

case study of small farmers in naktajhijh dhanukha , nepal

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INTRODUCTION

This case study of small farmers, made in Naktajhijh village panchayat near the selected FAO project village Sakhwa, is to determine the attitude and reactions of small owner operators, share croppers and landless agricultural labourers towards the rural institutions. It deals mainly with six institutions and their organizational set-up, their mode of operations and interaction with the farmers at the village level.

These institution are: agricultural extension, credit, cooperative, land reform, marketing and village government.

This study also provides the basis for a meaningful comparison between areas with and without the FAO Field Action Project.

CHAPTER I

VILLAGE BACKGROUND

Naktajhijh Panchayat is located along the Janakpur-Mahendranagar Road which meets the EAST-WEST HIGHWAY at Dhalkebar. Naktajhijh is about 19 kilometers north of Janakpur, the headquarters of Janakpur Zone and only 5 kilometers off the EAST-WEST HIGHWAY. Thus, this panchayat is ideally situated with respect to transport networks. It is only 4 kilometers away from the Sakuwa Village, the FAO Field Action Project Area.

Naktajhijh panchayat consists of the following five villages: Naktajhijh, Raghapur, Sukhjore, Sripur and Bishrampur.

The total area of this village panchayat is 1221.26 hectares, of which the low land is 412.08 hectares and the upland 590.19 hectares. The total uncultivated land is 218.69 hectares. Year round irrigation facility is available for only 67.7 hectares of land.

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According to the 1971 population census, the total population of the panchayat is 3988 of which 2039 are male and 1740 are female. The total number of households is 203 with an average family size of 5.4.

Janakpur-Mahendranagar road which traverses this village, is an all-weather road, while the villages within and outside the panchayat are connected by seasonal dirt roads. The common means of transportation in the village is either bullock-cart or by foot labour.

The topography of this village is more or less flat. The land is fertile with alluvial to sandy loam soil. There is a potential for ground water irrigation through artesian tubewells. The farmers report that the water level is only 30 ft. below the surface.

About 65 per cent of the farm households have less than 3 hectares of land in this village. Among the farmers who have less than 1 hectare of land, 39% of them cultivate their own land and also work as agricultural labourers on others' farms while 61% of them rent in others' lands. Among the farmers who own land within the range of 1 hectare to 3 hectares, 61 per cent of them cultivate their land and occasionally work on a labour exchange basis, while 36% of them are tenants as well as owners. Only 3% of this group of farmers rent out their land.

Fragmentation of land holdings is another limitation for small farmers. The average size of low land (khet) and upland (pakho) holding for farmers having less than 1 hectare of land is 0.13 and 0.12 hectares respectively. Similarly, for farmers owning one to three hectares of land, the average size of fragmented plot is 0.25 hectares for khet as well as pakho.

The main crops grown in this village are paddy, wheat, sugarcane, finger-millet, tobacco, pulses and vegetables. About 15% of the land is used for early paddy, 50% for late paddy, 15% for wheat and about 40% for other crops. The cropping intensity with low value cash crops is about 140. Land is rather poorly utilized for early paddy and wheat crops mainly due to lack of an irrigation facility in the village area. Irrigation is the felt need for almost all farmers in that area. Most of the land remains fallow in the winter.

Hardinath Agricultural Farm is situated about 10 kilometers south of this village and only 1.5 kilometers east of the Janakpur-Mahendranagar Highway. The average rainfall recorded at this farm in 1975 was 1700 milli-meter while the average maximum temperature was 30.45° c and the average minimum temperature was 18.66° c. The hottest month was April with highest temperature of 36.88° c while the coldest month was December with 10.64° c.

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The Janakpur Agricultural Development Project (JADP), a bilateral technical cooperation project between HMG/Nepal and the Government of Japan in the field of agricultural development, has its head office at Naktajhijh, the case study village area. However, JADP has no specific programme in this village except the general extension programme conducted by the District Agricultural Development Office, Dhanukha.

There are two schools, one primary and the other middle. There is also a health post with only one health assistant. The village has neither any drinking water supply scheme or provision for electricity. They drink water from open wells and use dried cowdung or wood for fuel and depend on lanterns or wick-lamps to light the house.

CHAPTER II

INSTITUTIONAL SETTING

(a) Agricultural Extension

Agricultural extension service was initiated in an organized manner only after 1959 with the establishment of the Agricultural Extension Section in the Department of Agriculture. Later, in 1966 a separate Department of Agricultural Extension was created at the national level with six regional offices. This programme was extended to 51 districts by opening the District Agriculture Development Offices by the end of 1971.

In 1972, a reorganization in agriculture took place and a section of agricultural extension and training was retained under the Department of Agriculture. Under the new set-up, a Deputy Director General acts as a staff personnel to the Director General of the Department and is responsible to coordinate, supervise, provide policy guidelines and direct the activities of agricultural extension services, training and rural youth programmes at the national level. This new set-up also corresponds to the regional corridor development concept of His Majesty's Government. The organizational chart of the Department of Agriculture is presented in Appendix 1. Four regional agriculture directorate offices were opened in the four development regions. The organizational chart of Regional Agriculture Directorate is presented in Appendix 2. Presently, 60 out of 75 districts of Nepal have been covered with a moderate extension programmes by opening Agricultural Development Offices headed by an agricultural graduate. Junior technicians (J.T.) and Junior Technical Assistants (J.T.A.), the grassroot level extension agents, are posted in the villages. The work of the extension agents is supervised by the District Agricultural Development Officer. The number of JT and JTA in a district depends upon the intensity of extension programme and the area and

population of the district. Altogether, there are about 800 JT/JTA involved in the extension work throughout the country which indicates a poor coverage, the ratio of extension agent to farm household being 1:3000.

In order to launch an extension programme effectively as well as smoothly, agricultural development coordination committees were formed at the central regional, district and village level to bring cooperation and coordination among various concerned departments and agencies (see Appendix 3).

The JT/JTA are in direct contact with farmers and responsible to motivate and convince them about improved methods of farming by conducting result-demonstrations, farm tours and agricultural fairs. They are also to teach farmers improved methods of farming by conducting method-demonstrations, farmers training programmes, and farm and home visits. Besides, they assist farmers in obtaining agricultural inputs and credits.

In the regular extension programmes, every JT/JTA is assigned to distribute a specific amount of improved seeds and fertilizers and a certain number of fruit plants and livestock to the farmers. They are also required to conduct a specified number of farm leaders training and result and method-demonstrations. Once they fulfill these assigned targets, they complete their obligations. This physical target-oriented approach tilts them toward big farmers rather than small farmers in executing extension programmes.

