

**SMALL FARMERS DEVELOPMENT PROGRAMME IN NEPAL:
A CASE OF DHULARI SMALL FARMERS DEVELOPMENT PROJECT
MORANG DISTRICT, NEPAL**

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1. INTRODUCTION

More than 90 percent economically active population in Nepal is employed in agriculture which presently contributes around 60 percent of the GDP¹. Nepal is, therefore, a predominantly agricultural economy. On top of it, small farmers constitute the bulk of this agriculture. According to the Agricultural Credit Review Survey as conducted by Nepal Rastra Bank in the fiscal year 1976/77, the share of small and marginal farmers has been 64 percent of total farm families (marginal farmers defined in the Survey as possessing operational land holding of up to 0.20 ha. in Hills and 1.02 ha. in Terai whereas small farmers possess up to 0.51 ha. in Hills and 2.71 ha. in Terai). Accordingly, the average size of operational land holding of small and marginal farmers has been 1.58 ha. and 0.49 ha., respectively, as compared to 4.58 ha. for large, 2.61 ha. for medium and 1.97 ha. for all farm households².

In view of the prominence of the small family households in our agriculture, it is felt that the active involvement and participation of such disadvantaged and poor families in the additional employment and income generating programmes holds the pivotal key for rural, agricultural and even economic development of the country. The employment, income and activity levels of such farm households can be promoted and given sustenance provided suitable policies and programmes are being designed and implemented with the active support, cooperation and involvement of such households themselves. Besides, one of the important prerequisites for the success of such programmes is the arrangement of necessary financial resources which could be efficiently channelised to the households at attractive interest rates without the usual stringency of collateral requirements.

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Nepal Rastra Bank, "Some Important Statistics in Agriculture - Nepal", Kathmandu, Nepal (1987).

Nepal Rastra Bank, "Agricultural Credit Review Survey, 1976/77", Kathmandu, Nepal (1980).

In this regard, a special effort was made by the banking sector in promoting the income level and participation of the poor and disadvantaged in rural development in the form of Small Farmers Development Programme. The Programme evolved from a Field Action Cum Research Project in Dhanusha district in Terai in 1973, and Nuwakot in the Hills in 1976. The Programme was launched by the Agricultural Development Bank with the objective of arrangement of loans and other supplementary services for the welfare and economic progress of tenant, marginal and small farmers and landless labourers residing in rural areas and with yearly income of less than Rs100 per individual on group guarantee basis. Since its start in 1976, the Programme has witnessed manifold expansion in terms of both number and coverage in that altogether 298 projects have been launched in 400 panchayats of 65 districts till the end of fiscal year 1987/88. The number of families directly benefitting from the Programme also reached 70,000, with the total loan assistance at Rs 350 million as at the above date. There is a plan of adding 48 more such projects in the current fiscal year. It is now increasingly being felt that banking programmes like the Priority Sector Lending Scheme including the Small Farmers Development Programme (SFDP) will have significant bearings on meeting the basic minimum needs of the Nepalese people particularly because of their practical promises and useful orientations. Accordingly it is now planned that there would be altogether 1040 projects spread over 1930 panchayats covering 400,000 farm families with the total loan assistance of Rs2370 million by the turn of the century³. The thrust areas of the Programme are specifically as community irrigation and forestry, rural electrification, smokeless oven, literacy, small farmers' savings and vocational training, etc.

1.1 Objectives of the Programme

The main objectives of the Programme are:

- to increase the income and the living standard of the low income farmers, landless labourers and disadvantaged rural poor;
- to promote participation and develop self-reliance among these disadvantaged groups and make them able to organize themselves and plan and carry out their activities on a self-sustaining basis; and
- to adopt local delivery mechanism to the needs of the rural poor.

These objectives are concerned both with the generating of income for small farmers and helping them to form an organizational base. Typically, small farmers are unorganized and they find it difficult to contact and negotiate with the main line agencies. Therefore, the underlying theme of SFDP is to help develop the organizational base which will act as a viable institution to contact the line agencies.

³The Gorkhapatra, Kathmandu, Nepal (Jan.21, 1988).

1.2 Operation of the Programme

The main strategy adopted to realize the objectives of the Programme has been the organization of small farmers groups of a homogeneous class of farm families. In the Hills, a small farmer household is defined as one with a holding of less than one hectare of land while, in Terai, it is defined as one with 2.67 hectares. In either case, the family income limit is Rs 1200 per capita annually. Within the SFDP, a key role is played by the Group Organizer (GO), who is an employee of ADB/N entrusted with the responsibility of, among others, identifying the small farmers, assisting them to form homogeneous groups and prepare the group production plans. The GO represents the interest of small farmers and initially acts as an intermediary between the groups and the service delivery agencies at the local level. The GO also facilitates the provision for necessary inputs and services, such as fertilizer, credit, extension and veterinary to the small farmers.

