

Gender Equality in Access to Finance and Entrepreneurship Development in Nepal



Women Awareness Centre Nepal (WACN)

Shahid Marg, Gyaneshwor,
P.O. Box - 2245, Kathmandu, Nepal,

www.wacn.org.np

2024, July

ACKNOWLEDGEMENTS

We are immensely grateful for the support provided by the Advancing Research and Investment Standards for Gender Equity (ARISE) initiative, implemented by ANDE, the Criterion Institute, and 2X Global, and generously funded by the Government of Canada.

We are also grateful to team at WACN, whose hard work, passion, and expertise have driven the success of this project. Special thanks go to the SACCO (Savings and Credit Cooperative) management team and 150 women entrepreneurs for their support and time for personal interviews. We would also like to recognize the contributions of the participants to the workshop organized to solicit local stakeholders' feedback on the draft project. Your experiences and feedback have been essential in shaping our approach and ensuring the relevance and impact of our work.

This report is a testament to what we can achieve together, and we look forward to continuing our collaborative efforts to create a lasting change.



Canada

AUTHORS

Ms. Srijana Poudel
Dr. Ashutosh Sharma

Dr. Chandrashekhar Singh

ABOUT WACN (WOMEN AWARENESS CENTRE NEPAL)

Women Awareness Centre Nepal (WACN), also known as Nari Chetna Kendra Nepal, was established in 1991 by a group of women interested in improving the socio-economic status and self-development capacity of disadvantaged people. WACN is an independent non-profit organization that aims to conduct action programs, research, policy analysis, and advocacy to engage stakeholders such as government, non-governmental organizations, academic and financial institutions to improve the lives of women, children and vulnerable communities.

ABOUT ANDE

The Aspen Network of Development Entrepreneurs (ANDE) is a global network of organizations that propel entrepreneurship in developing economies. ANDE members provide critical financial, educational, and business support services to small and growing businesses (SGBs) based on the conviction that SGBs will create jobs, stimulate long-term economic growth, and produce environmental and social benefits. Ultimately, ANDE believe that SGBs can help lift countries out of poverty. With a U.S. team based in Washington, DC and eight chapters across Asia, Africa, and Latin America, ANDE staff work hard to support members globally and locally while building strong ecosystems for entrepreneurial growth. ANDE develops unique initiatives to address systemic challenges and seize opportunities that can only be approached through collective action. ANDE was founded in 2009 and is a program of the Aspen Institute, a global nonprofit organization committed to realizing a free, just, and equitable society.

Table of Contents

1.	Introduction	5
1.1	Country Context	6
2.	Methodology	7
3.	Demographic profile and types of business owned by respondents	8
4.	Key Findings	10
4.1	Status of Access to Credit	11
4.2	Preference for Credit	12
4.3	SACCOs support for business growth	13
4.4	Challenges faced by women entrepreneurs	14
4.5	Support need for women entrepreneurs	16
4.6	Gender equality within household and business	17
4.7	Credit supply constraints faced by SACCOs	19
4.8	Building an ecosystem for the growth of women-led enterprise	20
5.	Conclusion and Recommendations	22
6.	References	24

List of Tables

Table 1:	Basic attributes of respondents	8
Table 2:	Type of enterprises revenue and profit margin	9
Table 3:	Knowledge and benefits of government schemes for women entrepreneurs	20

List of Figures

Figure 1:	Access to credit by type of lender	11
Figure 2:	Preferred source of credit by lender type	12
Figure 3:	Reason for lender preference	13
Figure 4:	Perceived barriers for access to credit	14
Figure 5:	Perceived barriers to business growth and sustainability	15
Figure 6:	Support needed for growth and sustainability of business	16
Figure 7:	Support needed for financial accessibility	17
Figure 8:	Gender equality in family and business	18
Figure 9:	Business development support required	21
Figure 10:	Preferred time and format of receiving training	21

Acronyms

ARISE	Advancing Research and Investment Standards for Gender Equity
MFI	Microfinance Institutions
MSME	Micro, Small and Medium-sized Enterprises
NGO	Non-Government Organisation
NPR	Nepali Rupia (Currency)
SACCO	Savings and Credit Cooperative
SGB	Small and Growing Businesses
SME	Small and Marginal Enterprises
USD	US Dollar
WACN	Women Awareness Centre Nepal



In partnership with
Canada

1. Introduction

Micro, small, and medium-sized enterprises (MSMEs) play a vital role in Nepal's economic growth and contribute significantly to employment generation. According to the UN (2020), 95 percent of MSME's in Nepal are micro-enterprises, and women manage 27 percent. The increasing number of women entrepreneurs highlights the need for adequate access to finance to support business growth and sustainability. Credit is a critical resource for businesses, enabling them to not only sustain daily operations but also to make strategic investments that drive growth and competitiveness (Giglio, 2020).

However, prevailing gender biases may limit women's access to finance, knowledge, resources, and networks necessary for both starting and expanding their businesses. Numerous studies indicate that women face discrimination when seeking loans from banks and other financial institutions. These barriers exist because of factors such as gender bias, insufficient assets for collateral, financial institutions' risk aversion, and a lack of financial services tailored to the unique challenges women in business face (Karlan & Morduch, 2010).

Social norms that discriminate against women's ownership or inheritance of property can limit their ability to offer collateral for loans. In cultures where property ownership is predominantly linked to men, women often face difficulties meeting collateral requirements (Halkias et al., 2011). The lack of tangible assets not only restricts their access to formal lending but also forces them to turn to informal sources, such as local money lenders, who often charge exorbitant interest rates. This places an additional financial burden on women entrepreneurs.

Furthermore, women's access to financial resources is constrained by perceptions that their businesses are smaller and less experienced. Financial institutions may undervalue or overlook businesses typically run by women, perpetuating systemic disadvantages. Additionally, when institutions refuse to accept female guarantors, it further limits women's ability to secure financial support for their entrepreneurial endeavors (Halkias et al., 2011).

Micro-credit providers, such as microfinance institutions and savings and credit cooperatives (SACCOs) in Nepal, are increasingly recognized for incorporating gender lenses into their financing activities. These institutions have gradually begun to implement gender-friendly credit instruments to promote gender equality and empower women. They offer micro-loans with flexible terms and savings accounts specifically designed to foster financial inclusivity (Shrestha et al., 2020).

¹ The estimated number of MSMEs in Nepal was 921,244, which employed more than 3 million people.

Given this context, the study aims to explore women entrepreneurs' access to credit from SACCOs² in Nepal. It focuses on women entrepreneurs engaged in diverse sectors, including trade and services, manufacturing, and agriculture. The study seeks to highlight the gender-based challenges women face when applying for business loans from financial institutions.

Specifically, the study addresses the following questions in the context of women-led micro-enterprises in Nepal:

- Do small business women have access to adequate finance from SACCOs?
- Do women face barriers attributed to gender norms when accessing credit from financial institutions?
- What are the supply side constraints (of SACCOs) in providing credit to small business women?

Through exploring these questions, the study aims to contribute valuable insights to the ongoing discourse on gender-lens investment practices and their potential to create a more inclusive and sustainable entrepreneurial environment for small and growing businesses (SGBs) owned by women in Nepal.

1.1 Country Context

A significant portion of micro-enterprises in Nepal are owned and managed by women. These businesses play a crucial role in driving female participation in the economy, fulfilling both their economic and social aspirations, and fostering women's empowerment. However, studies indicate that women entrepreneurs often face barriers to accessing business finance due to a persistent gender finance gap. Research on gender differences in access to finance suggests that, under "normal" economic conditions, female entrepreneurs are more likely to face financial constraints. The prejudice, or taste-based discrimination theory, highlights unjustified negative attitudes towards individuals based on cultural stereotypes, such as the perception that traits associated with femininity are of lower value than those linked to masculinity. Statistical discrimination theory suggests that when lenders face unobservable factors in a borrower's credit situation, they may use gender as a proxy for creditworthiness.