In Dhanusa district, the agricultural development officer is provided with a four-wheel driven jeep while JTA's, who have to live in the village, have no such means of transportation. In the case study area, the assigned JTA has to cover two more panchayats besides Naktajhjh. Thus his presence is hardly felt by the farmers in this panchayat.

(b) Credit Services:

1. Institutional Sources: A formal banking institution to serve the agricultural sector began in 1963 with the establishment of the Cooperative Bank which in 1968 was turned into the Agricultural Development Bank of Nepal (ADB/N). Later, the Land Reform Savings Corporation, established in 1966 as a result of the Land Act, 1964, to collect and utilize savings deposited under the Compulsory Savings Scheme, was merged with the ADB/N in 1973. Thus, ADB/N, became the principal development bank to provide financial assistance to the agriculture sector either directly to the individual farmers or through cooperative and village committees. It provides short, medium and long term credit to purchase inputs such as fertilizers, improved seeds, insecticides, farm machinery, livestock, draft animals, irrigation pumps and tractors. It also provides loans for establishment and operation of small scale agro-based industries.

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The head office of ADB/N is in Kathmandu with four regional offices and a network of 133 branches throughout the kingdom. At the central level, there are six divisions with divisional heads responsible for a functional direction of the regional, district and branch offices (see Appendix 4).

ADB/N has followed a decentralized approach to the approval of loan, setting a maximum limit for the amount to be approved by the branches, regional offices and the General Manager.

The bank does not need any collateral to make available loans to cooperatives and village committees. Generally, collaterals are needed for individuals to be creditworthy. Land farmstead, machinery are taken as collaterals depending upon the valuation and form of the collateral, the bank grants loans upto 40 to 70% of the value of assets put as collateral. Usually, registered land is taken as collateral. However, in the case of tenants, certificate of tenancy is also used as collaterals. For production loans to farmers (having less than 2.70 hectare land in the Terai), the bank authority can grant a loan up to Rs. 5000 and the loan registration paper without making spot valuation of his lands. This is done (because valuation on the spot may take more time) to expedite the loan process.

ADB/N has developed a standard loan application and appraisal form. The members of any cooperative society can apply to the society for a loan and receive loan from the society at the recommendation of the society with final approval from the branch offices of ADB/N.

On the directives of the Nepal Rastra Bank (the Central Bank), the commercial banks (Nepal Bank Ltd., and Rastriya Baniya Bank) have also started to invest in the rural sector since 1975. These banks are obliged to invest a minimum of 7 per cent of their total deposit liabilities in the rural and agricultural sectors.

2. Non-institutional Sources: Non-institutional sources of credit play a dominant role in meeting productive as well as unproductive (marriage festival, funeral and other social expenses) credit needs of the majority of farmers. Agricultural Credit Survey indicates that about 38% of the farmers get loans from non-institutional sources. As far as small farmers, share-croppers and landless labourers are concerned, the non-institutional sources are presumably the only existing credit sources presently in Nepal, although some efforts have been directed to reach this target group through institutional sources. Money lenders, rice merchants, landlords and relatives are the main sources of non-institutional loans. There is no definite loan procedure. Such loans involve personal risk and mutual trust. Usually the interest rates range from 30 to 50 per cent.

(c) Cooperatives

Cooperative movements have gone through several ups and downs since the establishment of Cooperative Department in 1956. However, the need for effective village level institutions to serve weaker sections of the population, largely small farmers, has always been acutely felt. A Cooperative Revitalization Scheme was planned under the management of Agricultural Development Bank in 1971. The cooperative societies were operated as "guided cooperatives". The results of guided cooperatives have been promising. Recently, His Majesty's Government prepared a Sajha (Cooperative) development programme with the objective of helping small farmers through village level Sajha Organization. The basic objectives of this programme are two-fold: first to increase the agricultural production and income of small farmers and artisans by providing input, credit and marketing services, as well as distributing essential consumer goods at the village level; secondly, to mobilize savings by expanding banking facilities in rural areas. The Sajha Society acts as an intermediary agency for the Agricultural Development Bank to provide loans to small farmers at the village level.

There are three main sources of capital: (i) under the Land Reform Programmes, the Compulsory Saving Scheme was initiated. The Sajha Society collects compulsory savings and deposits these savings as shares of each farmer. This provides its capital base. (ii) The society encourages voluntary saving and thus mobilizes rural capital by providing banking facilities as well as interest rate incentives on their bank deposits. As a result, people are encouraged to deposit money in fixed or saving accounts rather than keep their money under the mattress. (iii) Agricultural Development Bank provides loans to societies at lower rates of interest.

The cooperative structure consists of four tiers: the ward level, the panchayat level, the district level and national level. At the ward level, there is a ward committee consisting of three members. This committee is primarily responsible for evaluation of loan applications, collection of compulsory saving and the speedy recovery of loans extended by the cooperative society to the farmers.

At the panchayat level, the Board of Directors comprises 11 members among whom nine members are elected from among the ward committee members with the Pradhan Panch (village panchayat chief) and Uppradhan Panch being the ex-officio chairman and deputy chairman of the Board. The Board of Directors is responsible for the overall control, supervision and implementation of the Sajha programme. The Agricultural Development Bank appoints the manager of the cooperative society. Thus the cooperatives are guided and managed both by the political as well as the bureaucratic bodies. The political guidance to the Sajha comes from the "Go to the Village Campaign Committee" at various levels, while the bureau-

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cratic management is channelled through the various government agencies and the Agricultural Development Bank.

The Department of Cooperatives, Ministry of Land Reform, provides inspection and auditing services as well as training to Sajha managers. The cooperatives are registered under this Department.

In order to coordinate the activities of the different agencies involved in the development programmes, coordination committees have been set up both at the district and central levels. The District Panchayat President is the ex-officio chairman of the District Sajha Development Committee and the representatives of all related district level agencies are members in the committee in order to ensure effective co-ordination. Similarly, the Central Sajha Development Committee is chaired by the Minister of Land Reform, Food and Agriculture. All the related agencies are represented to provide overall policy guidelines and assure effective coordination at the central level.

The Sajha programme is primarily aimed to meet the credit needs of farmers cultivating less than 2.70 hectares of land in the Tarai districts and those cultivating less than 1 hectare in the hill districts.

Individually, the small farmers are weak socially as well as economically. This is why it is proposed to organize these farmers into cohesive and viable groups. Then the society can deal with groups rather than individual farmers. This further enhances co-operation among small farmers for their common interest, as well as improving their collective bargaining power. A JTA is attached to the village Sajha Society to provide technical knowhow to farmers in improving their farming conditions.