The GO operates in each project area, and a project covers one to three village panchayats. A village panchayat, as is well known, is the lowest political unit of the country. Small farmers are identified by the GO conducting bench-mark survey of farm families consisting of landless labourers and other disadvantaged groups in the project area, and on its basis, the GO helps organize small farmers into homogeneous groups comprising 10 to 15 members. While organizing these groups, various criteria of group formation (neighbourhood, kinship or ethnicity) have been taken into account. Each small farmers group has an elected group leader (see Appendix 1).

Under SFDP, credit is provided for both production and consumption purposes on group guarantee basis. Loans are given for both group and individual activities. The feasibility of any proposed income raising activity is carefully examined by the GO before a loan application is processed. The groups are encouraged to build up their saving habits and the group members are required to deposit a fixed amount (usually Rs 5) in the Group Saving Fund at their regular monthly meeting. Regular attendance at the meetings is strictly maintained, and the members are not allowed to remain absent without a valid reason.

The small farmers groups are thus initiated by GO and the group activities are decided by the group members supported by GO. Once the activities are decided upon, loan application is filled in with the help of the GO and then forwarded for necessary action.

With respect to interest rate charged, there are different provisions regarding different heads of loans. The relevant lending rates per annum, which came into effect from May 29, 1986, are 15 percent (maximum) for specified cottage industries

(for both fixed and working capital), cardamom, horticulture, tea and coffee cultivation, sericulture, apiculture, bio-gas plant, turbines and irrigation. For many other heads of loans, the banks themselves can fix the rates of interest. Accordingly, the present lending rates of ADB/N for cereal and cash crops are 16 percent, vegetables 15 percent, livestock 18 percent, and godown construction 15-18 percent. However, substantial amount of subsidy is provided by His Majesty Government on loans for vegetables, livestock, pisciculture, and bio-gas plant resulting in significantly lower rates for borrowers.

The credit is issued both in cash and kind on a short, medium and long-term basis. The credit can be obtained for infrastructure, machinery, and other capital investments, milking buffaloes and production inputs. The GO is required to make a close supervision on the use of credit by the groups. As a result of experience of past eleven years, some aspects of the Programme have currently been modified in the light of experience and emerging need. The modifications are related to:

- more diversification of the group and individual activities to enhance the distribution of labour requirement throughout the year;
- reduction of food deficit in the Hills;
- the increase in the activities of community irrigation, fruit and fodder plantation to encourage the spirit of mutual help; and
- the provision of additional training facility in crop farming, animal husbandary and small scale rural and cottage industries.

SFDP is financially supported by various international agencies. These are IFAD, UNICEF, UNFPA, USAID, CARE/N, British Government and ADB/N. The loan operations have a vital role to play in the Programme. With the expansion of the Programme, the volume of loan disbursement, collection and delinquency shows an ever growing trend. Diversification of activities over time is the main reason for this increase. By mid-July, 1987, the cumulative volume of loan disbursement, collection and delinquency amounted to Rs 260, Rs 100 and Rs 160 millions, respectively. The disbursement of loan for livestock, crop production and farm mechanization comprised the major share of the total loan portfolio, accounting for 45, 19.1 and 15.3 percent of the total loan, respectively. At the macro level, the most positive development with respect to the implementation of the Programme has been the recognition of the Programme as a national programme since 1982. In consequence, coordination committees have been set up at various levels to ensure the smooth functioning of the Programme (see Appendix 2).

A substantial amount of money has already been invested in the Programme. Therefore, as envisaged in the Programme's objectives, apart from the general function of field projects, it is very timely and relevant to examine the level of small farmers' participation in the groups and the performance of project in terms of loan disbursement and repayment.

2. OBJECTIVES OF THE STUDY

The general objective of the present study is to identify whether the activities of SFDP in the field level are heading in line with the envisaged objectives of the programme. However, the specific objectives of the study are:

- to review general activities of a project in the field;
- to identify the project's performance in terms of group formation and the extent of the small farmers participation;
- to examine the performance of the project on the basis of loan disbursement and repayment;
- to suggest measures to improve the present situation.

3. JUSTIFICATION

For the past eleven years, a couple of studies have been carried out on SFDP which have concluded that the Programme has been successful in increasing the income of the participating small farmers⁴. However, not a single study is found to have analysed the project activities in the field level focusing on the small farmers group formation and the trend of their participation in the groups over time. Besides, these studies have failed to analyse the project's performance regarding loan disbursement and repayment and do not touch upon the question of long-term financial viability of the Programme. It is already clear that the Programme, at present, has received financial help from different multilateral agencies. It is obvious that such aids would not continue for long. The increasing delinquency will, no doubt, pose a severe problem in sustaining the Programme in the long-run, not to talk about its expansion. Therefore, a study that examines the project's activities through group, the trend of small farmers participation in the groups,

⁴APROSC, "Ongoing Evaluation of Small Farmers Development Programme", Kathmandu, Nepal (1986).

and the performance of financial intermediary in loan disbursement and repayment will provide important feed-back for the long-term perspective of the Programme.

4. DATA

The main source of data for this study has been the Dhulari Small Farmers Development Project Office. Besides, related information has also been collected from various secondary sources. Information obtained from discussion with the project Group Organizer and the policy level personnel at the Centre have also been useful in the study.

