

Micro-Enterprises Development for Poverty Alleviation

Volume II



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Micro-Enterprise Development Programme
Ministry of Industry
United Nations Development Programme
June 2013

Published by:

Micro-Enterprise Development Programme
Ministry of Industry
United Nations Development Programme
June 2013

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ISBN: 978-99946-916-6-1

Printed in Nepal at : Office Support Service Centre Chhapakhana P. Ltd.
Teku, Kathmandu
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Natural Resource, Market Demand and Target Group Analysis of Siraha District¹

Abstract

MEDEP was piloted in 1998. It expanded to 36 districts by 2010 in its third phase (2008-13). The development objective of the programme was to contribute to reduce poverty among low-income families in rural areas, and to ensure the institutional development and capacity building of local service delivery organizations to work as catalysts in the development of rural micro-enterprise sector. In order to reach its target group, MEDEP conducts natural resource, market demand and target group surveys in the new programme districts. As Siraha was added as a new programme district in the third phase, this study was conducted to furnish these information. On the basis of the major findings, this study concluded that Siraha district has a high potential of developing micro-enterprises to create employment and income-generating opportunities for the MEDEP's target groups. For implementation effectiveness and better results, MEDEP should concentrate its programme on 32 new VDCs clustered around six market centres. Entrepreneurs should be supported in marketing skill development, market survey and marketing. Services of related institutions such as DSCI, DADO, DLSO DWO, DFO, and other backstopping resources should be integrated into the implementation of MEDEP activities.

1. Introduction

1.1 Background to the Study

MEDEP was piloted in 1998 in 10 districts. It is currently running in its Phase III (April 2008 to December 2013) after successful completion of its Phase II in March 2008 and has so far covered 36 districts by the end of 2010. Siraha district was included in Phase II under MEDEP'S Quick Impact and Peace Support Initiative (QIPSI). MEDEP's objective is to diversify the livelihoods and increase the average income of low-income families through micro-enterprise development and employment generation. The development objective of the programme is to contribute to reduce poverty among low-income families in rural areas, and to ensure the institutional development and capacity building of local service delivery organizations to work as catalysts in the development of rural micro-enterprise sector.

1.2 Statement of the Problem

MEDEP has defined low-income families and socially excluded groups as its target groups. In order to reach these target groups with appropriate micro-enterprises on the basis of local resource potential, people's demand and market opportunity, MEDEP conducts natural resource, market demand and target group surveys in the new

¹ By Development Management Institute (DMI) 2010 - Study commissioned by MEDEP

programme districts. As Siraha was added as a new programme district in the third phase, this study was conducted to furnish this information.

1.3 Objectives of the Study

The objective of the study was to determine the most potential programme/market centres and programme locations in the district for micro-enterprise creation and development based on market opportunities, potential of sectors/subsectors, area resource potential, and need, interest and potential of the low-income people.

2. District Situation Analysis

2.1 District Background

Siraha is a Terai district. There are 106 VDCs and 2 municipalities distributed over 17 llakas and 6 electoral constituencies. The weather is extreme hot during summer and the winter is naturally comfortable. However, in the recent years winter gets cold throughout. Of the total land (12,4542.5 ha), 59.35 percent is cultivated and 22.25 percent is forest. The district has a well-developed road network. There are 102,241 households with an average family size of 5.72 persons. Overall literacy rate is 40.31 percent, with male literacy of 55.55 percent and female of 32.26 percent. The Dalits alone comprise 19.25%, Janajatis/Adivasis 14.8% and religious minorities 7.25% of the total population. Of the economically active population, 86 percent women are involved in agriculture; most of the Dalits are landless and thus are agricultural labour.

2.2 Economy and Markets

Agriculture: There were 1.64 percent landless households and 46.2 percent had less than 1 hectare. Paddy, wheat, legumes, mustard and maize are the major crops grown in the district. Horticultural crops like potato, fruits, vegetable and spices are the minor crops. Buffalo, goat, sheep, pig, chicken and duck are the major livestock types in the districts.