In Naktajhijh, a Sajha Society has recently been established. Earlier, the cooperative society at Dhalkebar, which was unknown to many farmers of Naktajhijh, also covered this village.

(d) Land Reform

Land reform is so far one of the most important institutional reforms undertaken in Nepal. A series of measures dealing with land tenure and tenancy taken between 1951-63 did not have any discernible impact. However, comprehensive agrarian legislation came into effect only with the Land Act of 1964. The main features of the Act were:

- (1) Abolition of Zamindari system.
- (2) Ceiling on land ownership including homestead of 18.4 hectares in the Tarai, 4.9 hectares in the hill and 3.1 hectares in Kathmandu Valley. Similarly, the ceiling on tenancy holdings are 2.7, 1.0 and 0.5 hectares respectively.

- (3) Guarantee of tenancy rights.
- (4) Fixation of rent at 50 per cent of the principal crop.
- (5) Abolition of sub-tenancy.
- (6) Land acquisition above the ceiling limit and its distribution to tenants and landless labourers.
- (7) Compulsory saving scheme was introduced under which owner-cultivators land lords, and tenants were supposed to deposit at the rate of 84 kilograms, 56 kilograms and 28 kilograms per hectare for cereal crops in kind and 7.5, 10.0 and 5.0 per cent of the value of cash crops respectively. The deposited savings were to be refunded in cash, kind or bonds after five years with a 5 per cent annual interest rate. Now, the savings have been converted into shares in the cooperative societies.

This programme was enforced with full vigour but later its momentum petered out. Since the implementation of land reform was phased out over three years starting in 1964, it gave enough time to the concerned land owners to make adjustments to safeguard their proprietary rights from the purview of the Act. Fixation of ceiling, protection of tenants from eviction, fixation and control of rent and establishment of institutions for supporting services vis-a-vis the utilization of saving have not yet been effectively implemented. A beginning has been made in this direction by the inception of the 1964 Land Act, but a lot needs to be done for it to have a discernable impact on political socio-economic conditions of the rural people in general and small farmers/tenants/landless agricultural labourers in particular.

(c) Marketing

The supply of farm inputs has been institutionalised by the government since 1966 with the establishment of Agricultural Supply Corporation (now Agricultural Inputs Corporation). Cooperative Societies and private dealers are used as agents of the AIC.

The AIC purchases improved seeds, fertilizers, insecticides, and agricultural implements. The prices of these are determined centrally by the head office in Kathmandu and are then distributed to various group and district offices.

The AIC at the zonal and district levels in turn deliver the inputs to its agents—the Sajha Societies and accredited dealers. The District Cooperative Union takes orders from and delivers to **its** member village cooperative societies. AIC also sells directly from its district offices or depots to individual buyers and to accredited dealers who are appointed on the recommendation of the District Agricultural Development Officer.

Prices of these inputs are fixed. The cooperative union, Sajha societies and agents are all allowed commission on sales which varies with different commodities. If there is a Sajha society in a village, then it is the sole dealer of AIC. In the long run, it is expected that the Sajha society will be the only agency at the village level to sell agricultural inputs.

Similarly, on the output side, the marketing of paddy has been institutionalised by the government since 1975. The price of paddy is fixed by the Rice Export Company.

At the village level, there are only private shops and co-operatives to sell agricultural inputs, consumer goods and to buy agricultural produce. Local marketing for other consumer goods, livestock and inputs are done in the weekly market place, where buyers and sellers from different neighbouring villages and towns get together for a day of trading goods. They return to their respective homes in the evening. This is called "HAAT" in the local language. It also serves the purpose of meeting friends and relatives and provides entertainment for the people. The villagers of Naktajhijh go to the Sakhuwa bi-weekly market (HAAT). It is just an open space without any special facilities. The farmers of Naktajhijh sell their products and buy necessary goods at this HAAT. Big shopping is done in Janakpur.

Another form of marketing in the village by which door to door service is provided, is called "BHOURI". Usually women are engaged in this activity. Bhouri is a barter system of marketing where the seller exchanges food items such as vegetables, salt, oil, fruits and molasses for food grains. Women sell these goods door-to-door from bamboo baskets which they carry on their heads. This is a common form of marketing for supplying essential goods in the village everyday.

(f) Village Government

The political system of Nepal is the partyless Panchayat democracy. It is a three tier system composed of the Village Panchayat, the District Panchayat and the National Panchayat. Politically, the entire kingdom is divided into approximately 4000 villages, seventy five districts and fourteen zones. The political boundary of each Panchayat is based on geography and population distribution. Though the maximum population limit for village panchayat is not rigidly defined yet a minimum number should not be less than two thousand.

Each village is divided into nine wards and the population within the village is fairly evenly divided among these wards. Each ward elects five members (Panchas) on the basis of adult franchise, and two members are nominated by the District Committee

of the "Go to the Village National Campaign" (GVNC), thus making a total of 47 members in the village assembly. Every ward has a ward committee and one of the members is elected as its chairman.

The village assembly convenes twice a year—once after the paddy harvest (winter) and again after the wheat harvest (summer). In these assembly meetings, the Panchas discuss and examine the village budget, analyse various development projects prepared by the village panchayat and recommend new projects which may be of importance to the majority. If deemed necessary, an extraordinary meeting of the village assembly can be called at any time of the year.

In order to execute and supervise the day-to-day village activities, an eleven member executive committee called the village panchayat is formed by the Village Assembly. In the village panchayat, each ward is represented by its ward committee chairman and two members are nominated by the district committee of the GVNC. Members nominated by the GVNC are from among social workers, village intelligentsia, and the scheduled castes. However, if there is no women representative in the village panchayat the GVNC nominates at least one woman to the executive committee. Thus, women who are traditionally underprivileged and backward are deliberately brought into national politics in the task of national development.

The village panchayat has a Pradhan Pancha and a deputy Pradhan Pancha. In order to be elected, the Pradhan Pancha and deputy Pradhan Pancha must acquire two-third of the votes from the member of the village panchayat. If the contestants fail to win two-third of the votes, then the district committee of the GVNC selects the Pradhan and Deputy Pradhan Pancha. The Pradhan Pancha is the chairman of the Village Assembly and the Village Panchayat. All of the members of the Village Assembly and Village Panchayat are elected to office for four years.

Each village panchayat is a legal corporate body of the entire village. Normally the village panchayat meets once every month, but if members desire, an extraordinary meeting can be called by the Pradhan Pancha. Necessary quorum for such a meeting is one-third of the village panchayat members excluding the Pradhan Pancha.

