

Micro-Enterprises Development for Poverty Alleviation

Volume II



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Vegetable-based Micro-Enterprises in Kapilbastu District A case Study of Mahuwa and Dharmapur Settlements, Kapilbastu District¹

Abstract

Micro-enterprise generates employment and contributes significantly to alleviate poverty in rural areas. Because of its labour-intensive nature, vegetable-based micro-enterprise generates a large number of employment. Despite its importance in generating employment and income, farmers still depend on their traditional knowledge and skills for growing vegetables. In order to analyse vegetable-based micro-enterprise, this study was undertaken in Mahuwa and Dharmapur settlements of Kapilbastu district. Though vegetable cultivation was taken as an enterprise, the productivity was low due to the use of traditional technology, lack of skill training and unavailability of high-yielding seeds and fertiliser on time. Despite the problems being faced and low productivity, vegetable enterprise was found giving a good return to the entrepreneurs. It was found effective for poverty alleviation. Even though the study was limited to two small settlements, it has shown that to enhance farm income from vegetable enterprise, modern agricultural technology and improved seeds should be made available to the entrepreneurs.

1. Introduction

1.1 Background to the Study

Nepal is an agricultural country where 74 percent people depend on agriculture (NPC, 2011). Poverty and unemployment are emerging problems in rural areas. Micro-enterprise generates employment, contributes significantly to economic growth, social stability and equity in rural area. Vegetable-based micro-enterprise is a part of agriculture-based micro-enterprise. It generates a large number of employment and contributes to alleviate poverty.

1.2 Statement of the Problem

As a realization of limitation of subsistence-oriented traditional agriculture, changes have taken place in the farming sector. Vegetable cultivation is increasing as a market-oriented farming overtime. Due to various supports provided by INGOs, NGOs and GOs, a large number of farmers are motivated for vegetable farming. However, the distribution of such motivating factors is not even due to which most of them depend on their traditional knowledge and skills for growing vegetables. Though access to technology, inputs and credit is a must for taking vegetable production as an

¹ MA Thesis 2010 by Parbati Chaudhari - Nepal: Tribhuvan University, Central Department of Geography

enterprise, it is not easy for the entrepreneurs. This study was undertaken to provide these information for the promotion of vegetable enterprise in Kapilbastu.

1.3 Objectives of the Study

The general objective of the study was to analyze the vegetable-based micro-enterprise. The specific objectives were to:

- analyze the socio-economic condition of vegetable entrepreneurs,
- examine the scale and distribution pattern of vegetable production,
- examine the market chain of the vegetable enterprises, and
- assess the problems of vegetable micro-enterprises.

2. Literature Review

2.1 Vegetable Enterprise

Literatures show that an entrepreneur is a diligent and hardworking person with the ability of risk bearing. The enterprise is a business of entrepreneurs and the conducting process is entrepreneurship as shown in Figure 1. Small enterprises are means of utilization of local resources, indigenous knowledge and skill, thereby generating local employment (Pradhan, 2004). Vegetable cultivation is taken as an enterprise in Nepal in the recent past. The Interim Plan has specified the specific sectors for micro-enterprise development. Agriculture was included as one of the important sectors by National Planning Commission (NPC) in its Interim Plan (NPC, 2008). This was one of the important sectors of MEDEP also.

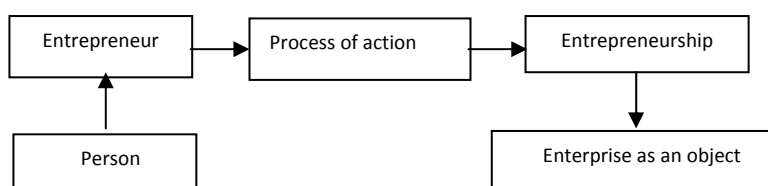


Figure 1: Relation of entrepreneur, entrepreneurship and enterprise

Vegetable production, processing and marketing are the major micro-enterprises in vegetable farming.

2.2 Government Policies Related to Micro-Enterprise Development

Micro-Enterprise Policy (2007) specified criteria for an enterprise to be called as a micro-enterprise (Mol, 2007). The main focus of the policy is to provide employment opportunities for improving the living standard of the poor people particularly Women, Dalits, Indigenous Nationalities, Madhesis and other backward communities. The Interim Plan focused on poverty alleviation by providing employment opportunities through the promotion of micro-enterprises. It adopted the slogan - "be entrepreneurs, reduce youth poverty" (NPC, 2008). The Industrial Enterprise Act, 1992 emphasized on the use of indigenous raw materials and human resource in the enterprises (Mol, 1992).