The methods applied to analyze the obtained data are simple descriptive statistics. The compound growth rates of loan disbursement and delinquency have been calculated against time as the only regressor with the help of simple regression analysis. The statistical significance of the regression coefficients was examined applying the 't' statistic at one percent significance level.

5. DHULARI SMALL FARMERS DEVELOPMENT PROJECT: A CASE

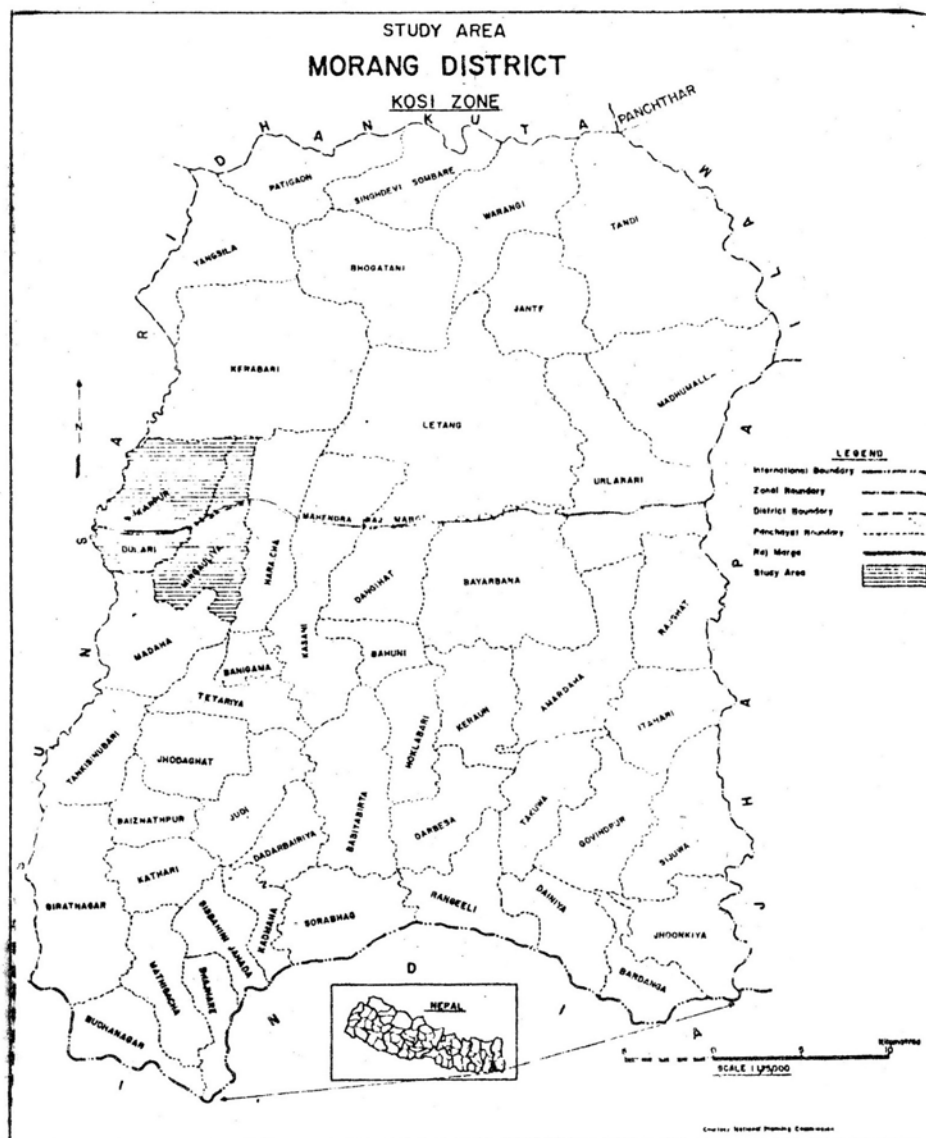
5.1 Location

Dhulari, as one of the village panchayats in Morang district, is located 25 km north-east from the district headquarter's, Biratnagar. Dhulari SFDP was established in February, 1977, covering an area of three panchayats: Dhulari, Sundarpur and Mrigauliya. The project area is comprised of 3509 households with a total population of 21988. Of the total, 64 percent of the households have 0.96 ha. of land on an average. Among these, 33 percent are landless, 19.33 percent are tenant cultivators and 48.8 percent are owner cultivators.

5.2 Group Organization

Under the Dhulari SFDP, only five groups were formed comprising 49 small farmers in the first year of establishment (1976/77). Group formation was slow during the first five years (1976/77-1980/81) because only 22 male groups were formed. For the first time, in 1981/82, five female groups were organized. In total, until 1986/87, there were 114 groups (86 male and 28 female) comprising 870 small farmers (see Appendix 3).