Being the lowest rung of the Panchayat political system in the country the village panchayat is the sole body responsible to supervise and execute village affairs. It has many functions and duties. The following are the main responsibilities of the village panchayat for the general welfare of the villagers. The prime duty of the village panchayat is to initiate and launch various developmental projects. Programmes like construction and repair of roads, trails, bridges and school buildings are some of its major activities. Besides, it provides facilities for health care, clean drinking water and eradication of contagious disease like cholera, small-pox.

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In order to launch developmental projects, the village panchayat may levy taxes, solicit voluntary aid and receive governmental grants. In order to provide minimum basic education to the village children, the village panchayat is obliged to build at least one primary school building, hire teachers and open libraries.

In order to encourage agricultural production at the village level, the village panchayat assists the extension agents to disseminate the use of improved seeds, chemical fertilizers, improved agricultural tools and implements and improved breeds of livestock. The village panchayat is also responsible for law and order and promotes the growth of rural industries.

CHAPTER III

THE FARMERS PROFILE

The common characteristics of all six farmers interviewed were:

- a. All had straw thatched houses, with mud floors, and mud plastered bamboo walls.
- b. Open wells were the sources of drinking water for all.
- c. None had private toilet and open fields were used for this purpose.
- d. None of them used foot wear of any sort.
- e. None of them own harrow, planter, drill/seeder, weeder cultivator, sprayer, duster, harvester, thresher, tractors, tubewell and engine pumps.

Ram Palat Yadav

Ram Palat Yadav, a physically well built, 65 years old, small owneroperator, has three sons and two daughters who are all married. His eldest and youngest sons are 40 and 15 years of age respectively. He as well as his sons have school education. His joint family consists of 13 members, five of whom are grandchildren.

He owns 2.09 hectares of land of which 1.95 hectare is cropland. He has two pairs of draft animals worth \$ 240.00 and 3 modest houses and one animal shed, worth total of \$ 400.00. He owns two ploughs, a leveller, two spades, four sickles and four karpies (hand trowels) all of which are made by the local village blacksmith. Their total value is \$ 9.50. He also owns a bullock-operated sugarcane press and a vat, of combined value of \$ 160.00. The value of his total assets is about \$ 3291.84. Every year he has managed to add to his holding a small piece of land. In 1971-

1972 he had only 1.60 hectare. He neither leases in or leases out land. He does not have enough lowland to produce sufficient paddy for family consumption. He grows cash crops such as sugarcane and tobacco, processing the sugarcane at his farm to make mollasses, this is the main source of his cash income which amounts to approximately \$ 320.00. He buys 300 to 400 kilograms of paddy to meet family food requirements. He employs about 100 man-days in a year to carry out timely field operations.

He has so far not used any improved methods of cultivation. He has two buffaloes, worth \$ 240 total, in his farm which are now in lactation. He also sells milk, but was reluctant to disclose the exact amount that he earns through this source. Hesitantly he disclosed a sum \$ 16.00 per year, but this figure is very likely to be underestimated. He spends \$ 8.00/year for paddy straw to feed cattle. He neither borrows nor loans money to anybody except relatives. His family is vegetarian with the main source of protein being pulses and milk.

Kumar Mahato

Kumar Mahato, a 43 years old shy and withdrawn owner operator, has three sons and four daughters. Three daughters are married. His 65 years old father is living with him, while his 24 years old son is separated from the family. Presently he has 6 members in the household.

Mr. Mahato owns 1.22 hectares of land, of which 1.08 hectares is crop land, 0.068 hectares is farmstead and 0.068 hectare is orchard. This year he is also a share cropper for 0.380 hectare of paddy land, where he does not have any tenancy right and is obliged to give 50% of the total produce to the land owner. He owns only upland, where he grows early paddy, finger-millet and sugarcane as main crops. He also grows some horsegram, gram and wheat in winter. Sugarcane is the main cash crop from which he earns \$ 24.0 annually. He does the processing into molasses on his farm and sells it to nearby Sakhuwa market. He has 3 houses, one of which is used as a cattle shed-cum-rest house worth \$ 160.0 total. He owns a pair of bullocks, worth \$ 128.0, a milking buffalo and two buffalo calves worth \$ 168.00 in total. He also owns two cows worth \$ 19.00, one very old and unproductive, kept mainly because of religious dogmas, the other in lactation.

He owns a plough, a leveller, a spade, six kurpies (small trowels), five sickles and a bullock cart. The bullock cart is valued at \$ 48.00 and the rest of the tools \$ 5.76 total. He also owns a bullock-operated sugarcane press and a vat of combined value \$ 200.00. He neither borrows nor lends out money to any one. He tries to manage somehow on his own and does not work in others' fields. The total value of his assets including tools and equipments is \$ 1662.5.

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Basu Deo Mandal

Basu Deo Mandal, a 50-year old owner and share-cropper, has two married sons, a daughter and 5 grand-children, a total of 12 in the household. The elder son works for the National Construction Company of Nepal with a salary of US \$ 12 per month for 6 months only, while the younger son works as a seasonal labour at the Janakpur Agricultural Development Project on a temporary basis for \$ 12 a month.

He owns 0.51 hectares and has tenancy rights over .374 hectares of land, all of which is upland. Early paddy, finger millet and sugarcane are his main crops. He does not have his own sugarcane processing facilities, therefore has to get it processed from his neighbour who charges one third of the molasses output. He owns three residential houses and one farm house worth \$ 1200 total. The value of his total farm resources is \$ 726.40. He possesses 3 goats one of which is leased out to others. He has also taken a pair of calves on lease (adhinaphi) for \$ 40.00.

He owns a plough, a leveller, two spades, six sickles and six karpies. Their total value is \$ 6.40.

He has borrowed 37.5 kgs of rice to meet family requirements this year which he plans to pay back after the harvest in December with 25% interest in kind. He buys 560 to 600 kg of paddy every year to meet annual food requirement.

Jailal Sahu

Jailal Sahu, a 66 years old share cropper, has a married son and 4 grandsons. His son as well as his grandson work for the National Construction Company of Nepal (NCCN). His son is paid 0.48 dollars a day while the grandson is given 0.56 dollars because he is engaged in iron works.

He owns only 0.136 hectare of land of which 0.068 is crop land while the rest is farmstead land. He has tenancy rights for 5 years on 0.26 hectares of land for which he pays a fixed rent of \$ 12.44.

He grows early paddy and finger millet, chilli and wheat. He has a few plants of guava and banana in his kitchen garden.

He possesses one cow and a calf, combined worth \$ 160.00. He owns two residential houses and a farm house, worth \$ 120.0 total. As far as farm tools and equipment are concerned, he has six sickles, four karpies and two spades. Their value is \$ 2.00. The value of his total farm resources is \$ 522.00.