In Nepal, there are 26 commercial banks, 17 development banks, 17 finance companies, 64 microfinance institutions (MFIs), and an estimated 30,879 cooperatives, including 14,484 SACCOs (IMF, 2023). SACCOs are significant providers of financial services in both urban and rural areas, addressing critical gaps in financial access for the poor. They offer savings and credit services, which generate employment opportunities through the support of small and marginal enterprises

² SACCOs are community membership-based financial service institutions that are formed and owned by their members in promotion of their economic interests. It is a self-help organization by way of which groups of people pool in their savings and provide loans to these very members.

(SMEs), thereby improving socio-economic standards and livelihoods. SACCOs operate as community-based models, limiting their services to their members only. The profits generated from their commercial activities are distributed among these members.

The extensive SACCO network in Nepal attracts a large number of women members, presenting a strong potential to support the growth of small businesses. These SACCOs provide loans for various business activities, including agriculture and related sectors (animal husbandry, horticulture, food processing), non-agricultural activities (small-scale manufacturing, handicrafts), and service-oriented enterprises (beauty salons, eateries, retail stores). Given that many SACCOs are formed and owned exclusively by women, they play a pivotal role in bridging the gender gap in access to finance for women entrepreneurs.

2. Methodology

An extensive literature review was conducted on the influence of credit access on the growth and financial performance of women-owned micro and small enterprises. The review aimed to understand women's debt aversion from the demand side and the gender dimension of credit supply from financial institutions. By analyzing relevant reports, academic papers, and local news, the review provided a more comprehensive understanding of the entrepreneurial ecosystem in Nepal. Based on these findings, a background report was prepared.

This study covered 10 SACCOs across two districts in Nepal: Kathmandu and Kavrepalanchowk. Of the 10 SACCOs, 6 had only women members, while 4 included both men and women. After selecting the SACCOs, an inception meeting was held with the management teams of each SACCO as part of the study plan. These meetings aimed to establish connections and explain the study's purpose. A list of women entrepreneurs associated with each SACCO, who held savings and loan accounts, was obtained from the management. Using random selection, 15 entrepreneurs were chosen from each SACCO, resulting in a total of 150 women entrepreneurs selected for the study.

Based on the literature review and the inception meetings with SACCOs, a questionnaire was developed to assess the credit access situation for women entrepreneurs. The questionnaire aimed to collect both qualitative and quantitative data. It was designed to identify gender disparities in financial access, understand business credit needs, explore major barriers to business growth and sustainability, determine training needs, evaluate the impact of credit access on business growth, and identify measures to improve credit flow for women entrepreneurs.

Additionally, a separate questionnaire was created to examine the constraints faced by SACCOs in providing credit. This questionnaire was tailored to assess the management team's willingness to support women entrepreneurs, their capacity to offer business loans, gender-specific loan disbursement and recovery statuses,

preferences in providing business loans, and their approach to organizing training for capacity building. All 10 SACCO management teams were interviewed using this semi-structured questionnaire.

The primary data collected from women entrepreneurs and SACCO management were analyzed to prepare this report. The findings were presented at a national workshop attended by representatives from the National Cooperative Federation, Nepal Savings and Credit Central Cooperative Association, NGOs, and SACCOs. The input from workshop participants has been incorporated into the report.

3. Demographic profile and types of business owned by respondents

The research involves primary data collected from 150 selected women entrepreneurs. Along with business and related activities, the basic demographic profiles of the respondents were also recorded. In the sample, 93 percent are married, and 7 percent are single. The average age of the entrepreneurs is 39 years (see Table 1). Education provides women with essential skills and confidence crucial for success in all areas of life, including entrepreneurship. In the sample, 30 percent of the women have either no formal education or less than 5 years of schooling.

Table 1: Basic attributes of respondents

Sr. No.	Indicator	Count
1	No. of respondents	150
2	Marital status of respondents	
2.1	Married	139
2.2	Unmarried	4
2.3	Divorced	2
2.4	Widowed	5
3	The average age of respondents (in Years)	39
4	Education level	
4.1	No formal education	19
4.2	Basic literacy class	3
4.3	Class I-V	23
4.4	Class VI-X	62
4.5	Class XI and above	43

Data Source: WACN Entrepreneur Survey, 2024

According to the national accounting system, businesses are categorized into three broad sectors - agriculture, manufacturing, and trade and services - this framework was also used for categorizing businesses in this study. Over 65 percent of women entrepreneurs are engaged in trade and services (see Table 2). These enterprises primarily operate in the service sector, including retail and hospitality, local grocery stores offering fresh produce and household goods, and businesses selling clothing, accessories, and other everyday products. Many also provide accommodations for tourists in rural areas due to Nepal's significant influx of foreign visitors. Other notable enterprises include eateries serving local cuisine and beauty services such as hairdressing.

In our sample, 29 percent of respondents are involved in the agriculture sector (see Table 2). Key agricultural activities include producing and selling cereals, vegetables, fruits, and herbs. Some enterprises also focus on dairy production, raising chickens for eggs and meat, and producing honey and other bee-related products. Manufacturing enterprises in the sample are engaged in textile production (weaving, knitting, and sewing traditional garments), basket weaving, pottery, and the production of food products such as candy, jams, and pickles.

Table 2: Type of enterprises. revenue and profit margin

Main business sector	Type of firm	No. of Respondent		Revenue and profit margin in the year 2023	
		Total	Legally registered	Avg. revenue per firm (in Lakhs NPR)	Avg. profit margin (in %)
Agriculture	Partnership	1	0	2.5	25.0
	Private company	9	9	5.2	35.4
	Sole proprietorship	33	5	5.9	34.7
Agriculture Total³		43	14	5.7	34.6
Manufacturing	Partnership	1	0	14.0	30.0
	Private company	4	4	7.9	23.1
	Sole proprietorship	4	3	11.8	35.0
Industry/Manufacturing Total		9	7	10.3	29.2
Trade and Services	Partnership	2	2	3.8	25.0
	Private company	27	27	9.5	24.6
	Sole proprietorship	69	49	14.1	35.0
Trade and Services Total		98	78	12.6	31.9
Grand Total		150	99		

Data Source: WACN Entrepreneur Survey, 2024

³ Profit margin calculation for agriculture sectors do not impute land rent in the input cost. Lands are generally owned by the enterprise owner/s. Data about true economic rent of agricultural land is not available.

In Nepal, small enterprises can be legally registered under various categories, each with its own framework and legal requirements. The enterprises that participated in the survey fall into three distinct types as follows:

- 1) **Sole proprietorship** business owned and operated by a single individual. The owner has full control and receives all profits but is also personally liable for all debts and obligations.
- 2) **Partnership firms** are businesses owned by two or more individuals who share profits and liabilities. These firms are governed by a partnership agreement where partners are jointly liable for the business's debts.
- 3) **Private Limited Company** has limited liability, which means that the owners are not personally liable for the debts and obligations of the business.

A sector-wise analysis of the legal status of enterprises reveals that 32 percent of enterprises in the agriculture sector are legally registered, while more than 75 percent of enterprises in the manufacturing and trade and services sectors are legally registered (see Table 2).

The average revenue and profit margins of enterprises vary significantly based on the type of business, local economic conditions, and access to markets and resources. The comparative analysis of average revenue offers insights into the economic landscape and opportunities in rural Nepal. The average annual revenue for surveyed enterprises is NPR 567,000 (USD 4,442)⁴ in the agriculture sector, NPR 1,027,000 (USD 8,045) in the manufacturing sector, and NPR 1,263,000 (USD 9,894) in the trade and services sector (see Table 2).