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The size of the group varies from 5 to 20. In Dhulhari SFDP there are two group organizers, one each for male and female. Both are experienced employees of ADB/N. The groups have been formed on the basis of caste, occupation, locality or mix characteristics. Each group is headed by a group leader selected through the consensus of the members. Usually, the group members select a group leader who is at least literate and capable of maintaining record of group activities. So the group leader is more often the affluent member of the group. It is he who plays an important role in the group including the liaison between the group members and the project office by organizing monthly meetings with the members of the other groups and GOs. The exchange of information and ideas in the meeting provides the group leaders an opportunity to learn new ideas.

5.3 Activities Under the Project

In line with the objectives of the Programme, Dhulhari SFDP has undertaken different activities of small farmer's concern. Economic, social and community and women's development activities are the major ones.

5.3.1 Economic Activity

The economic activity of the project is associated with the disbursement of loan to the individuals as per the group guarantee to operate small scale enterprises in the field of agriculture and cottage industry. During the period 1976/77 to 1986/87, the project has disbursed loans amounting to Rs 7.9 million on livestock (32.8 percent) followed by crop production (14.6 percent), farm mechanization (14.6 percent) and cottage industry (9.6 percent) schemes. Besides, loan has also been flown to agricultural product marketing, small irrigation projects, land development bio-gas, horticulture and godown construction (see Appendix 6).

5.3.2 Social and Community Level Activities

Social and community level activities refer to those activities launched basically for the group benefits. The activities are: motivation towards family planning, latrine construction, drinking water projects, road and trail construction and maintenance, fruit nursery, school building construction and maintenance, etc. These activities are financially supported by UNICEF, UNFPA, CARE/N, and HMG/N (see Appendix 4).

5.3.3 Women's Development Activities

Since 1981/82, the project has started organizing women into homogeneous groups and training them to participate in income generating activities. With financial support of UNICEF and UNFPA, weaving, knitting, vegetable farming, cereal crop production, potato chips making, etc., are the activities initiated both on individual and group basis. Besides, family planning, child care, maternal welfare, population education, adult education, etc., have also been provided in order to make them development-oriented (see Appendix 5).

5.3.4 Group Saving

SFDP has an objective to encourage the group members to contribute a certain amount to a saving fund each month in order to generate saving habits amongst the small farmers. The fund is utilized by the members to meet incidental expenses and production costs. Of the total groups under the project, 73 have started group savings. A sum of Rs 68,633 has been collected by the end of fiscal year 1986/87.

5.3.5 Committees Formed

To improve the participation of small farmeres in the income generating activities, dairy and irrigation committees have been formed by the project.

5.3.5.1 Dairy Committee

In order to help milk to the dairy centre in Biratnagar, two nine-member "Milk Collection Committees" have been formed among the participating small farmers. The functions of the Committee are: to make necessary arrangements for taking loan from the project to buy buffaloes, collect milk for the dairy centre, and make the repayment of credit to the project. Of the total amount of money collected from selling milk, 75 percent is distributed to the producers and the rest repaid to the project every week.

5.3.5.2 Irrigation Committee

Under the financial support of CARE/N, Dhulari SFDP, and people's participation, a small scale irrigation project was launched in Sundarpur Village Panchayat. To run the project, an irrigation Committee comprising seven members (who were also the group members under the project) was formed. The Committee was responsible for managing the irrigation project including water distribution and water tax collection.

5.4 Group Formation and Small Farmers Participation in the Group

One of the objectives of SFDP in Nepal is to activate small farmers to carry out social and community development activities through their group efforts. Therefore, small farmers groups were formed to bring awareness in them about the Programme to highlight their role in identifying local projects, and to ensure their participation in formulating and implementing need-oriented activities, and sharing benefits.

Started from five groups in 1976/77, Dhulhari SFDP has been successful in organizing a total of 114 groups composed of 833 small farmers. The project had been confined to only 22 male groups by the end of 1980/81. The average number of members per group was 9. The pace of the formation of groups increased remarkably after 1981/82. The formation of female groups also started from the same year. By the end of fiscal year 1986/87, a total of 114 groups including 28 female groups had been formed. The average number of members per group was 7.82 and the average number of members per male and female group separately were 7.56 and 6.54, respectively (see Appendix 3).

There has been an increase in the number of small farmers groups; however, the average membership per group has been decreasing over time. In 1981/82 alone, total number of groups formed was about the same as that of 1976/77 to 1980/81. Compared to the period before 1980/81, on an average, 23.5 percent of the members per group has declined between 1981/82 to 1986/87. The post-1980/81 development shows an increase in the number of groups, thus leading to an increase in the administrative costs of the project. Therefore, if increase in the number of small farmers groups cannot match with the proportionate growth in the total number of participating small farmers, the Programme, in the long-run, may confine its expansion to creating groups only and fail to provide the desired benefit to the optimum number of people.

5.5 Purposewise Loan Disbursement

Shortage of financial resources and inability in identifying location-specific potential schemes are the major factors impeding the small farmer's socio-economic upliftment in Nepal. SFDP has been introduced with a noble objective of providing the target population with credit facility and encourage them to identify their needs and priority and undertake potential schemes both on group and individual basis.