Mathuni Mandal

Mathuni Mandal is a 50 years old landless labourer with a 40 years old brother and a six years old son in the family. His wife died last year, and he had to sell all his land to pay off his debts and meet the funeral expenses. He and his brother work as farm labourers in Naktajhijh, Raghopur and Sukhjher villages. He has only 0.0068 hectare of farmstead land, half of which is used for kitchen garden. His only house is used for kitchen, bedroom and also to provide shelter to his goat. In the name of farm tools, he only possess two sickles and two tiny hand hoes (khurpi) worth \$ 0.75. Employment for him as a casual labour is not hard to get. If a meal is provided by the employer, then he is paid 2 kg. of paddy while without the meal he is paid 3 kg. of paddy a day. However, in both the cases he is provided with millet bread for breakfast.

Buland Das Tutama

Buland Das Tutama, a 40 years old landless labourer, has a wife and two daughters. He was married twice before, but in both the cases, his wives eloped. He practices shamanism (dhami) but doesn't earn anything out of this virtue except doing certain social services.

He has 0.012 hectares of farmstead of which only 0.0025 hectare is utilized for kitchen garden where chilli and few banana shuckers are planted. He has one large house which is portioned to provide small accommodation for a calf, that he has taken on lease (adhanaphi) at \$ 16.00. The value of his house is only \$ 32.00. He owns two sickles, one axe, two kurpies worth \$ 1.32 total. The total value of his farm resources is \$ about \$ 90.00. He works on different farms as Hariharpur, Sukhjher, Raghopur, Durgatole and Naktajhijh for different farmers. In a year, he receives a mere 900 kg. of paddy by working on different farms.

CHAPTER IV

THE FARMERS' REACTIONS TO THE INSTITUTIONS

1. Agricultural Extension: None of these six farmers had been approached by any extension agent or extension method. Their common reaction was that they were unaware of extension services. Some of them have heard of JTA but didn't care to know who the JTA is and what can be learnt from him. When their crops are damaged by insects and diseases, they blame the Gods for being unkind to them. When their animals are sick, they depend on village witch-craft for the treatment.

The JTA usually contacts Pradhan Panch and rich farmers and conducts result demonstrations on their fields only. Therefore, the small farmers feel only big people can afford to use what JTA or Extension Service has to offer. However, if the extension methods would have been directed towards small farmers, the results may have motivated them to adopt new practices. This is because they would have been inspired by the fact that if one of the person of their own socio-economic group could do it, then, they too are capable of doing it. The important reasons for not adopting improved practices, from the point of view of agricultural extension service, seems to be the lack of adequate information, motivation and conviction on the part of small farmers.

The conventional extension activities start with innovators. Innovators are characterized by large acreage of land, high social status, higher education, risk taker and having access to information from many sources. The concept behind this approach is that once the innovators have adopted improved agricultural practices other farmers will be convinced by the extension principle "seeing is believing" and they will also adopt these improved agricultural practices. Thus improved practices will disseminate amongst the whole rural population and everybody will benefit from the use of improved practices. But in reality the extension efforts have mostly stuck-up with innovators and big farmers and very little of it has percolated down to small farmers.

Due to deep and longstanding social cleavages based on caste and income and/or wealth differences, there are several social or economic strata in the village. The diffusion through any "demonstration effect" is limited horizontally to other members of the same social or economic strata. Thus it is imperative to examine the conventional extension approach itself.

One of the respondents said that irrigation is necessary to use fertilizer but that he didn't have irrigation facility and therefore was unwilling to take the risk of using fertilizer without assured irrigation.

One of them expressed his eagerness to visit government farm where improved methods of cultivation are practised, if the government bears the cost for his trip.

Due to low socio-economic status of small farmers, tenants and landless labourers in the village, these people are always at the far end of the queue for any service. Thus, they didn't have access to these services in a real sense even though it exists in the village. In the target oriented development strategy the only convenient way to fulfill the target is to approach big landholders, so extension agents have no time for small farmers.

The majority of small farmers are illiterate, tradition-bound and often ignored in the decision-making process in the village, which has resulted in their being a passive and pathetic group. These people are even reluctant to enter into a government office and talk to the officials freely. Therefore, expecting this group to come forward boldly to avail themselves of the extension service is simply not possible. A deliberate effort should be made to reach this underprivileged section of society. Thus, a total change in approach in administration of extension services is needed. Besides, some form of organisation or association of these small farmers is needed to make them more conscious of their potential.

Credit

None of these farmers had borrowed credit from institutions. Some of them said that they can borrow from relatives and neighbours when in need of money, and did not feel the necessity of credit from institutional sources. Tenants and landless labour feel that they are not eligible for credit because they don't have their own land for collaterals as required by the Bank. They are told that the rate of interest is low at the bank but they are also to abide by the bank rules to pay back in installments. They are not sure whether they will have enough money to pay back every installment in time. They regard it too much of trouble to get government money, while it is easy to get a loan both in kind and cash from their employer. Of course, these employers charge high rates of interest but then, the small farmer can get a loan even at mid-night and later pay back by working on their employer's land. They believe agriculture bank gives credit only for fertilizer and seeds. However, they can use their own seeds and use manures from their own livestock. They need cash to buy clothes, medicine, food items and other necessary goods for which the banks do not provide credit. So they didn't bother to utilize them.

When a question was asked "if you have a choice which would you consider as the best and the worst sources of credit". Mr. Mahato didn't know the alternatives sources—except the traditional sources i.e. village moneylender and therefore couldn't respond to this question.

Mr. Tutama, a landless labour said that he had leased a calf from his employer at \$ 16.00. After two years of feeding and proper management he can sell it for \$ 64.00. From this he must deduct \$ 16 to pay the real owner. The remaining \$ 48, is divided equally between himself and the owner and he thus earns \$ 24. If the bank would have provided credit to buy in the first place at \$ 16 then, in two years at the existing rate of interest 15% he would have to pay only \$ 21.00 and could have earned \$ 43.00 instead of only \$ 40. He thinks banks can help him a great deal if there is a provision for credit without collaterals. He said,

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in order to grant a loan of \$ 16.00 the bank will need some collateral which he didn't have. The landlord lends to him in mutual trust, without any collateral. his landlord trusts him because he has worked on his land for several years.

Similarly, the farmers interviewed expressed the view that the Bank can help them in providing credit to buy cows or other animals. But they need both consumption and production loans. However, the Bank provides only production loans and they have to rely on moneylenders or landlords for consumption loans. Thus, institutional sources of credit would probably meet only a small part of their total credit requirement and hence they would still have to depend on moneylenders. Moneylenders may be reluctant to loan if the farmer is using the bank for source of credit, and thus coerce farmers who need consumption loans into depending entirely upon non-institutional credit sources. As a result, farmers cannot rely on institutional sources of credit unless their total credit need is met by this source.