2.3 Vegetable Research and Development in Nepal

Vegetable has been grown in Nepal since time immemorial. However, systematic research and development started only after the establishment of governmental horticulture farms in the sixties. It got more impetus when Vegetable Development Division was established in 1972. Since 1987, Nepal Agriculture Research Council looks after vegetable research and Department of Agriculture looks after vegetable development.

3. Research Methodology

3.1 Conceptual Framework

Market centres are essential for the promotion of vegetable enterprise. Vegetable production and marketing are affected by various factors as shown in Figure 2.

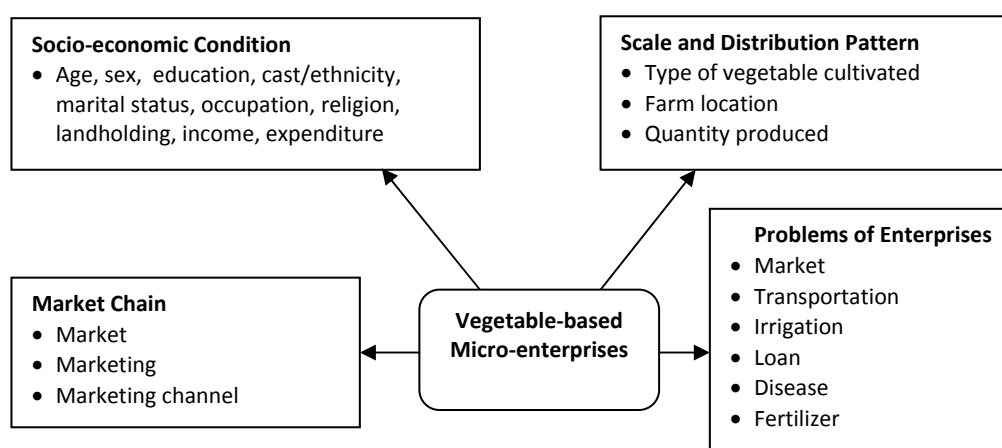


Figure 2: Conceptual framework for vegetable-based micro-enterprise

3.2 Analytical Framework

The analytical framework consisted further analysis of the factors affecting vegetable-based micro-enterprises. It comprised analysis of mainly environment affecting vegetable production and marketing.

3.3 The Data

This study was conducted in two settlements (Mahuwa and Dharmapur) of Kapilbastu district. The study was mainly based on the primary data collected from the field survey. Out of 186 households (Dharmapur - 92, Mahuwa - 94) in the study area a sample of 60 households (30 each from Dharmapur (32%) and Mahuwa (33%)) were selected for the interview. The data was collected by using structured questionnaire. Focus group discussion was also held to substantiate the information collected through household survey.

4. Results and Discussions

4.1 Characteristics of the Study Area

Kapilbastu is a Terai district and thus has a tropical climatic condition. Mahuwa is in ward 14 of Kapilbastu Municipality. Mahuwa is located near Taulihawa market centre. Most of the land (94%) in Mahuwa and Dharmapur is cultivated. The area is irrigated by Banganga River, Ghorahi Nala and canal water. These settlements are good for vegetable production.

4.2 Socio-economic Characteristics of the Vegetable Entrepreneurs

The household size in the study area was 5-6 members. Economically active population age of 15-59 is 59.6 and 62 percent in Mahuwa and Dharmapur respectively which is larger than the whole district of 52.2 percent. Though Kapilbastu is an accessible Terai district, literacy is still low (about 64 percent: 65.1% in Mahuwa and 58.4% in Dharmapur). The study area was inhabited by Madhesi people (76.7%). The main occupation of the people (81.7%) in the study area was agriculture. Most of the households were small holders (36.7% having 11-20 kattha, and 27.6% having 21-30 kattha). Almost all of them were keeping livestock. Of those rearing livestock, 74.5 percent were cattle and buffalo and 25.5 percent were goats. Due to high illiteracy, very few people are involved in the government service (0.6%).