Crop production, farm mechanization, livestock, cottage industries, and the marketing of agricultural products are the major areas of credit disbursement by Dhulhari SFDP. Besides, bio-gas, godown construction and horticulture are also the field where credit has flown. During 1976/77 to 1986/87, a total of Rs 7,925 thousand credit has been disbursed. The disbursement of credit on livestock is the highest (Rs 2,596 thousand) followed by crop production (Rs 1,861 thousand), farm mechanization (Rs 1,160 thousand), cottage industry (Rs 754 thousand), irrigation (Rs 605 thousand) and agricultural product marketing (Rs 596 thousand). Similarly, Rs 187, Rs 71, Rs 48 and Rs 47 (in thousands) have been invested in land development, bio-gas, godown construction, and horticulture schemes, respectively.

Repayment performance is one of the major factors determining the success of a credit programme. If timely repayment is not achieved, the financial capacity of the programme will adversely be effected in the long-run. From the beginning of Dhulhari SFDP in 1976/77, the credit repayment performance has been disappointing and, particularly after 1981/82, the situation has been worse. The delinquency on crop production and agricultural products marketing is the highest (70 percent) followed by land development (30 percent), farm mechanization (29.14 percent) and livestock (25.5 percent). The delinquency in irrigation, cottage industry, horticulture and godown construction did not exceed 20 percent. Therefore, in terms of repayment performance, irrigation, cottage industry, horticulture and godown construction are relatively successful areas (see Appendix 6).

5.6 Credit Performance

Dhulhari SFDP started loan disbursement with Rs 313 thousand in 1976/77 which, by the end of fiscal year 1986/87, reached Rs 7,925 thousand. Of the total credit disbursed during 1976/77 to 1986/87, 38 percent has been found delinquent*. A significant amount of the total credit issued every year has been found delinquent and, over the years, the trend has been increasing. The delinquency in 1986/87 was 4.5 times higher than that in 1976/77. Along with the increase in credit disbursement, it is evident (see Appendix 7) that the proportion of credit delinquency has been rising steadily.

*The calculated delinquency is the summation of the total amount of credit (only principal) to be repaid but actually defaulted by the end of each fiscal year.

Growth Rates of Credit Disbursement and Delinquency *

Variables	Constant	r	R ²	F	DW
Investment	12.486	0.147 (14.05)**	0.96	198	2.75
Delinquency	11.181	0.191 (12.24)**	0.94	149	2.55

Note: The figures in parentheses indicate the respective 't' value of variables.

****** Indicate significant at one percent level.

When the data of loan disbursement and delinquency were fitted with the exponential function taking time as only regressor, the fit of equation giving the rate of growth, and as presented above, the rates of investment and delinquency were found increasing at 14.7 and 19.1 percent, respectively. The fit of the model is good and the coefficients are significant at one percent level.

It is evident both from above and Appendix 7 that credit disbursement as well as delinquency has increased during the period under study; however, growth rate of delinquency has always exceeded the loan disbursement growth rate.

5.7 Measures Adopted to Improve Repayment Performance

Based on the interview with the GO, this Section discusses the efforts made to improve the repayment performance by the project. As is revealed, the project is encountering credit delinquency as one of the major problems. This is mainly concentrated on crop production, agricultural product marketing, farm mechanization, livestock and land development schemes. But, these are the major activities,

*These are calculated using the exponential functions of the form $y = aoe^{rt}$, where y is a dependent variable, aeo is the constant, r is the rate of growth and t the time.

assigned by the Division of Small Farmers Development Programme at the Centre, based on the location-specific potential schemes. Realizing the magnitude of the problem, the project sought approval from the Centre to give the least priority to lend on most defaulting areas. Since the above schemes were identified as the potential location-specific ones by the Centre, the Centre disagreed on the proposal and rather advised to search for other measures which could improve the repayment performance. In case of crop production and livestock schemes, timely treatment to diseases is essential. One of the major causes of default on these schemes was the inadequate technical help provided by the line-agencies, particularly the district level Agriculture Development and Animal Health Offices.

One of the major reasons for credit delinquency mentioned by the GO was the shortage of staff in the project office. It was very difficult to administer 114 groups and 833 members' credit activities with only three supporting staff. Effective follow-up of schemes is highly desirable to improve the repayment performance. The request of the project to add at least two loan assistants did not materialize because of the Centre's reluctance to incur any more administrative cost.

6. SUMMARY OF THE FINDINGS

Small Farmers Development Programme in Nepal was started in fiscal year 1976/77, and it has been now activated through 298 field level projects covering 400 panchayats in 65 districts. With the total loan disbursement of Rs 260 million till 1986/87 and Rs 350 million till 1987/88, the Programme has the aim of covering the entire districts by the end of the Seventh Five Year Plan (1989/90), with 490 projects in 930 panchayats⁵. Further, this Programme has been recognized as a national programme since 1982.

The activities of the programme are carried out through organizing small farmers in homogeneous groups. Guided by a GO the programme flows credit to the individuals and groups under group guarantee basis in the areas of crop production, farm mechanization, irrigation, livestock farming, agricultural product marketing, cottage industries, and so on. Each group is headed by a group leader who acts as a liaison person between small farmers and project office.

