of the organization. There is no understanding reached for operating the business. This SFCL is multipurpose cooperative aiming to provide financial and non financial services to its members. Though there is high potentiality of business along the key areas such as agribusiness, input supply, marketing facility, agro processing business. The leadership has failed for exploiting the potentiality. On account of this weakness the financial sustainability of the SFCL kalleri seems questionable.



## CHAPTER VI

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### Summary

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

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

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

The exiting scenario of food grain production 276 kg per capita per annum is very low in comparison to per capita food requirement and consumption. So a set of input like agriculture credit, improved seed, fertilizer and agriculture market for all small and middle class farmers. Realizing the fact, Nepal government has given attention "target group approach" to reach small farmers. It is fact that small farmers represent the vast majority of the population and their development can be considered country's development as whole. So SFDP has been lunched since 1970's to improve

the socio economic condition of small farmers. ADBN was the implementer of SFDP and initiated for institutional development of SPOs by transforming SFDP into SFCL since 1993 in Nepal. The GTZ has also extended contentious technical support to the institutional development of SFDP. SFCL is grass root level micro finance institution, which is owned, managed and controlled by the local farmers themselves. It has emphasized on skill development, local resource utilization and mutual cooperation.

Among the 219 SFCLs, kalleri SFCL is also devoted to reduced poverty through its financial and non financial services. Small Farmers Cooperative Limited has played the role of financial intermediaries between SFDBN and small farmers by taking wholesale credit from bank and providing retail credit to the small farmers. SFCL is popular and comparatively successful financing institution, but the political crisis prevailed in Nepalese sky has severely hampered the regular activities of SFCL in Dhading. Among 18 SFCLs 14 are deteriorated due to the conflict. Small Farmer is such farmer who has depended on the profession of agriculture and cottage industries at village level whose land holding is small, who is landless farmer, share cropper, tannery with average income below Rs.2500 per head.

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

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

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

The study has been under taken participant's small farmers of SFCLs working area following random and judgment sampling technique. 35 small farmers from 9 wards of the VDC were included as sample. The descriptive and analytical method was used for quantitative data; simple statistical tools like tables, graphs, bar diagram and computer program (Ms Word, Ms excel) were used. The field work was conducted since December 5 2008. Both primary and secondary sources of data were used.

According to the study the population of Brahmin and Chhetri with the majority of khatiwada is highest 46 %, the ethnic groups consists 40% with second position and occupational caste seems 14%. The population all they used only Nepali language. In case of religion a few some occupational caste (shakya) are Buddhism and other total are Hinduism.

SFCL kalleri is facing the lacking of business knowledge both staffs and executive members. Low scale of interest spread dependency on bank for capital are weak position of institution but also providing short term and medium term loan to its share holders. Besides its economic activities like saving credit program, insurance facilities to its members it has contributed both technically and financially in community development activities (drinking water, sanitation, irrigation, school maintenance, track road construction, nursery management, seed and seeding management) and other awareness program like adult literacy education and seminars.

### **Conclusion**

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

) SFCL kalleri has been able to serve 398 male and 220 female members associating them within 108 groups. There are 46% beneficiaries from Brahmin chhetri with the majority of khatiwada, the beneficiaries 40% are

ethnic groups and least beneficiaries are disadvantages groups (Occupational cast).

- J Before SFCL none had annual income above Rs.10500. Only 14.28 percent had annual income Rs.10500. After SFCL the income sources has become diversified and 37 percent people has earnings above Rs.20000 p.a. Grocery, tea shop and poultry farming has seemed the most profitable business but majority of the farmers are benefited from vegetable farming and livestock.
- J After the commencement of SFCL, the entrepreneurship pattern of members has also changed positively. The shifting trend from traditional subsistence farming into commercial type has helped to increase the income employment situation of members. The number of seasonal labor has considerably decreased from 5.71% to zero percent. Incase in full depend in laboring from 14.28% vs. 5.71% in case of partial labor. The number of self employed farmer is in increasing trend. The data shows that it increased from 80% to 94.28%. The average working time per year has also increased from 120 days to 320 days in case of self employed farmers. The working hour of partial labor have also increased from 100 days to 150 days per year.
- J The SFCL is providing loan to small farmers, ethnic group and occupational cast. With this credit they are involved in income generating activities like agronomy, livestock, agribusiness, cash cropping and handicrafts. The loan provided consisting of short term and medium term tenure.
- J More than 80 percent of members are involved in monthly saving scheme. The amount saved has been used for personal loan. Besides, that socio-community developmental works according to the decision made by groups. Members used to saving more than Rs.30 per months and till this date they have saved Rs.2000 to 5000 per members. The culture of saving and continuity of this unique scheme has made SFCL popular in grass root level. People other than the members are motivated to involve in such type of scheme with reasonable interest rates in informal basis. Different types of groups like community forest user groups, local clubs and other saving credit groups are example of this non members deposit holders in the SFCLs

- ) The significant change like decreasing trend of borrowing loan from informal source, improvement in housing condition and adoption of commercial farming shows the positive impact of SFCL in rural economic development.
- ) Loan disbursement rate is in increasing trend. The SFCL kalleri has disbursed highest amount of loan for goat keeping scheme, loan for buffalo rising and vegetable farming counts after.
- ) The repayment trend of SFCL seemed positive but trend of over due loan and interest outstanding seems slightly high. In FY 062/63 the over due loan was at 15% and interest outstanding at 18%. Likewise in FY 063/54 the loan over due and outstanding interest seems at 20% and 23% respectively. In FY 064/65 the picture seemed some positive than previous years, the loan and interest overdue was at 15% and 8% respectively.

### **Recommendation**

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

- ) The interest rate on borrowing loan from outside sources is high; it should bargain to minimize this rate to minimal with the Small Farmer Development Bank Ltd.
- ) The internal capital of SFCL is very poor, so it should be increased by adopting different types of saving scheme and selling share to the members and new members.
- ) Principally cooperatives are always responsible to the members; without active members the institution cannot run smoothly. To increase the living standard of members it is necessary to improve economic status. Hence, to meet this purpose client and institute both needs their own business plan. Some business scheme like vegetable collection and selling programs, milk collection and chilling centre, agro veterinaries and other suitable programs should be prioritized. Only the saving credit program is not sufficient for economic viability and institutional sustainability.

- J The manpower available in SFCL is not skilled technically and managerially. They do not have knowledge about SWOT analysis and long term plan with clear vision. Those shorts of shortcomings should be addressed other wise institutional growth may be hampered.
- J The existing scenario of transaction is not so satisfactory. SFCL should create immediate project base loan demanded by the members in a professional manner. Counseling them about cooperative philosophy should be emphasized.
- J The institute should organized some kinds trainings, such as cooperative education, entrepreneurship development, business plan preparation, crop diversification, sustainable agriculture program, agro forestry programs and processing method of agriculture production to the members.
- J SFCL kalleri has positive impact for improving the socio economic condition of the small farmers. Therefore the institution needs to expand the social development activities to the community coordinating with VDC, DDC, the SFDBL, Federation of SFACL, NGOs as well as INGOs.
- J Regular field visit and dealing with clients should made more advance to effective collection of loan, interest and other deposit collection.

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