Profit margins also vary, influenced by operational dynamics, cost structures, and market conditions. According to Table 2, the average profit margin is highest in the agriculture sector at 35 percent, followed by trade and services at 32 percent, and manufacturing enterprises at 29 percent.

4. Key Findings

Access to finance and supportive environments, particularly for women, are crucial for fostering gender-neutral entrepreneurship and achieving inclusive economic growth and sustainable development. This analysis identifies key challenges and opportunities in Nepal for advancing gender equality in entrepreneurship. The surveyed business owners are primarily involved in small and growing businesses serving local communities. Promoting gender equality in entrepreneurship requires a multifaceted approach that addresses both financial and non-financial barriers. Therefore, the analysis explores both types of challenges affecting the development, growth, and sustainability of women-led businesses in Nepal.

⁴ Exchange rate considered for the conversion is 1 USD = 127.65 NPR (exchange rate as on November 22, 2023).

4.1 Status of Access to Credit

Access to affordable credit is essential for starting, sustaining, and growing a business. Interest rates on loans can vary based on factors such as the type of lending institution, the specific financial product, and the perceived risk associated with lending to a particular borrower. SACCOs often face higher operational costs because they manage smaller loan portfolios and have a significant number of small-ticket loans to cooperative members. Small-ticket loans incur disproportionately high administrative costs due to fixed expenses related to documentation, processing, regulatory compliance, and customer interactions. For example, these loans typically require substantial customer support for application assistance, which can be time-consuming.

Figure 1 illustrates the types of loans respondents have taken over the past 10 years, categorized by lender. Many respondents reported borrowing from multiple sources. Notably, over 91 percent of respondents have obtained loans from SACCOs in the past decade, 21 percent have used family savings for their business, and 16 percent have borrowed from relatives and friends (see Figure 1). Only 13 percent of women entrepreneurs received loans from commercial banks, and just 1 percent turned to private moneylenders. This data indicates that SACCOs are the primary source of credit for women entrepreneurs. Without SACCOs, it would have been difficult for many women entrepreneurs to secure the necessary funding for their businesses.

The interest rates charged by SACCOs are relatively higher than those of banks. In our sample, SACCOs charged interest rates ranging from 11 to 17 percent per annum, while commercial banks charged between 4 and 12 percent⁵. The interest rates charged by moneylenders ranged from 20 to 24 percent per annum. In contrast, all respondents who borrowed from relatives and friends reported that they did not have to pay any interest on the loan.

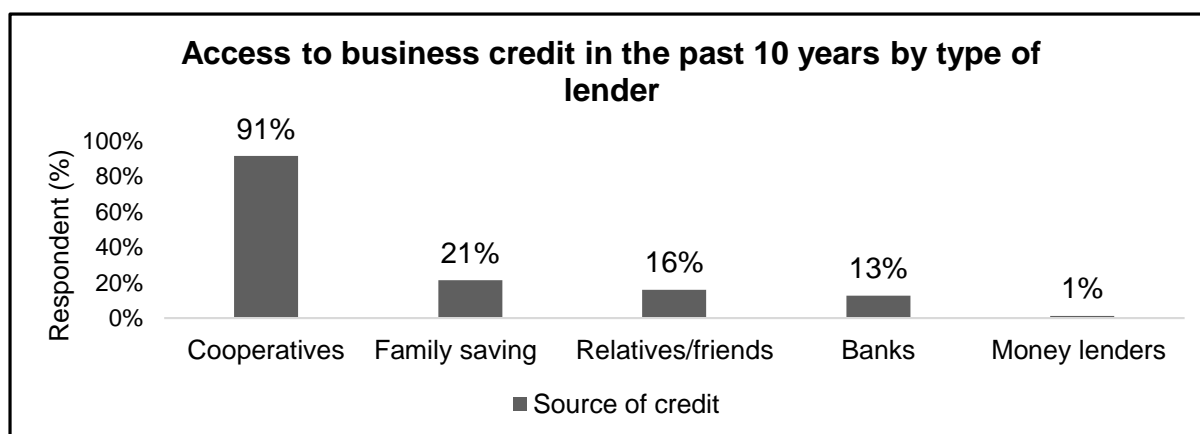


Figure 1: Access to credit by type of lender

Data Source: WACN Entrepreneur Survey, 2024

⁵ Few government scheme beneficiaries received subsidized business loans at 4 percent effective annual interest rate (interest charged by banks adjusted for interest subvention under government scheme) from banks.

4.2 Preference for Credit

The analysis finds that 94 percent of respondents consider access to credit crucial for the survival and growth of their business. The survey also found that over 19 percent of women entrepreneurs have observed or experienced gender disparities in access to finance. In the last 5 years, 59 percent of respondents applied for business loans, indicating a significant need for credit among women entrepreneurs. Of these loan applicants, 79 percent approached SACCOs, 6 percent sought loans from commercial banks, 10 percent approached both SACCOs and banks, and the remaining 5 percent turned to other lenders. The high reliance on SACCOs suggests that women entrepreneurs may find it easier to obtain credit from them. The overall approval rate for loan applications across all lenders was 82 percent.

Although commercial banks offer loans at relatively lower interest rates compared to SACCOs, which typically results in entrepreneurs seeking more loans from banks due to the lower cost of borrowing, the analysis shows that SACCOs remain the most preferred source for future business loans. This preference persists despite SACCOs charging higher interest rates than banks (see Figure 2).

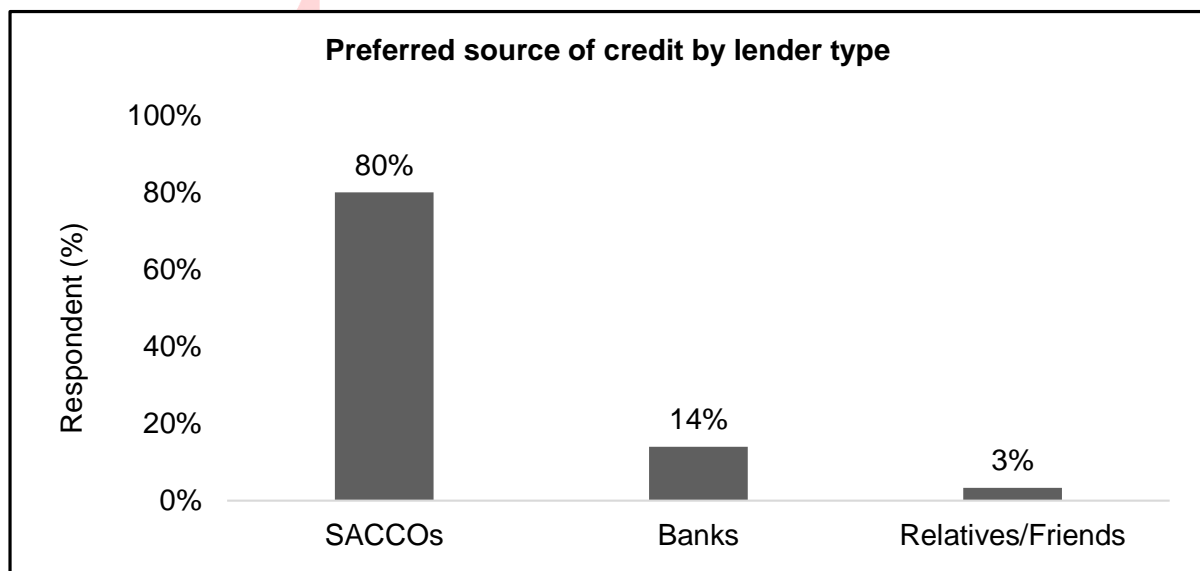


Figure 2: Preferred source of credit by lender type

Data Source: WACN Entrepreneur Survey, 2024

Figure 3 illustrates the reasons respondents prefer SACCOs, banks, or relatives/friends for future business loans. Easy and quick processing are the primary reasons women entrepreneurs favor SACCOs (Figure 3). SACCOs typically offer simpler loan application procedures with less paperwork, making them more accessible. A fast loan approval process is crucial for businesses that need timely funding. Women entrepreneurs also value their social capital, with SACCO management being an important factor in their preference for future loans. As membership-based organizations, SACCOs have management teams that personally know their members. This long-term social capital builds trust and enhances members' reputations within the SACCO. Trusted members are more likely to be seen as reliable

borrowers, which can facilitate access to collateral-free small loans. For big ticket size loans that require collateral, highly trusted members are likely to receive a more favorable assessment of their collateral's value. Conversely, low interest rates are the main reason for seeking future loans from banks (Figure 3), while no interest charged by relatives and friends is the primary reason for preferring them for future loans,