⁵ ADB/N, "A Decade of Small Farmers Development Programme in Nepal", Kathmandu, Nepal (1986).

Dhulari SFDP was started in 1976/77 and covered an area of three panchayats. Above 64 percent of the total (3509) households were small farmers and about 33 percent of them were landless. Since the inception of the project, 114 groups of small farmers have been formed comprising 833 members with the average size of 7.82 members in a group. A total credit of Rs 7.9 million has been disbursed for purposes, like livestock, crop production, farm mechanization and cottage industries. Social activities like family planning motivation, health and sanitation, other location-specific development works and group savings and formation of dairy and irrigation committees are among the general efforts made by the project.

Though the project has been successful to form a substantial number (114) of groups of small farmers over the time, the average size of the group has declined by 23.5 percent during 1981/82 to 1986/87 in comparison to the size during 1976/77 to 1980/81.

Of the total credit disbursement by the project, the major share has been occupied by livestock, crop production, farm mechanization, cottage industries, irrigation and marketing of agricultural products. However, loan delinquency in the above schemes has been at an alarming range (30 to 70 percent of the total loan disbursed). In contrast to the above, schemes like bio-gas, godown construction and horticulture have an encouraging repayment performance (ranging between 80 to 100 percent) although they have insignificant share in the total credit.

The growth rates of credit disbursement and delinquency per annum are 14.9 and 19.1 percent during the period 1976/77 to 1986/87. Therefore, loan delinquency has been a major problem which is followed by a decrease in the participation of the farmers in the groups. Measures to check delinquency contemplated by the project include: demand for more staff for an effective follow-up of schemes, proposal for strict directives for cooperation with the line-agencies by the Central Co-ordination Committee and permission from the Centre to lay least priority on the defaulting schemes. But these have not been made effective yet.

7. POLICY RECOMMENDATIONS

General activities carried out by Dhulari SFDP seem satisfactory. However, decreasing participation of the small farmers in the groups and the increasing loan delinquency need to be addressed more concretely. And, for that matter, even if there has to be made some adjustment in the policy, that should not be set aside by the concerned institutions. Viewing from a long-term perspective, the following recommendations are cited for sustaining and solidifying the Programme:

1. Based on the experience of the past eleven years, location-specific schemes are continuously defaulting the major share of the total credit. Therefore, to check this state of affairs, authority should be delegated by the Centre to the local project to improve the investment policy on such location-specific schemes.
2. Given the present rate of the expansion of Programme's activities, there should be provision for adding number of the loan assistants with basic training on project planning and credit administration. This would help the project to carry out timely follow-up of the schemes and would discourage the credit misusers.
3. Delinquency on livestock and crop production activities could be reduced by increasing the help of district level Agriculture and Livestock Development Offices. The present level of cooperation, as reported, is very ineffective. The schemes are adversely affected due to the occurrence of different diseases every year. The central level coordination committee of the Programme should act in such a way as to provide more clear-cut policy guidance which is easier to follow at the local level.
4. National level seminar/workshop of the GOs under the Programme should be organized at least once a year. This would help the participants to share their knowledge and experiences about both success and failure, and their underlying causes. This would help the GOs to adopt appropriate measure to foster the project activities.
5. To improve the presently declining rate of small farmers' participation in the groups, the publicity of the project activities should be scaled-up and the need and importance of their participation in the project should be highlighted in the public meetings. Exhibitions depicting successful outcomes of the project activities should be frequently organized. To carry out the Programme activities more expediently certain policy changes empowering the GO to incur relevant costs for the Programme's benefit are also called for.
6. Besides small farmers' participation and loan delinquency, income and employment measures are equally important variables which serve as the underlying phenomena in the scheme of Small Farmers Development Programme and the related policies. So these measures should undoubtedly deserve their due consideration.

7. The cooperation and coordination of all the agencies directly/indirectly involved at various levels in the programme implementation should be further strengthened. The programme should be viewed as one of the focal aspects in the fulfilment of basic minimum needs of the rural poor and factors responsible for implementation deficiency, if any, should be timely identified and appropriately dealt with.

Appendix 1
Process of Group Formation and Functioning

Steps	Functions
1. Recruitment, Training and Fielding of Group Organizer at Sub-project Office	<ol style="list-style-type: none"> 1. To get familiarity with the area. 2. To establish rapport with local people.
2. Conduct detailed household survey of small farmers	<ol style="list-style-type: none"> 1. To identify eligible small farmers on the basis of either land holding or income criterion. 2. To explain basic objectives and philosophy of the Programme.
3. Formation of Groups	<ol style="list-style-type: none"> 1. To form small farmers into groups, size: 10-15 members based on caste, ethnicity, proximity, social status, occupation, etc. 2. Elect group leader, assistant group leader and treasurer. 3. To hold group meeting to decide on activities. 4. Prepare group production plan with assistance of group organizer.
4. Group production plan submitted to group organizer's office	<ol style="list-style-type: none"> 1. Screen and approve the production plan based on knowledge and skills of the members and profitability of activity. 2. Decide on individual and group economic activities. 3. Decide on social activities. 4. To fill up loan application forms.
5. Advance loans to groups for individual as well as group activities	<ol style="list-style-type: none"> 1. To improve closely the actual utilization of loan. 2. To explain the members about the usefulness of proper utilization of loan.