4.3 Scale and Distribution Pattern of Vegetable Enterprise

Vegetable is in cultivation in the study area since last 40 years. On an average, each household was devoting 9.3 kattha in Dharmapur and 6.2 kattha in Mahuwa for vegetable cultivation. As the land holdings are not in one parcel and are scattered, each household's production of vegetable is also not in one location only. About one third vegetable entrepreneurs were growing vegetables in two locations and more than 20 percent were growing in even three locations. The more the locations, the higher the cost of management was.

Since information adds to a fixed cost and most of the vegetable entrepreneurs were found to have received information on production technology and marketing from their family and on their own, it is clear that they have hard time to be competitive in the market. It was found that about 50 percent of the farmers in the study area had some kind of training in vegetable farming. Most of them (71%) got training from the MARD (Market Access for Rural Development) project and DADO (District Agriculture Development Office).

4.4 Production and Income

There are various types of vegetables produced in the study area. Over one season, there was a production of 1,266 quintals of vegetables from 464 kattha. It gave a productivity estimate of 8.2mt/ha which is very low as compared to national average of 12.14 metric tons/ha (CBS, 2010). The low productivity was due to unavailability of high-yielding varieties (hybrid) and fertilisers on time. The average price fetched was Rs 11.98/kg. It gave a gross income of Rs 25,268 per household per season from 7.73 kattha.

Table 1: Production volume and income

Vegetable type	Volume (in quintal)	Gross income (Rs)
Green leaf	40	40,000
Solanaceous	280	375,000
Root crops	82	8,700
Tuber crops	76	114,000
Bulb crops	32	64,000
Cole crops	368	294,400
Cucurbits	312	468,000
Leguminous	76	152,000
Total	1266	1516,100
Average price	Rs 11.98/kg	
Gross income	Rs 25,268/household	
Vegetable area	464 kattha	
Yield	272.84 kg/kattha (8.2 metric tons /ha)	

4.5 Marketing of Vegetables

Taulihawa is the nearest and main market centre from the study area wherefrom the produce is further transported to other market centres. There are four channels for the marketing of vegetables to reach the final consumer as shown in Figure 3.

The price fixation is done through bargaining and mutual understanding. There was no system for the dissemination of market information. Entrepreneurs themselves explore the market information from businessmen and market management committee.

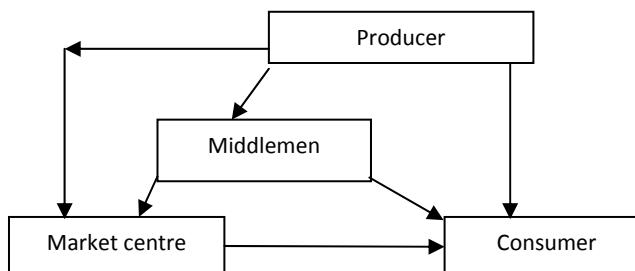


Figure 3: Market chain of vegetable

4.6 Problems Faced by the Vegetable Entrepreneurs

One of the major problems is the limited market in Taulihawa due to which the entrepreneurs are exploited by the middlemen and/or wholesalers. The production pocket is connected by a muddy road due to which the cost of transportation is high.

Vegetable entrepreneurs are using hybrid seeds. Oftentimes, hybrid varieties are changing and farmers do not have any idea on the performance of the newly coming hybrid seeds. High use of chemical fertilizer has increased the dependency of entrepreneurs on purchased fertilizers. As fertilizer is usually not available on time, vegetable planting is delayed, thereby affecting the yield.

5. Conclusions and Recommendations

5.1 Conclusions

Most of the surveyed households were involved in farming due to high illiteracy. Though vegetable cultivation was taken as an enterprise, the productivity was low. The low productivity was because of the use of traditional technology, lack of skill training and unavailability of high-yielding seeds and fertiliser on time. Though information is power, it adds to cost as well. Vegetable entrepreneurs were accessing information from the family and neighbours due to which they had hard time to be competitive in the market. Despite the problems being faced and low productivity, vegetable enterprise was found giving a good return to the entrepreneur. It was found effective for poverty alleviation.

5.2 Recommendation

As most of the vegetable entrepreneurs are illiterate and are lacking necessary skills to improve the vegetable enterprise, they should be provided with basic literacy and necessary training in skill development. Vegetable entrepreneurs still use traditional agricultural technology. Modern agricultural technology, improved seeds should be made available to improve production. Transportation is a big problem for the producers. Hence, proper transportation facilities should be made available to producer for better marketing. The support organization like MEDEP should assist the vegetable growers in accessing technology and analyzing market information.

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