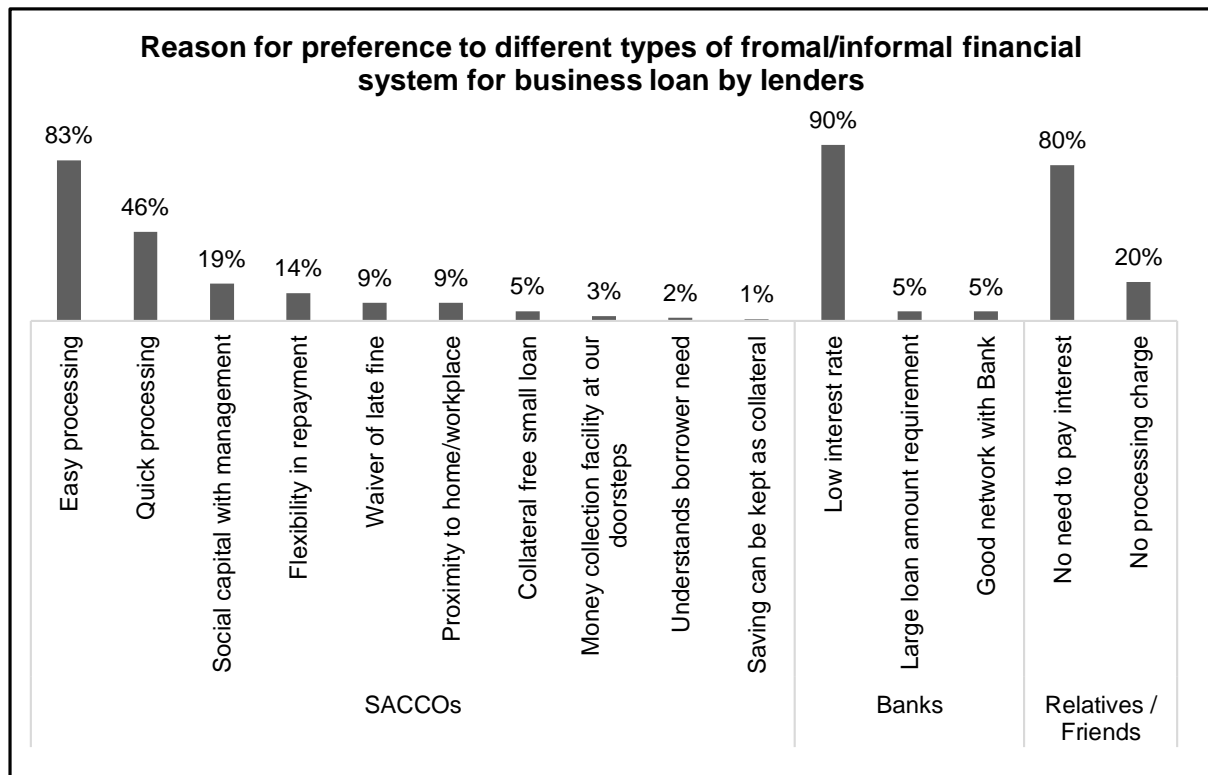


Figure 3: Reason for lender preference

Data Source: WACN Entrepreneur Survey, 2024

4.3 SACCOs support for business growth

In our survey, over 95 percent of respondents stated that cooperatives have been highly beneficial for women entrepreneurs and have contributed significantly to their business growth. Respondents highlighted several key areas of support provided by cooperatives that have been crucial to their business development. SACCOs' easy and timely loan processing was recognized as essential for business growth and sustainability. Quick loan processing helps manage cash flow effectively, enabling timely purchases of inputs, prompt payments to suppliers, and business expansion.

SACCOs also organize training programs in diverse fields such as beautician services, tailoring, pickle making, animal husbandry, and agriculture. These programs equip women with the skills needed to start and grow businesses across various sectors. Beyond training, SACCOs encourage their members to initiate their own businesses and provide seed money to help them get started.

Additionally, SACCOs are involved in capacity-building initiatives aimed at enhancing women's financial literacy, business management skills, and understanding of financial services, thereby empowering them to run their businesses more effectively. Through cooperative networks, women entrepreneurs gain access to a broader customer base and increased business opportunities

4.4 Challenges faced by women entrepreneurs

The study aimed to identify the barriers women entrepreneurs perceive in accessing credit and achieving business growth and sustainability. Figure 4 outlines these perceived barriers. Women entrepreneurs identify high interest rates as the most significant challenge to accessing credit, followed by a lack of collateral (Figure 4). High interest rates make loans more expensive, impacting profit margins. Women entrepreneurs seek both lower interest rates from SACCOs and increased credit access from traditional financial institutions like banks, which generally offer lower rates.

Women typically have fewer assets compared to men, and the inability to provide sufficient collateral often leads to loan application rejections. Additionally, 11 percent of entrepreneurs perceive complicated loan applications as a barrier to credit access. Financial institutions frequently require a spouse to be a co-applicant, which can enhance the financial profile of women borrowers by adding collateral or income security. In the sample, 8 percent of entrepreneurs feel that their spouses are unwilling to support loan applications. Furthermore, 3 percent of entrepreneurs believe that financial institutions undervalue the assets they intend to pledge as collateral, leading to either loan rejection or a reduced loan amount.