6. To maintain by group organizers regular contact between groups and other line agencies

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1. To make provision of technical back-stopping to groups by other line agencies.
 2. Make provision of marketing facilities for produce.
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7. Inter-group leaders meeting held at group organizer's office every month

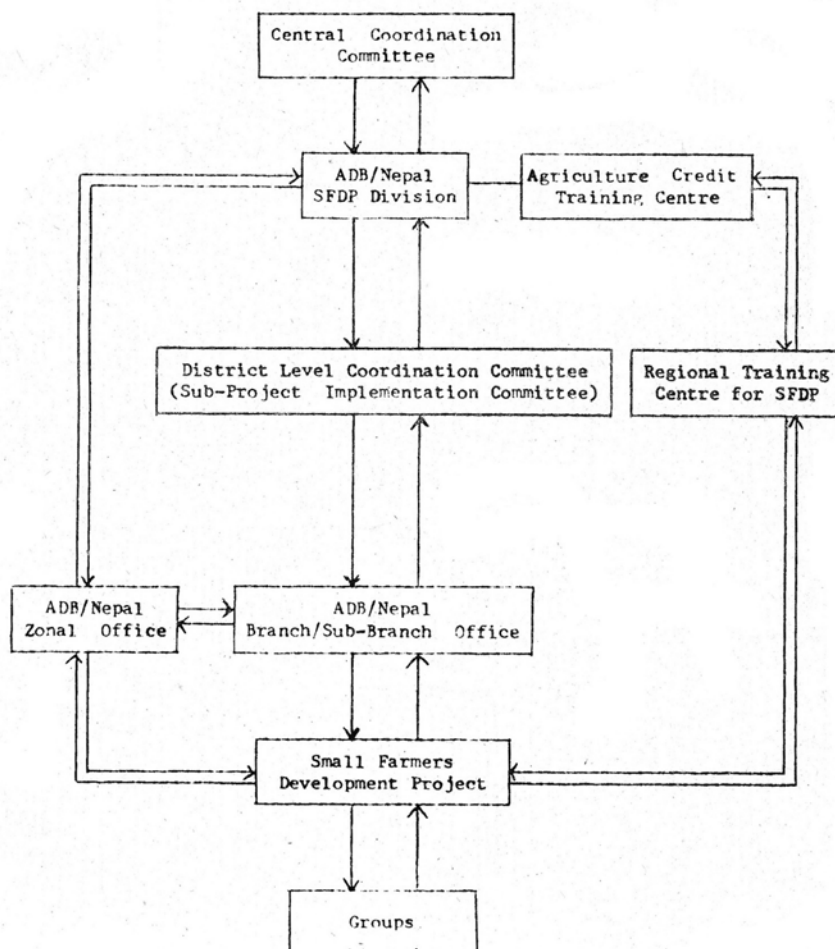
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1. To resolve conflicts between groups.
 2. To share approaches that work by mutual exchange of ideas.
 3. To raise default problems.
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8. Group meeting held every month

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1. To resolve conflict among members.
 2. To decide on new activities.
 3. To collect group saving fund.
 4. Consultation to repay back loans.
 5. To exert group pressures on defaulters, if any.
 6. To decide on social activities to be undertaken.
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Appendix 2

Organization Structure of
Small Farmers Development Project (SFDP)



Appendix 3

**Group Formed Under Dhulari Small Farmers Development Project
(1976/77 - 1986/87)**

Years	No. of Small Farmers Group			No. of Small Farmers Participating			Average Group Members
	Female	Male	Total	Female	Male	Total	
1976/77	--	5	5	--	49	49	9.80
1977/78	--	3	3	--	31	31	10.33
1978/79	--	6	6	--	45	45	7.66
1979/80	--	5	5	--	47	47	9.40
1980/81	--	3	3	--	23	23	7.66
1981/82	5	17	22	26	130	156	7.09
1982/83	1	6	7	6	40	46	6.57
1983/84	5	5	10	40	32	72	7.20
1984/85	12	24	36	76	171	247	6.86
1985/86	1	6	7	7	37	44	6.14
1986/87	4	6	10	28	45	73	7.30
Total	28	86	114	183 (6.54)	650 (7.56)	833	7.82

Note : Figures in parentheses indicate average numbers .

Source: Dhulari Small Farmers Development Project, April 1987.