Forest: Siraha has 28,157.95 ha of forest, large portion of which (3,407.95 ha) is in the Terai and a small portion (24,750 ha) is in the Churiya hill range (DFO, 2008). There are 88 community forests with a total of 14,086.15 ha area managed by community forest users' groups. Besides, there are 11 private forests covering approximately 43 ha area in the district (Annual Progress Report). The record shows that the Government forest land is 14,069.80 ha of which around 1,774.06 ha is already deforested and encroached upon.

Industry: Siraha is one of the leading industrial districts in the Eastern Development Region. There were 1,923 industries registered in District Cottage and Small Industry Office as of fiscal year 2010. (DCSIO, 2010). They were 65 percent production-oriented, 31.6 percent service, 1.8 percent tourism, 1.4 percent agriculture- and forest-based and 0.2 percent construction.

Small business: Small business enterprises such as retail shops, tea stalls, sweet shops, petty trading (grains, vegetables, milk, and live animals), agro-vets, fertilizer dealers and the likes were found to be an important source of earnings for a significant number of rural people. There were 20 meat sellers, 5 milk chilling centres, 10 dairies, 64 agro-vets, 67 animal health workers, 63 fertilizer dealers and 11 fruit nurseries (5 registered and 6 non-registered) in the district (DLSO and DADO, 2010).

Traditional skill-based occupations: There are traditional occupational groups like blacksmiths (iron workers), tailors, carpenters, clay potters, *laha* bangle (for women)-makers, vegetable growers and weavers in the rural areas who are working with their indigenous skills and practices, making their occupation as a source of living. Even now the Dalits such as Damai (tailors), Kami (blacksmith), Mochi (shoe-maker), Musahar, Harijan, Khatwe, caste people are holding their caste-based occupation. There are indigenous skill-based handicrafts like *dhakki* and *daliya* weaving, using special grasses locally available, by Tharu women in the rural areas. However, due to increasing use of the modern artefacts these handicrafts are gradually disappearing.

Markets: There are 12 main market centres in the district i.e. at Siraha, Mader, Sarashwar, Kalyanpur, Mirchaiya, Golbazaar, Choharba, Dhangadhi, Sukhipur, Thadi, Lahan and Bandipur (DADO, 2008). These market centres have better infrastructure such as round-the-year road linkage with outside markets, electricity, communication services and others, providing hubs for market and economic activities to rural areas. There are several rural markets within the district providing wholesale facilities to retail shops, agro-vet firms and small to large-scale industries, lodges, tea shops, medical shops, telephone services, and educational institutes serving other VDCs in the vicinity.

2.3 Socio-economic Issues of Target Group

These people are bonded by traditions like untouchable castes and have low socio-economic status in the society. Despite the government's efforts to empower and improve their economic status, they have limited access to services and facilities provided by the government and their involvement in political and social activities is also limited.

2.4 Institutional Stakeholder Analysis

There are several stakeholders (Table 1) that have either technical or financial services available for the promotion of micro-enterprises in the district.

Table 1: Stakeholders and their roles

Stakeholder	Role
District Dev. Committee	Mobilise and manage local resources
District Ent. Dev. Committee	Implementation of MEDEP activities
District Micro-Entrepreneurs' Group Association	Institutional strengthening and support to the micro-entrepreneurs in the District
Municipality and VDC	Planning, coordination, monitoring and supervision of local development activities; source of fund
District Cottage and Small Industry Office	Promoting cottage and small industries in the district utilizing local resources
District Chambers of Commerce and Industry	Supporting micro-entrepreneurs for establishing market linkage with member business companies and industries
District Federation of Cottage and Small Industries	Supporting micro-entrepreneurs for market linkage with business companies and industries that are its members, and in federating the micro-entrepreneurs to be promoted under the programme
District Women Development Office	Mobilising women in the programme
District Agriculture Development Office; District Livestock Services Office	Increasing production and productivity of agriculture and livestock products
District Forest Office	Institutional and technical support for forestry development

3. Research Methodology

3.1 Conceptual Framework

The resource potential, market demand, socio-economic situation and people's needs and demands are the bases to initiate MEDEP activities in the field, leading to the selection of an appropriate micro-enterprise in a particular location. Selection of programme centre is based on population, settlement function, assessment of marketing environment and physical facilities suitable for micro-enterprise. Selection of programme locations within the market centres suitable for micro-enterprise creation and development is based on the need, interest and potential of the low-income population, resource potential and market opportunities. Identification of potential sectors is based on its potential to address the employment issues.