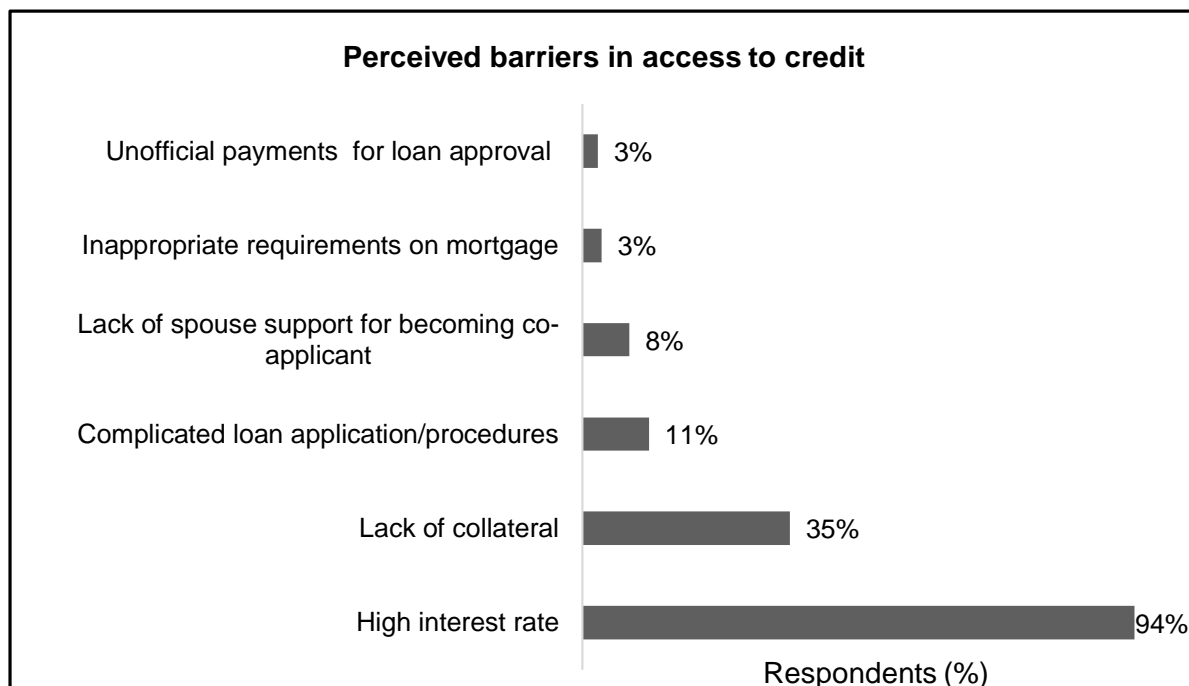


Figure 4: Perceived barriers in access to credit

Data Source: WACN Entrepreneur Survey, 2024

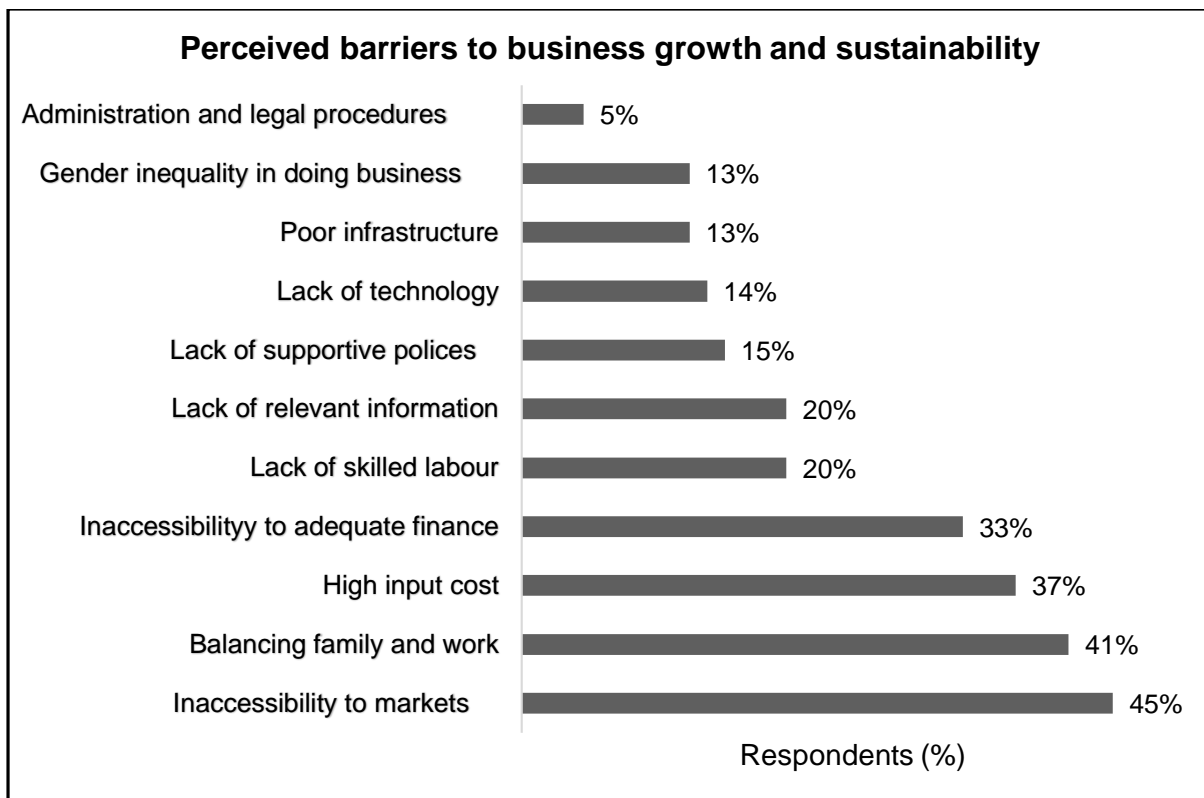


Figure 5: Perceived barriers to business growth and sustainability

Data Source: WACN Entrepreneur Survey, 2024

Figure 5 highlights the barriers women entrepreneurs perceive regarding business growth and sustainability. Market accessibility is crucial for business development, yet 45 percent of entrepreneurs in our survey see it as a major barrier. Women entrepreneurs often struggle to balance business responsibilities with household chores; 41 percent of respondents reported difficulties in managing both family and work.

Higher input costs are another significant barrier, driven by an inefficient supply chain, limited bargaining power with suppliers due to small demand, inefficient production scales, and limited access to competitive input markets. Additionally, 33 percent of women entrepreneurs believe that inadequate access to finance hinders their business growth and sustainability.

Among other challenges, 13 percent of respondents pointed to gender inequality in business as a barrier. Many business networks are male-dominated, making it difficult for women to access and build meaningful connections. Furthermore, societal underestimation of women's business capabilities affects the support they receive in managing their businesses

4.5 Support need for women entrepreneurs

Women entrepreneurs face unique challenges and require a complete support system to thrive. Figure 6 below presents the support women entrepreneurs need for the growth and sustainability of their businesses.

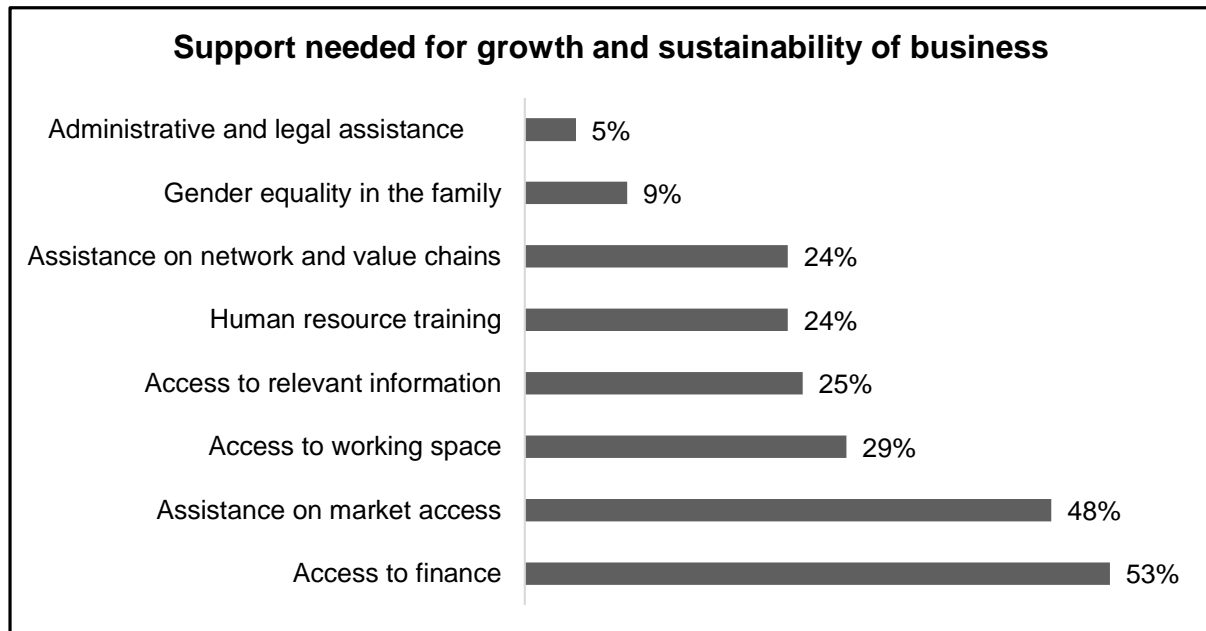


Figure 6: Support needed for growth and sustainability of business

Data Source: WACN Entrepreneur Survey, 2024

Access to finance is the top priority for women entrepreneurs in achieving business growth and sustainability, followed by access to markets or marketing support (Figure 6). Many women entrepreneurs lack a dedicated or adequately sized workspace, with many running their businesses from home. Access to a secure, dedicated workspace would enable them to separate professional and personal responsibilities, thereby improving productivity.