Appendix 4

**Social and Community Level Activities Initiated by Dhulani SrDP
Since the Inception
(1976/77 - 1986/87)**

S.No.	Activities	Unit	Achievement	Coverage
1	Family Planning Motivation	Person	3	350 Households
2	Latrine Construction (Open pit)	No.	40	40 Households
3	Latrine Construction (Improved)	No.	8	96 Households
4	Latrine Construction (Improved)	No.	186	186 Households
5	Food and Nutrition Programme	No.(Parti- cipants)	16	210 Households
6	Drinking Water Programme (Pumpset and Tubewell)	No.	21	211 Households
7	Road Construction and Maintenance	KM	2	29 Small Far- mers(Indi viduals)
8	Well Construction	No.	1	15 Households
9	Meeting Hall	No.	4	14 Groups
10	Godown Construction	No.	1	1
11	Forest Plants Distribution	No.	150000	50 Households
12	Fruit Nursery Raising	No.	1	12 Females
13	Irrigation (Boring and Pumpset Installed)	No.	14	48 Households
14	Irrigation Canal Construc- tion	KM	2	48 Households
15	School Buildings	No.	1	150 Households
16	Rural Child Care	No.	4 (123 Children)	210 Households
17	Farmers Receiving Training	No.	320 (Including 17 Females)	

Source: Dhulani Small Farmers Development Project,
April 1987.

Appendix 5

**Women's Development Activities Under Dhulhari Small Farmers
Development Project Since 1981/82 - 1986/87**

Activities		No. of Groups	No. of Members and Amount
1	Group Formation	28	192
2	Group Saving	23	Rs 10997
3	Participation in Training	7	17
4.	Income Generating Group Activities:		
	a) Cottage Industry Operation	3	24
	b) Vegetable Farming	2	15
	c) Cereal Crop Production	1	7
	d) Potato Chips Making	1	11
	e) Gundruk Making	1	5

Source: Dhulhari Small Farmers Development Project,
April 1987.

Appendix 6
Purpose-wise Total Loan Distributed by Dhulhari Small Farmers
Development Project (1976/77 - 1986/87)

-(Rs in '000)

Purpose	Investment	Repayment*	Outstanding	Delinquency
Cereal Crops	1469 (18.53)	179 (12.18)	281 (19.13)	1009 (19.69)
Cash Crops	392 (4.95)	43 (10.96)	82 (20.93)	267 (68.11)
Farm Mechanization	1160 (14.64)	340 (29.31)	482 (41.55)	338 (29.14)
Buying and Selling	596 (7.52)	56 (9.39)	117 (19.64)	423 (70.97)
Irrigation	605 (7.63)	206 (34.05)	302 (49.92)	97 (16.03)
Agriculture and Cottage Industry	754 (9.51)	133 (17.64)	471 (62.47)	150 (19.89)
Livestock	2596 (32.76)	1036 (39.90)	898 (34.60)	664 (25.50)
Bio-gas	71 (0.90)	58 (81.69)	13 (18.31)	--
Land Development	187 (2.36)	77 (41.18)	54 (28.87)	56 (29.95)
Horticulture	47 (0.60)	25 (53.19)	19 (59.57)	3 (6.38)
Godown Construction	48 (0.60)	-- (00.00)	45 (93.75)	3 (6.25)
Total	7925 (100.00)	2153 (27.16)	2764 (34.88)	3008 (37.96)

Figures in the parentheses indicate percentage.

* Interest to be paid at the end of the respective fiscal year is not included.

Note : Delinquency is the summation of the total credit (only principal) which had to be repaid at the end of each fiscal year (July-June) but defaulted.

Source : Dhulhari Small Farmers Development Project, April 1987.

Appendix 7

**Total Loan Performance of Dhulari Small Farmers Development Project
(1976/77 - 1986/87)**

(In Rupees)

Years	Investment	Repayment*	Outstanding	Delinquency
1976/77	313210 (100.00)	109623 (35.00)	106491 (34.00)	97096 (31.00)
1977/78	338731 (100.00)	120066 (31.00)	110218 (41.00)	108447 (28.00)
1978/79	418720 (100.00)	138178 (33.00)	146552 (35.00)	133990 (32.00)
1979/80	498460 (100.00)	154523 (31.00)	204369 (41.00)	139568 (28.00)
1980/81	442860 (100.00)	124001 (28.00)	186001 (42.00)	132858 (30.00)
1981/82	672800 (100.00)	201840 (30.00)	218568 (31.00)	262392 (39.00)
1982/83	631200 (100.00)	176737 (28.00)	214607 (34.00)	239856 (38.00)
1983/84	973100 (100.00)	223813 (23.00)	330865 (34.00)	418422 (43.00)
1984/85	1041100 (100.00)	281097 (27.00)	343563 (33.00)	416440 (40.00)
1985/86	1121840 (100.00)	269242 (24.00)	347770 (41.00)	504828 (35.00)
1986/87	1424400 (100.00)	353878 (25.00)	515981 (36.25)	554541 (38.75)
Total	7925000 (100.00)	2152997 (27.17)	2763554 (34.87)	3008449 (37.96)

Figures in the parentheses indicate percentage.

* Interest to be paid at the end of the respective fiscal year is not included.

Note : Delinquency is the summation of the total credit (only principal) which had to be repaid at the end of each fiscal year (July-June) but defaulted.

Source : Dhulari Small Farmers Development Project, April 1987.

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