3.2 Analytical Framework

The analysis focused on the selection of market centres and locations for the implementation of MEDEP programmes in the district. Detailed socio-economic profile of the selected market centres was analysed in terms of physical, economic, social, infrastructure, and institutional setting. The study also analysed the strengths and

weaknesses of the organizations related to enterprise development to assess the potential participation in the implementation of MEDEP activities in the districts.

3.3 The Data

This study covered the whole Siraha district. The required information was collected from two groups of VDCs. First group comprised 17 VDCs/municipalities (12 ongoing programme VDCs and five newly approved VDCs/municipalities) already under implementation and 32 selected new potential VDCs for further programme expansion. Information was collected through reports, documents, interaction/meeting with officials of concerned line agencies, stakeholders, executive committee members of the DEDC, BDSPO and direct field level observation and interaction with target communities and key informants.

4. Ongoing Programme Activities

At the time of this survey, as said earlier, MEDEP programme was already implemented in 12 VDCs (Brahman-Gorchhari, Pokharbhinda, Mauwahi, Khaukiyabari, Silorwa Pachhuwari, Pipra, Lagadigoth, Lagadigadiyani, Gautari, Kalyanpur-kalabanzar, Bhokraha, Chiknaha) VDCs and started in five new locations (Chandrodayapur, Siraha Municipality-2, Lahan Municipality-1, Badaharamal, Sukhipur) as approved recently by the DEDC. These programme centres are located in the southern part of the east-west highway and in the VDCs with thickly populated target groups and carrying resources and market potential. The ongoing programmes are mostly performing well with increasing income generation and programme expansion. In some cases where the enterprises have to depend on necessary raw materials to be imported from India such as *laha* for bangle-making, the problems are being faced with regard to government import regulations such as customs duty. Among the ongoing enterprises, fishing groups, bamboo *muda*- and *tokari*-making, *daltho*, vegetable farming and riverbed farming are promising.

5. Results and Discussions

5.1 Selection of New VDCs for Programme Expansion

Selection of VDCs for programme expansion was based on certain criteria as per MEDEP's objectives. There were five criteria namely poverty ranking (rating in 1-4 scale), population density of the target community (rating in 1-5 scale), available physical infrastructure (rating in 1-5 scale), service institutions (rating in 1-3 scale), market centres (rating in 1-3 scale) and security/conflict situation (rating in 1-3 scale) considered to rank the VDCs. The information required for this ranking was obtained from published reports and documents, interaction/meeting with officials of concerned line agencies, stakeholders, executive committee members of the DEDC, BDSPO and direct field level observation and interaction with target communities and key informants. Based on the rating score, 32 new VDCs (apart from 12 ongoing and five recently approved) were selected as potential ones for programme expansion as presented in Table 2.