Additionally, access to relevant information - such as business insights, market trends, learning opportunities, and networking events - can help women entrepreneurs make more informed decisions. They also express a desire for human resource training programs to enhance their business skills and seek external support for networking and understanding the value chain.

Women entrepreneurs face the dual challenge of managing both their businesses and household chores. Deep-rooted social norms place a disproportionate burden on women to manage family responsibilities, leaving them with limited time to focus on their businesses. Achieving gender equality within the family may require shifts in gender roles and responsibilities, including assistance with household chores and greater support from spouses. These changes would allow women entrepreneurs to better manage their time and concentrate on business growth

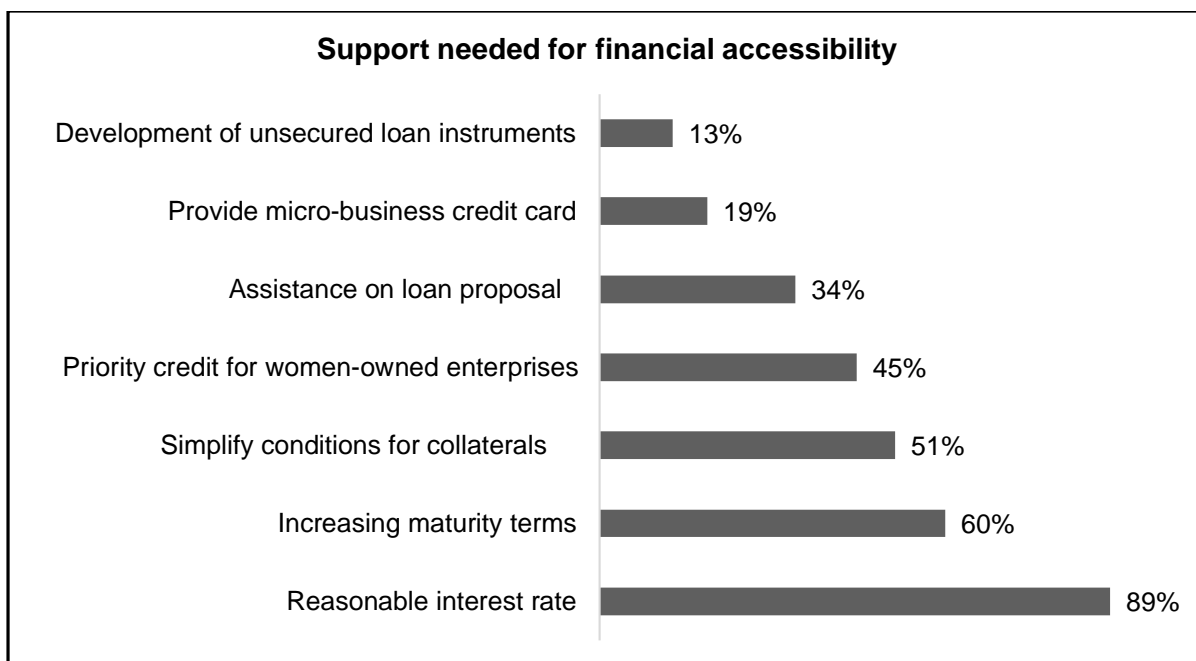


Figure 7: Support needed for financial accessibility

Data Source: WACN Entrepreneur Survey, 2024

Women are often perceived as higher-risk borrowers and face societal and institutional biases that result in discriminatory lending practices. These biases can manifest in various ways, creating unequal opportunities and challenges for women seeking business financing. Figure 7 presents the types of support women entrepreneurs desire to improve financial access. Rationalizing interest rates is their top priority, followed by extending the loan repayment period. Simplifying collateral requirements and prioritizing lending to women-owned businesses would also enhance credit access for these entrepreneurs.

In addition, women entrepreneurs seek assistance in preparing their business loan proposals. Introducing a business credit card scheme specifically for women entrepreneurs could help them meet short-term borrowing needs.

4.6 Gender equality within household and business

Promoting gender equality within both household and business environments is crucial for the growth and success of women entrepreneurs. By addressing cultural, legal, and social barriers, one can create a more inclusive and supportive business ecosystem that empowers women to thrive in their entrepreneurial endeavors.

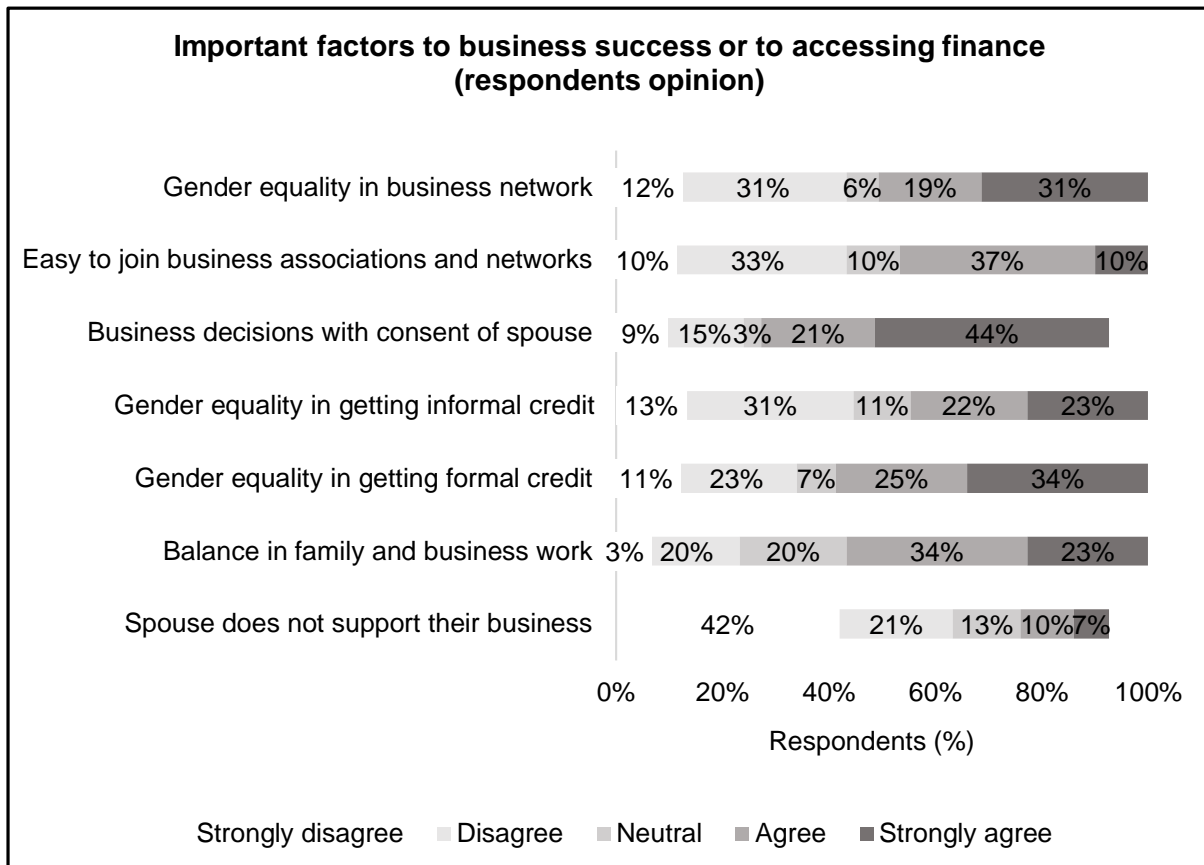


Figure 8: Gender equality in family and business

Data Source: WACN Entrepreneur Survey, 2024

Note: In the sample, 139 women were married, and the rest were either single, divorcees, or widows at the time of interviews.