Cooperatives

A Sajha (cooperative) Society has been started this year in Naktajhijh Panchayat. Farmers in general lack information about the society and its functions. Among the six farmers interviewed, only Mr. Ram Palat Yadav expressed his desire to become a member of the society. It was not possible to receive their reaction about the cooperative society in this village because of their total ignorance of the cooperative society.

As per discussion on Sajha in Chapter II the Board of Directors of Sajha at the village level consists of the elected member of the village panchayat. None of the elected ward members were small holders except one in the case of the study village. Hence, there is no adequate representation of small farmers on the Board of Directors, which implies that it does not present a true representation of interests. It is commonly believed that any programme designed to benefit small farmers must get some decision making into their hands, if benefits are to be achieved for them.

However, since one of the criteria for performance evaluation of Panchas is the extent to which cooperative societies have been successful, it is expected that the panchas, even though they belong to richer groups of farmers would encourage small farmers to enroll in Sajha Society and benefit from its services.

Village Government

Under the panchayat system, the rural people are gradually participating in the task of national development. The "Go to the Village National Campaign" body is actively involved to educate and mobilize people about the constructive elements inherent in

the panchayat system. However, the lack of communication network and low level of education have resulted in a slow participation of people in the panchayat system. The participation of small farmers, tenants and landless agricultural labour in the executive body of the local government is relatively negligible presumably due to their high rate of illiteracy and their low economic and social status.

Just women's representation in the village government has been made deliberately to encourage women's participation in the decision making body, similarly representation of small farmers/tenants/landless labourers on village government seems to be desirable to encourage their participation and present their interest to the village level governments.

Conclusion

In Nepal, about 92% of the agricultural households are under one hectare size-group and 96% of the population live in rural areas. In a predominantly subsistence farming system, the majority of cultivators have at their disposal less than the minimum area needed for subsistence, 4 to 5 family members for labour, 2 to 3 animals and farm tools worth in between \$ 5 to \$ 20. The tenants and landless agricultural labourers depend for their livelihood on tenancy and the work opportunity from big farmers. As such they live in poverty and despair. Hence the need for appropriate rural institutions to help them increase their income and thus make a decent living is indeed urgent. The traditional institutions such as landlord, moneylenders, middlemen and others have served this group but at a very high cost. Consequently, the search for and establishment of relevant rural institutions is most pertinent.

In the past, the function of formal institutions at the village level was only to maintain law and order. However, these institutions largely exploited the naive, timid and innocent villagers. When government personnel walked into a village, villagers would hide or run away from the village. They felt that government agencies were always out to get something from them. Now new institutions are beginning to establish their base at the village level to serve villagers. However, the villagers look at them as an extension of the law and order maintaining institutions in a disguised form, even though their intentions are different and genuine. These institutions have not yet gained the confidence and faith of villagers. First of all, the rural populace have to be convinced that these agencies are there sincerely to help them. They are extremely cautious and careful to find out the purpose of these agencies. As long as they are ignorant of the objectives and functions of these institutions, it is very unlikely that the rural poor at the lowest rung of the socio-economic hierarchy will come forward to benefit from them. Therefore, an intensive educational programme needs to be launched to acquaint them with the institutions and win their hearts.

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None of the farmers interviewed have had any extensive contact with formal institutions apart from minimal amount of schooling. Most of their needs such as credit are met through informal social networks, such as family relationship or contacts with employers, landlords, moneylenders and traders in the village community. Small farmers/tenants and landless labourers know how to deal with these informal institutions, but are ignorant of the formalities and procedures for dealing with formal institutions. The bureaucratic culture of formal institution is totally alien to this target group. Only a few educated and economically well-off people in a village are acquainted with this bureaucratic culture. These people act as brokers or gatekeepers for contacts between formal institutions and the rural poor, who prefer to use them as intermediaries. These brokers control the access of small farmers to formal institutions and take a certain commission for their services. Differences in language and status between small farmers and the personnel of formal institutions further exacerbate this situation. Villagers usually speak a different language from the employed of these institutions and are of lower social status. This hinders effective communication and thus farmers don't bother to go to these institutions.

Programme discontinuity also causes lack of credibility about the institutions to these farmers. This has been trend in case of supply of agricultural inputs and extension services.

Though a diversity of institutions are operating in Nepal to help raise the income level of the rural poor, yet they have not effectively and adequately fulfilled their objectives. Many of these institutions have been functionally independent in working to achieve their separate targets, rather than functioning in a coordinated fashion to tackle the problems of their target group. A coordination of efforts at the village level is a crucial need, and this should include on intensive educational programme to break down the barriers of ignorance and suspicion on the part of the villagers and to inform them of the services which these institutions can provide.