Table 2: Selected new VDCs for programme expansion

S.N.	Name of the VDCs	Poverty ranking		Physical	Service	Market	Security	Total score
		(1-4)	n (1-5)	Infrastructure (1-5)	Institutions (1-3)	Centres (1-3)	Situations (1-3)	
1	Arnama <i>pra.ra.</i>	3	2	3	2	2	3	15
2	Ashanpur	3	3	4	2	3	2	17
3	Bariyarpatti	3	3	4	3	3	2	18
4	Bastipur	2	3	3	3	3	2	16
5	Bhagwanpur	3	3	3	3	3	3	18
6	Bishnupur	3	3	3	3	3	3	18
7	Chandralalpur	3	4	3	3	3	3	19
8	Dhangadhi	3	3	4	3	3	3	19
9	Fulbaria	3	4	3	3	2	3	18
10	Fulkahakatti	3	4	4	2	2	3	18
11	Gadha	3	3	3	2	2	3	16
12	Gauripur	3	4	3	2	2	3	17
13	Gobindapur	3	4	4	2	2	3	18
14	Hakapara	3	4	4	2	2	3	18
15	Jhijhaul	3	3	4	2	3	3	18
16	Kalyanpur Jabdi	3	3	4	3	3	3	19
17	Karjanaha	3	3	4	2	2	3	17
18	Laxmipur patari	3	4	3	3	2	3	18
19	Mader	2	3	4	3	3	3	18
20	Majhaura	3	3	4	2	2	3	17
21	Mirchaiya	3	3	2	2	3	3	16
22	Muksar Birta	3	3	4	2	2	3	17
23	Nabrajpur	3	4	3	3	3	3	19
24	Siswani	3	3	3	2	3	3	17
25	Sitapur <i>pra.ma.</i>	3	3	3	3	2	3	17
26	Ashokpurbalka wa	3	4	3	2	2	3	17
27	Beleha	3	3	4	2	2	3	17
28	Bhadiya	3	3	4	2	2	3	17
29	Bhawanipur	2	3	4	3	3	3	18
30	Dhodna	3	3	4	2	2	3	17
31	Mahanaur	3	3	2	2	3	3	16
32	Sarswor	3	3	2	2	3	3	16

5.2 Clustering of Market Centres

The selected 32 VDCs were further grouped in six clusters for effective programme implementation (Table 3). The clustering was done on the basis of accessibility convenience and implementation/monitoring effectiveness.

Table 3: Clustering of the proposed market centres with main market centres along the high way

S.N.	Lahan cluster	Siraha cluster	Mirchaiya cluster	Gol Bazaar cluster	Bandipur cluster	Dhangadhi cluster
1.	Bariyarpatti	Arnama pra.ra.	Chandralalpur	Ashanpur	Karjanaha	Bishnupur Pra.Ma.
2.	Bastipur	Gauripur	Fulbaria		Mahanaur	Dhangadhi
3.	Bhagwanpur	Hakapara	Kalyanpur Jabdi			Fulkahakatti
4.	Gadha	Madar	Mirchaiya			Muksarbirta
5.	Gobindapur	Beleha	Ashokpurbalkawa			
6.	Jhijhaul	Sarswor				
7.	Laxmipurpatari					
8.	Majhaura					
9.	Nabrajpur					
10.	Siswani					
11.	Sitapur pra.ma.					
12.	Bhadiya					
13.	Bhawanipur					
14.	Dhodna					

5.3 Potential Micro-enterprises by Market Cluster

Under Lahan Cluster: Vegetable cultivation, goat rising, poultry, fruit tree nurseries, tailoring, *muda*, beaten rice-making, potato chips-making, *papad*-making, trading (retail shop, *ghumti*, vegetable collection and sale), house wiring, electric shop, salon, bicycle and motor cycle repairing, bamboo/cane products, handicrafts and watch repairing, babiyo rope-making, milk and dairy products, *dalthoth*, TV/radio repairing.

Under Siraha Cluster: Vegetable cultivation, poultry keeping (broiler), goat raising, trading (retail shop, *ghumti*, vegetable collection and sale), house wiring and electric shop, cycle /motor cycle repairing, tailoring, rope (babiyo)-making, dairy, bamboo/cane products, handicrafts, *laha* bangle-making, TV/radio repairing, salon, *papad*, *dalthoth*, pickle, potato chips-making, etc.

Under Mirchaiya Cluster: Vegetable cultivation, poultry keeping (broiler), pigeon keeping, goat raising, house wiring and electric shop, tailoring, rope, trading (retail shop, *ghumti*, vegetable collection and sale), beaten rice mill, bamboo/cane products, handicraft, mushroom farming, bee keeping, fire wood collection and sale, etc.