Likert scales are a common survey format used to measure respondents' agreement with a statement, ranging from high to low or best to worst, across various levels (Allen & Seaman, 2007). In this survey, a five-point scale was employed - strongly disagree, disagree, neutral, agree, and strongly agree. The Likert scale statements were thoughtfully crafted, and respondents were asked to rate their level of agreement. Figure 8 presents the respondents' opinions on selected indicators related to gender equality.

Support from family members plays a crucial role in a woman's entrepreneurial journey. Encouragement and assistance from spouses and other relatives help women balance business and family responsibilities. Figure 8 shows that 17 percent of respondents either "agree" or "strongly agree" that their spouse does not support them in their business activities. The survey also reveals that 23 percent of respondents either "strongly disagree" or "disagree" with their ability to balance family and business responsibilities.

The survey highlights significant gender inequality in access to both formal and informal credit for women entrepreneurs. Specifically, 34 percent of respondents "strongly disagree" or "disagree" that there is gender equality in obtaining formal credit, while 44 percent feel the same regarding access to informal credit. This suggests that women face inequalities in accessing loans from formal financial institutions and may find it even more challenging to secure loans from informal sources, such as relatives, friends, or moneylenders

The survey reveals that 65 percent of respondents "agree" or "strongly agree" that they seek their spouse's consent when making business decisions, highlighting the significant influence spouses have on the business operations of women entrepreneurs. Additionally, 43 percent of respondents either "strongly disagree" or "disagree" that it is easy for women to join business networks and associations. This difficulty in joining networks reduces opportunities for women entrepreneurs to build social capital, share knowledge, and access resources. Even after joining a business network, 33 percent of women entrepreneurs either "strongly disagree" or "disagree" that they experience equality within the network.

Societal expectations regarding women's roles affect their confidence and aspirations, as traditional norms often discourage women from pursuing entrepreneurship. By understanding and addressing these socio-cultural factors, societies can foster a more inclusive and supportive environment for women entrepreneurs, contributing to inclusive economic growth and social progress.

4.7 Credit supply constraints faced by SACCOs

The interview with SACCO management provided insights into their concerns about supplying credit to women entrepreneurs. The survey of entrepreneurs suggests that SACCOs play a crucial role in providing loans to women, but they face several challenges that hinder their ability to do so effectively. The economic slowdown following the COVID-19 pandemic has led to increased loan repayment delays, affecting SACCOs' liquidity. Delayed repayments limit SACCOs' capacity to issue new loans, making it difficult to sustain the credit cycle without a steady inflow of funds.

Additionally, economic uncertainties have made individuals less willing to act as guarantors for loan seekers, as the perceived risk of guaranteeing loans has increased, shrinking the pool of potential guarantors. Another challenge is monitoring the utilization of business loans, as some women entrepreneurs divert funds to personal consumption or other purposes. Moreover, without certified surveyors, SACCOs face difficulties in accurately assessing collateral, adding further strain to their lending operations.

4.8 Building an ecosystem for the growth of women-led enterprise

Government schemes⁶ (like offering financial support, skill development opportunities, and creating market access, etc) play a crucial role in fostering the growth and sustainability of women-led enterprises. Awareness and utilization of these schemes are essential for maximizing their benefits and empowering women to contribute significantly to economic development. The survey provides valuable insights into the current levels of awareness, utilization, and the barriers women face in accessing these programs. It was found that only 31 percent of women are aware of such schemes, and just 4 percent of respondents have benefitted from any of them (see Table 3). This highlights the need to improve the effectiveness and reach of these schemes to better support the growth and success of women-led enterprises.

Table 3: Knowledge and benefits of government schemes for women entrepreneurs

Access to government schemes	Percentage
Aware of government initiatives for women entrepreneurs	31%
No. of women benefitted from these schemes	4%

Data Source: WACN Entrepreneur Survey, 2024

Business development support includes various aspects such as business planning, marketing and sales training, market information, financial management skills, accounting services, legal consulting, and financial services. Among these, the most sought-after support is in business development and planning, which provides insights into market trends, consumer behavior, and the competitive landscape. This is followed by the need for product marketing and market information to improve sales techniques and marketing efforts. Additionally, 43 percent of respondents expressed a desire for support in financial management to ensure sound financial practices and business sustainability (Figure 9).

⁶

- Access to Finance: Women Entrepreneurship Development Fund (WEDF) and Small and Cottage Industry Development Board (SCIDB) provide low-interest loans and grants to women-led enterprises.
- Capacity Building and Skill Development Department of Cottage and Small Industries (DCSI), offer skill development programs for women.
- Affirmative Action: National Micro-Enterprise Development Programme for Women (MEDPA) emphasize women's participation in entrepreneurship by promoting inclusive economic growth.
- SACCOS movement:, supported by the government and NEFSCUN, promotes green financing and entrepreneurship among women.
- Institutional Support: Women Entrepreneurs Development Centre (WEDC) and Women's Enterprise Development Program (WEDP) are established to provide continuous support and mentoring, ensuring the long-term sustainability of women-led enterprises.

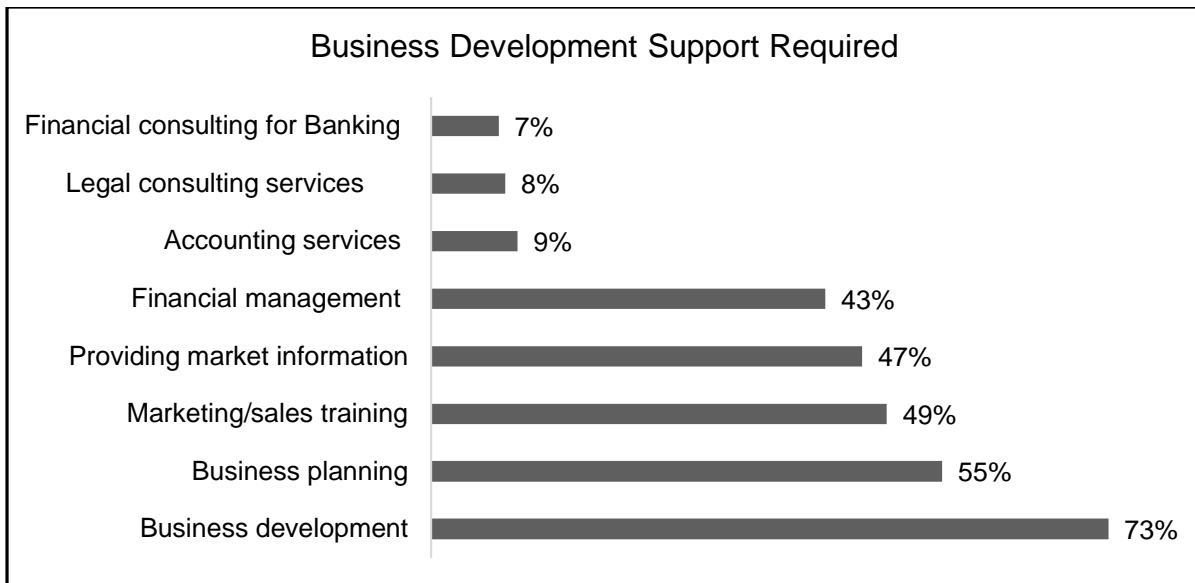


Figure 9: Business development support required

Data Source: WACN Entrepreneur Survey, 2024

Education and training support can play a vital role in empowering women entrepreneurs by providing them with the knowledge, skills, and resources needed to start and grow successful businesses. Understanding the preferred methods or support programs that cater to the diverse needs and schedules of women entrepreneurs is crucial to ensure they receive these necessary tools. Each method of training has its own advantages and disadvantages. For example, online classes offer flexibility and accessibility, while classroom-based training provides a structured learning environment with direct interaction with instructors and peers. Part-time training allows flexibility to fit around existing commitments, whereas full-time programs may require deferring other responsibilities. The analysis of responses regarding preferences for different training formats is presented in Figure 10.