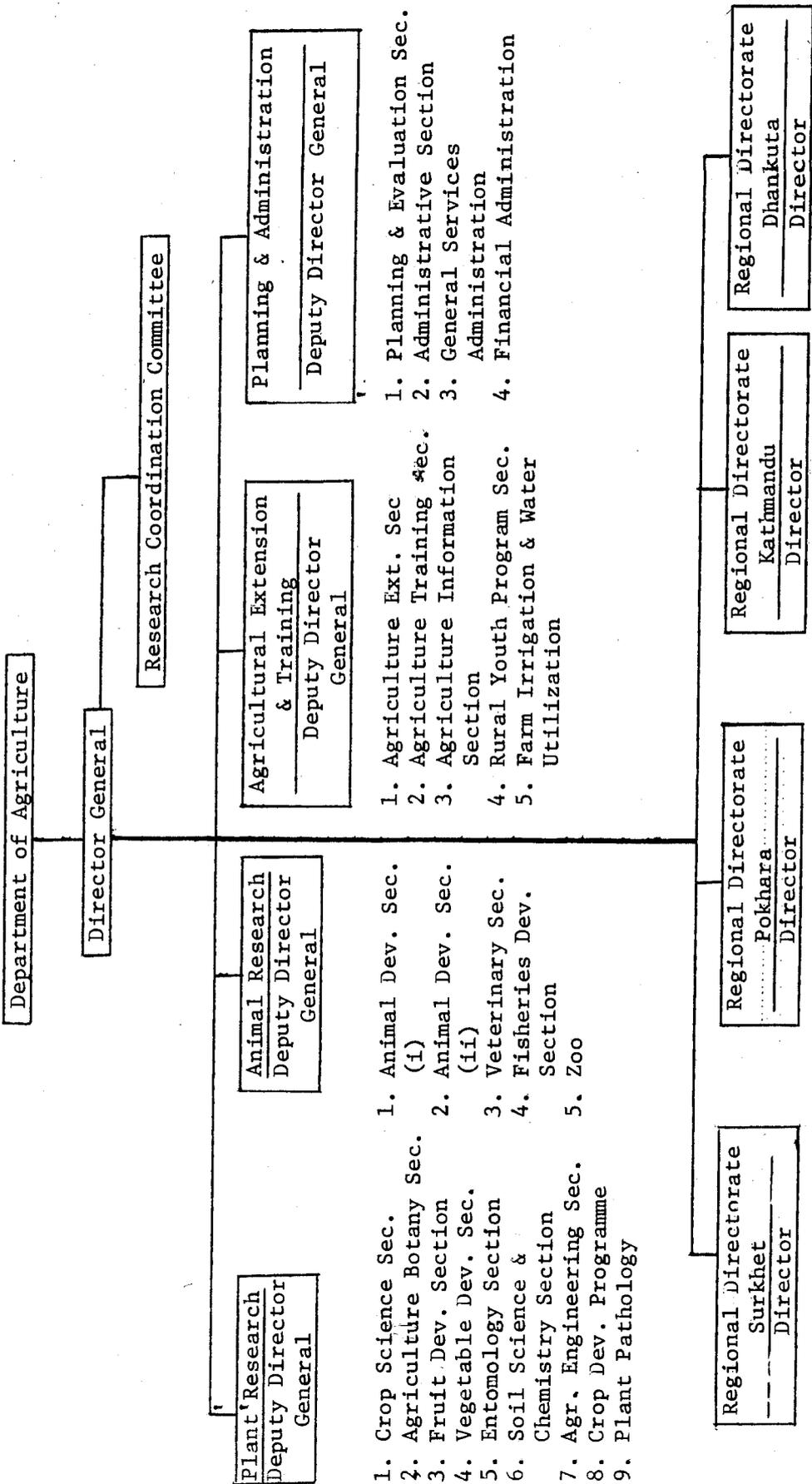
To date the major impetus for the creation of institutions to serve the rural poor has come from the political and administrative centre of the society. This means that policies and targets are formulated and implemented in a top-down process, and while a significant effort is being made to reach the rural poor, there is as yet no working procedure for making institutions accountable to the lower strata of the rural population. Effective participation must be encouraged by bringing these strata into the decision-making process of rural institutions intended to serve them. Only recently with the activation of the Sajha (cooperative) Societies and the "Go to Village National Campaign" has an effort been initiated to coordinate the services of institutions designed to reach the rural poor, and to make these institutions more responsive to

the needs of their target group. These new institutions now face the challenge of integrating institutionalized services to members of the rural populace such as the farmers interviewed for this case study, who until now have been by-passed in the development process.

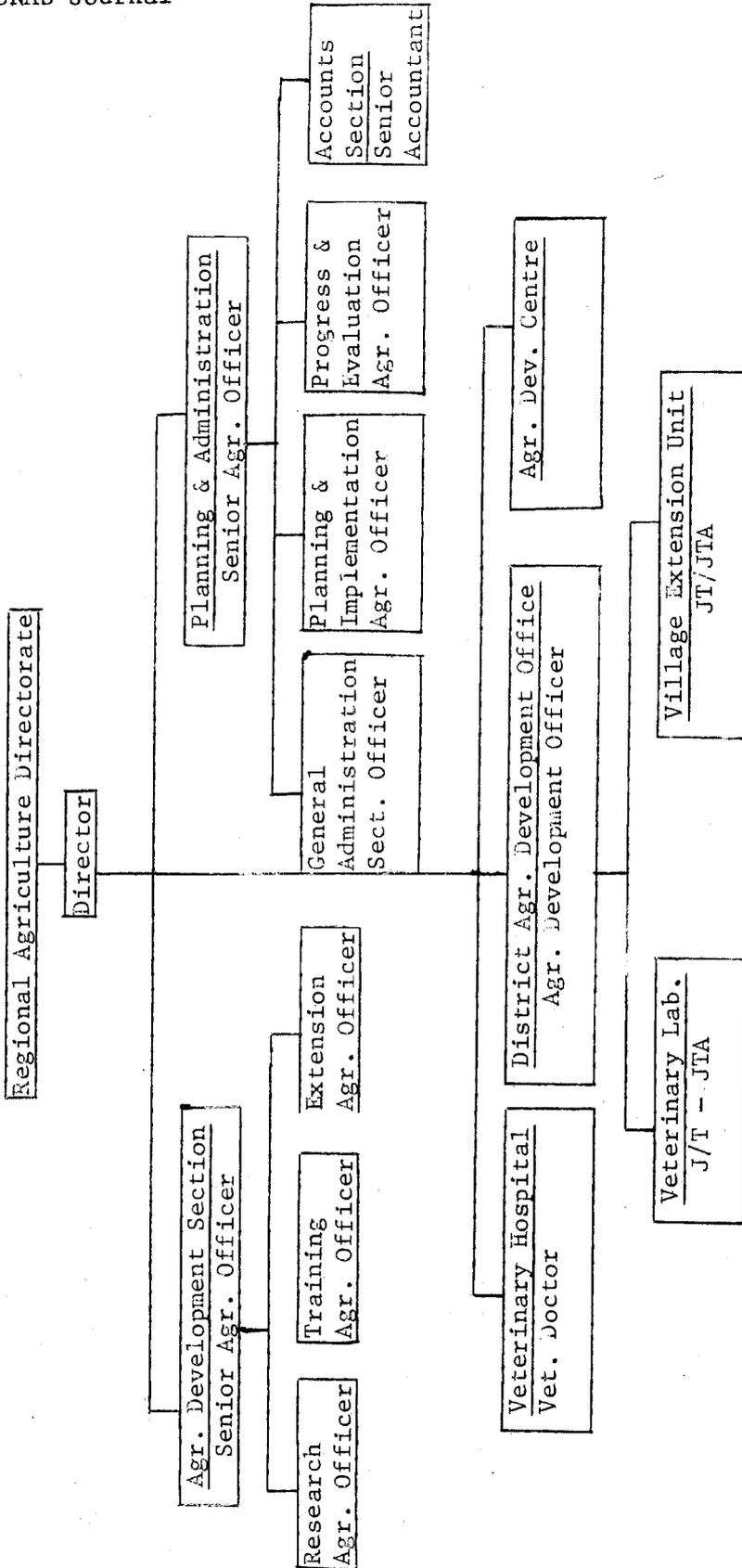
APPENDIX 1
ORGANIZATION OF THE DEPARTMENT OF AGRICULTURE

Department of Agriculture

APPENDIX 1
ORGANIZATION OF THE DEPARTMENT OF AGRICULTURE



APPENDIX 2
DEPARTMENT OF AGRICULTURE



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APPENDIX 3A. Central Coordination Committee