Dhangadhi Cluster: Furniture, iron grill, metal boxes, dairy, sweets, potato chips, *papad*, *dalthoth*, *muda*, ice-cream (baraf) *udyog*, retail shop, agro firms, trading in vegetables, milk, beaten rice, bicycle and motorcycle repair, TV and radio repair, hair cutting, tailoring, poultry, duck and goat raising, dairy, animal health volunteers development, (agro-vet), bamboo products, shoe-making, driving, paan shop, house

wiring, masonry, carpentry, furniture, saw mill, grocery, pigeon rearing, babiyo rope, *papad*, mango pickle, pig raising, etc.

Bandipur cluster: Furniture and sawmill, metal boxes, dairy, potato chips, *papad*, pickle, *dalmoth*, grocery shop, agro firms, trading in vegetables, milk, grains, ice-cream (baraf) *udyog*, paan shop, cycle repair, TV and radio repair, hair cutting, and tailoring, duck and goat raising, animal health volunteers development, (agro-vet), pig raising, *muda*, *babiyo* rope, beaten rice, bamboo products, retail shop, masonry, house wiring, etc.

Golbazaar cluster: Babiyo rope, pop rice/beaten rice, bamboo products, cement tile, potato chips, *papad*, *dalmoth*, retail shop, agro firms, electric shop, trading in vegetables and the NTFPs, house wiring, tailoring, cycle repair, hair cutting, vegetables/drumstick cultivation, vegetable nursery, poultry, goat raising, etc.

5.4 Potential Micro-enterprises by Type

Cottage industries: Furniture, iron grill, metal boxes, dairy, sweets, potato chips, *papad*, pickle, *dalmoth*, *muda*, puffed rice (Bhuja) babiyo rope, beaten rice, bamboo products, cement tile, ice-cream (baraf) *udyog*, shoe-making, saw mill, *laha* bangle, driving, etc.

Small business: Retail shop, agro firms, trading in vegetables, milk, grains, paan shop (beetle nut leaf), agro firms, electric shop, trading in the NTFPs, goat raising, green mango fruit drying, grocery shop, beaten rice, (ice-cream) baraf *udyog*, mango pickle, puffed rice, fishing net, agro-vet, etc.

Services: Cycle repair, TV and radio repair, hair cutting, and tailoring, house wiring, tailoring, cycle and motorcycle repair, masonry and carpentry, watch repair, rickshaw, etc.

Agriculture and Livestock: Goat raising and vegetable farming, animal health volunteers development, (agro-vet), riverbed farming, drumstick cultivation, vegetable nursery, fruit nursery, mushroom, bee keeping, poultry, goat, pig, pigeon, duck, cow farming, paan (beetle nut leaf) farming, sunflower, etc.

6. Conclusions and Recommendations

6.1 Conclusions

On the basis of the major findings, this study concluded that Siraha district has a high potential of developing micro-enterprises to create employment and income-generating opportunities for the MEDEP target groups.

6.2 Recommendations

For implementation effectiveness and better results, this study has made the following recommendations:

- MEDEP should concentrate its programme on 32 new VDCs clustered around six market centres. These 32 VDCs have a high potential of developing livestock and agriculture, as well as services, small and cottage industries.
- The DEDC needs to develop a mechanism through which regular interactions with the stakeholder organizations are held right from the beginning of the programme implementation.
- Entrepreneurs should be supported in developing marketing skill through marketing/business plan preparation; marketing management training and regular business counselling; and market survey at local and district market centres and preparing a list of potential buyers of the products.
- The role of DMEGA needs to be strengthened and supported to be fully effective to ensure sustainable institutional development of the micro-enterprises:
- The entrepreneurs associations should be supported, federated and accordingly promoted to establish and operate their own cooperative societies which will lead as their own financing institution for such micro-enterprises development in their community.
- Related institutions such as the DSCI, DADO, DLSO DWO, DFO, and other backstopping resources should be integrated into the implementation process of MEDEP activities.

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