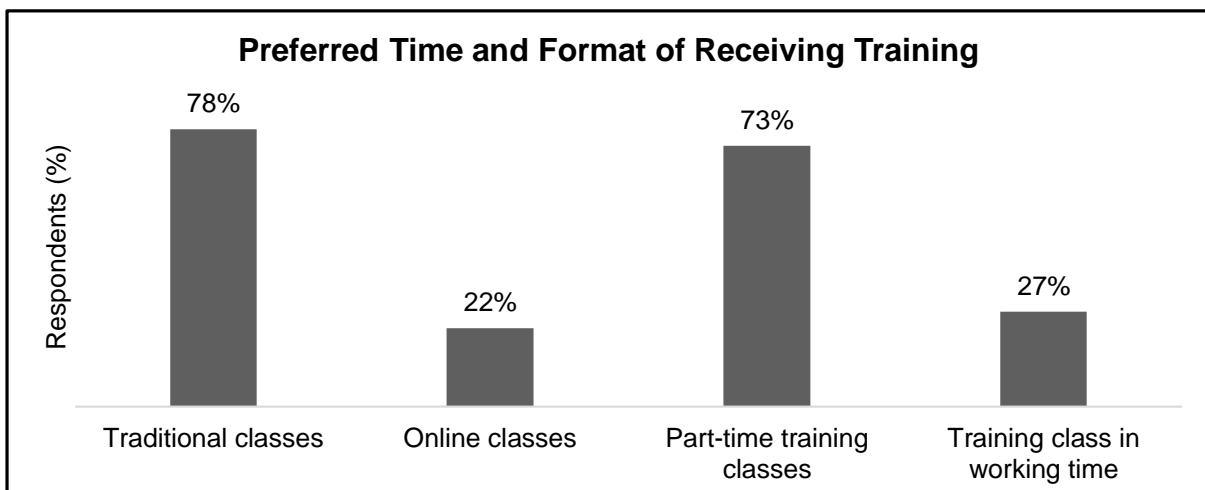


Figure 10: Preferred time and format of receiving training

Data Source: WACN Entrepreneur Survey, 2024

5. Conclusion and Recommendations

Gender equality in access to finance and entrepreneurship development in Nepal is a multifaceted issue that reflects broader economic, cultural and policy challenges. Women's participation in entrepreneurship has been increasing. However, a disparity exists in access to finance to establish or expand the business led by women entrepreneurs. They often operate in the informal sector and small-scale industries, including agriculture, handicrafts, and small retail businesses.

Limited access to traditional banking channels, higher interest rates, unfavorable terms like collateral requirements, and lack of government support are important factors restraining female entrepreneurs' access to capital. Additionally, limited financial literacy for women, legal and regulatory challenges, lack of asset ownership, and lack of credit history further undermine their capacities.

SACCOs have emerged as an alternative financial channel catering to the needs of women entrepreneurs. However, SACCOs often face several supply-side constraints when providing credit to businesswomen. SACCOs have limited financial resources and rely heavily on member savings to fund their lending activities. A limited savings base can constrain their lending capacity. Apart from the lending capital base, SACCOs also face several other challenges like: inadequate risk assessment tools, regulatory and compliance issues, political pressure, geographical and scale limitations, and operational issues. All these factors weaken the strength of SACCOs to meet the market demand for capital by women entrepreneurs.

Efforts to improve financial access for women entrepreneurs are ongoing, but there is still much work to be done to ensure equitable access to funding. Addressing these issues requires coordinated efforts from financial institutions, policymakers, and support organizations. The study proposes five sets of targeted recommendations to address these barriers and promote inclusive and sustainable economic growth.

Improving access to finance

- To overcome the problem of high-interest rate concern of borrowers and increase the efficacy of Government interest subsidy schemes for women entrepreneurs, it is important that SACCOs should be aligned with the government schemes, which have remained limited to banks with no significant gains.
- The government can introduce targeted schemes for collateral-free loan options and interest rate subsidies for women entrepreneurs.
- To improve the credit flow, **micro-entrepreneur credit cards** can also be introduced by financial institutions based on the credit ratings of enterprises.

Improving policy and regulatory frameworks

- Introduce a simplified business registration and VAT (Value Added Tax) reporting system to encourage more enterprises to register their business. This will

improve the number of registered micro enterprises in the country, making them eligible to avail themselves of government schemes and improving overall tax compliance in the country.

- To promote an ecosystem for micro businesses rating by establishing a specialized **credit rating agency** to periodically evaluate their financial health and provide credit rating certificates. Cooperatives and banks can leverage these certificates to provide affordable credit facilities to enterprises.
- The government should provide SACCOs with free and easy access to certified surveyors, who can fairly evaluate the market value of the collateral, benefitting both lenders and borrowers.
- Given the importance of cooperatives in promoting savings and meeting credit needs, especially of small and growing businesses led by women, regulatory authorities should implement a framework for improving governance and transparency in cooperatives, thereby boosting confidence in their customers and society.

Enhancing financial literacy and education

- Women often lack financial and entrepreneurial skills. Implement financial literacy and entrepreneurship training programs tailored for women to improve their understanding of financial products, services, and management.
- Partner with educational institutions, NGOs, and financial organizations to deliver these programs.

Leveraging technology and innovation

- Mandatory implementation of a common and easy-to-operate free FinTech software in all Cooperatives engaged in saving credit and linking it to a common server will further improve the transparency and efficiency of cooperatives.
- Promote the use of digital financial services, such as mobile banking and digital wallets, to increase access to finance for women in remote areas.

Enhancing collaboration and partnerships

- Strengthen the role of NGOs and civil society organizations in advocating for women's rights and providing support services to women entrepreneurs.
- Facilitate community-based initiatives like SACCOs that empower women at the grassroots level.
- Collaborate with International development organizations to learn from their vast pool of experiences of program similar targeted program implementation across many countries.

6. References

- Allen, I. E., & Seaman, C. A. (2007). Likert scales and data analyses. *Quality progress*, 40(7), 64-65.
- International Monetary Fund. Statistics Dept., International Monetary Fund. Monetary and Capital Markets Department. (2023). Nepal: Technical Assistance Report - Financial Sector Stability Review. IMF Staff Country Reports. 2023(344):A001. Available at: <https://www.elibrary.imf.org/view/journals/002/2023/344/article-A001-en.xml>
- Giglio, F. (2020). Access to Credit and Women Entrepreneurs: A Systematic Literature Review. *International Journal of Economics and Finance*, 13(10).
- Halkias, D., Nwajiuba, C., Harkiolakis, N., & Caracatsanis, S M. (2011). Challenges facing women entrepreneurs in Nigeria. *Management Research Review*, 34(2), 221-235.
- Karlan, D., & Morduch, J. (2010). Access to Finance. *Handbook of Development Economics*, 5, 4703-4784.
- Shrestha, A., Shrestha, P., & KC, Y. (2020, January 13-14). Blended finance and gender lens investing: Development tools to achieve the SDGs. Samriddhi Foundation, Kathmandu.
- United Nations (2020), Economic and Social Commission for Asia and the Pacific, Micro, Small and Medium-sized Enterprises' Access to Finance in Nepal, MSME Financing Series No. 3 (Bangkok: United Nations, 2020). Available at: <https://www.unescap.org/resources/micro-small-andmedium-sized-enterprises-access-finance-nepal>