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|----|---|----------------------|
| 1. | Ministry of Food, Agriculture and Irrigation,
Secretary | Chairman |
| 2. | Department of Agriculture, Director General | Member |
| 3. | Department of Irrigation and Hydro-
Meteorology Director General | ,, |
| 4. | Department of Food and Agriculture
Marketing Services, Director General | ,, |
| 5. | Agriculture Development Bank, General Manager | ,, |
| 6. | Agriculture Inputs Corporation,
General Manager | ,, |
| 7. | Ministry of Food, Agriculture & Irrigation,
Planning & Coordination Division - Joint-
Secretary | Member-
Secretary |

B. Regional Coordination Committee

- | | | |
|----|---|----------------------|
| 1. | Regional Agricultural Directorate, Director | Chairman |
| 2. | Regional Office of ADB/N, Chief | Member |
| 3. | Regional Directorate of Irrigation,
Director | ,, |
| 4. | Regional Office of AIC, Chief | ,, |
| 5. | Regional Directorate of Agriculture,
Senior Agricultural Officer | Member-
Secretary |

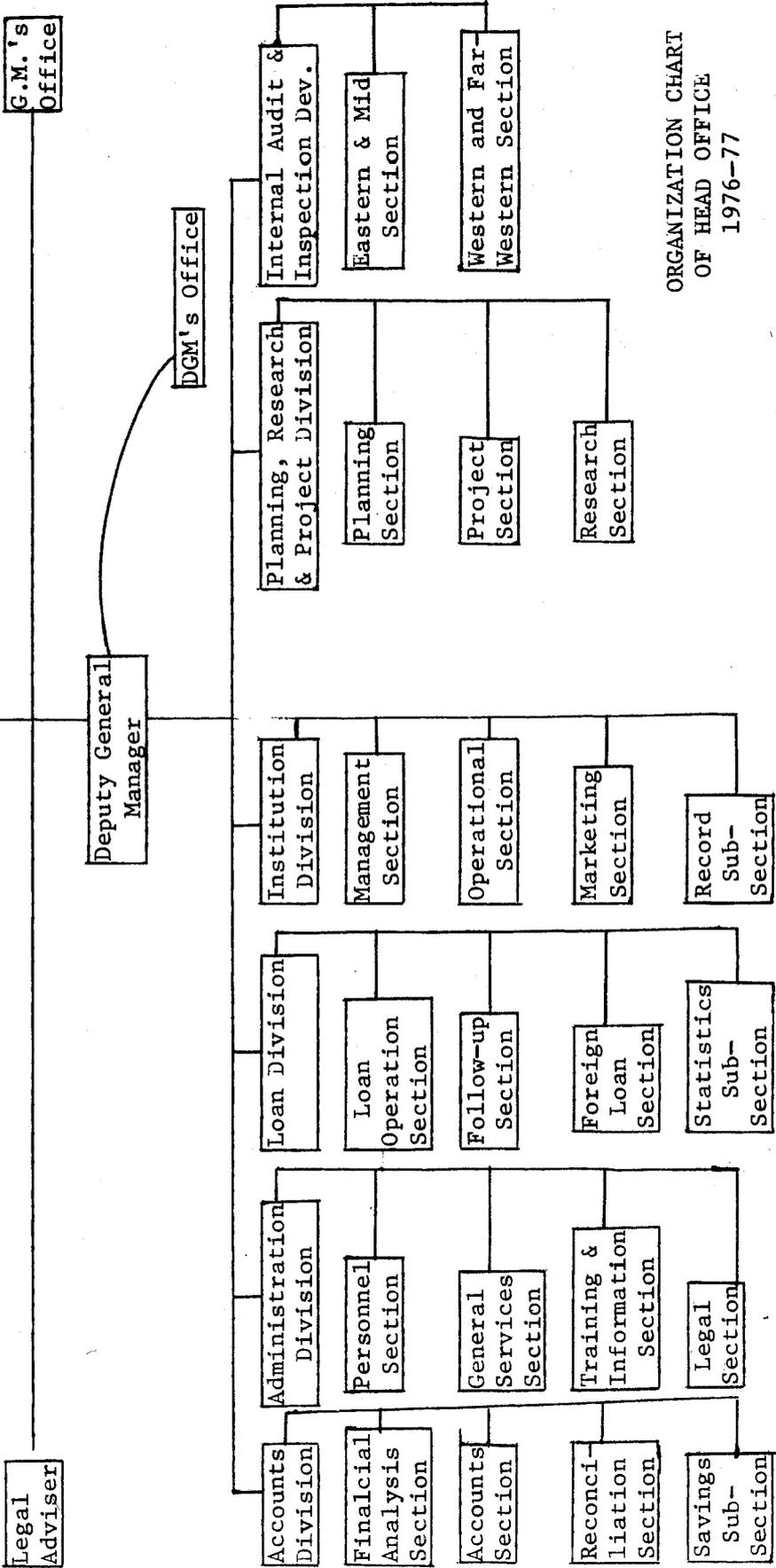
C. District Agriculture Coordination Committee

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|----|---|----------------------|
| 1. | District Panchayat member | Chairman |
| 2. | Panchayat Development Officer | Member |
| 3. | District Peasant's Organization, Chairman | ,, |
| 4. | Agriculture Development Officer | Member-
Secretary |

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| 5. | Agriculture Development Bank,
District Chief | Member |
| 6. | Agriculture Inputs Corporation,
District Chief | ,, |
| 7. | Land Administration Officer | ,, |
| 8. | Cooperative Officer | ,, |
| 9. | Irrigation and Hydro-Meteorology
Representative | ,, |
| D. | <u>District Agriculture Execution Committee</u> | |
| 1. | Agriculture Development Officer | Chairman |
| 2. | Agriculture Development Bank, Chief | Member |
| 3. | Agriculture Inputs Corporation, Chief | ,, |
| 4. | Cooperative Officer | ,, |
| 5. | Irrigation Engineer | ,, |
| E. | <u>Village Agriculture Development Coordination Committee</u> | |
| 1. | Pradhan Pancha | Chairman |
| 2. | JTA | Secretary |
| 3. | Progressive Farmers (2) | Members |
| 4. | Cooperative Society Manager, or
Agriculture Inputs Corporation
Dealer or Bank Representative (ii) | Members. |

APPENDIX 4

GENERAL MANAGER



ORGANIZATION CHART OF HEAD OFFICE 1976-77