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## Background Paper: Promoting Financial Inclusion for Women in Rural Nepal

Energy: Empowering Women Uplifting Lives

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# FORWORD

The Centre for Rural Technology Nepal (CRT/N) has since 2004 dedicated itself to the integrating the issues of gender in its energy projects and programs. Over the years, the scale of the gender agenda has increased, enhancing the effectiveness of the projects. From capacity development to policy influencing, the organisation has adopted various tools and mechanisms to ensure that the core essence of gender in energy projects and programs remain crucial to the outcome of the programs.

Since 2015, CRT/N strategically formed a consortium of partners, Nepal Forum of Environmental journalists (NEFEJ) and National Association of Community Electricity Users-Nepal, (NACEUN) having common objectives and mission of strengthening the initiatives and reaching out effectively to a larger mass on the importance of energy and gender in development. The consortium led by CRT/N has come together to implement the Energy: Empowering Women, Uplifting Lives an Advocacy Project in Nepal supported by the International Network on gender and Sustainable Energy (ENERGIA) based in the Netherlands. It has been working in the advocacy and lobby for evidence based policy influencing for gender in the national and international energy programs and projects. This project has the honour of receiving policy support of the Alternate Energy Promotion Centre (AEPC) also responsible for the Sustainable Energy for All (SEforALL) a global initiative led by the former Secretary-General of the United Nations, Ban Ki-moon. It is also an ardent member of the SEforALL National Coordination Mechanism.

Important elements for successful energy programs are technology, technological skills, finance and information. The difficulties in availability of and access to these elements however are austere. This report **“Background Paper: Promoting Financial Inclusion for Women in Rural Nepal”** presents the reviews of the existing fiscal policies and practices in Nepal. They have been reviewed from a gender lens. It gives me great pleasure to share with the findings of this report prepared by the Advocacy Project Team. I strongly believe that the findings will be helpful to the readers in understanding the status and needs for enabling fiscal services for women in particular. I would hereby like to express my gratitude to each of the consortium partners for their contribution in developing the report.

On behalf of the CRT/N I would like to extend my heart-felt thanks to HIVOS/ENERGIA, AEPC, Consortium Partners (NEFEJ and NACEUN) and the Advocacy Team (Energy: Empowering Women, Uplifting Lives), support organizations, CSOs and all the community people who have supported tremendously for putting together this report. Without their support our work would not have been possible to bring to the present form.

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Executive Director

CRT/N

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# Background Paper:

## Promoting Financial Inclusion for Women in Rural Nepal

This paper aims at presenting briefly about scenario of formal financial services to the poor and the women in the global context and constraints they have faced. Then the paper deals with the financing scenario in Nepal beginning with the status of women in Nepal and highlights key Issues in Nepalese Financial/Credit Sector. Then the microfinance Policy, monetary policies, periodic plans, energy policies and Programmes promulgated and access to finance to the women are presented. Lastly the paper comes up with some gaps and recommendation in the policy and implementation level.

### 1. Access to finance in Global Context

Universal Financial Access by 2020 (April 22, 2015) reports that two billion people - or 38 percent of adults in the world do not use formal financial services and 73 percent poor people are unbanked because of costs, travel distances and the often-burdensome requirements involved in opening a financial account. Their ranks include more than half of adults in the poorest 40 percent of households in developing countries.

Being financially excluded is linked to income level: The richest 20 percent of adults in developing countries are more than twice as likely to have a formal account as the poorest 20 percent. Yet, while the poor don't have the same access to financial products as wealthier individuals, their need for financial services may be even greater.

Financial Inclusion (FI), which promotes access and the use of high-quality financial services, particularly among poor people, is crucial to achieving inclusive growth. Women disproportionately face financial access barriers that prevent them from participating in the economy and from improving their lives (John Isaac / World Bank, 2014)

John Isaac / World Bank reports that women make up 40 percent of the world's workforce. Many of the sectors that are critical for economic growth in some of the poorest countries rely heavily on women. Small and medium-sized enterprises (SMEs) with female ownership represent 30 percent to 37 percent of all SMEs (8 million to 10 million women-owned firms) in emerging markets. These businesses have unmet financial needs of between US\$260 billion and US\$320 billion a year. This is their biggest barrier to growth and development (John Isaac / World Bank, 2014).

Access to credit can open up economic opportunities for women, and bank accounts can be a gateway to the use of additional financial services. However, women entrepreneurs and employers face significantly greater challenges than men in gaining access to financial services (John Isaac / World Bank, 2014).

The Global Findex, a comprehensive database measuring how people save, borrow, and manage risk in 148 countries, reveals that women are less likely than men to have formal bank accounts. In developing economies women are 20 percent less likely than men to have an account at a formal financial institution and 17 percent less likely to have borrowed formally in the past year. Even if they can gain access to a loan, women often lack access to other financial services, such as savings, digital payment methods, and insurance. Restrictions on opening a bank account, such as requirements for a male family member's permission, restrict women's access to accounts (John Isaac / World Bank, 2014)

Lack of financial education can also limit women from gaining access to and benefitting from financial services. In addition, many women may have access to financial services in name only: A study in Pakistan showed that, although accounts might be opened in the name of a

woman, the decision-making authority around the use of those funds often lies with a male relative. The World Bank's Gender at Work report (2014) asserts: "On virtually every global measure, women are more economically excluded than men." (John Isaac / World Bank, 2014)

It is revealed that around the world, 1.3 billion people, 70 per cent of whom are women (UN 2009; Dhital 2011 cited in Pokharel et. al, 2011), lived on less than one dollar per day. These people are poor and face considerable difficulties finding employment. In order to work for themselves, they need access to resources, a difficult task for the poor. Generally, the poor cannot qualify for credit or other financial resources needed to begin working for themselves because they lack steady employment and collateral. International donors, governments, development experts and scholars have paid much attention to microfinance as a strategy of reaching the poor, especially women, and involving them in the development process.

## 2. Financing Scenario in Nepal

### 2.1 Status of Nepalese Women

According to the National Population Census, as of June 2011, more than half of the population in Nepal is the women. Of the total population 26,620,809 the male and female composition is 12,927,431 and 13,693,378 respectively. The male and female ratio is 48.56 and 51.44 percent. If we compare the data between male and female in many areas, overall situation of Nepalese women is poor.

There is a huge income-gap between men and women both in terms of opportunities for employment/income generation and in the proportion of earned income; resulting in women to remain in poverty status. Women remain poor due to lack of access to and control over productive resources.

- Female comprise 48.9 percent of all paid workers as against 67.6 percent male (TYIP 2007/08-2009/10).
- The ratio of estimated female to male earned income is 0.51 and the estimated earned income (PPP US\$) is 949 for female as against 1,868 for male (UNDP, 2005).
- Only 17 percent of the households reported that female in their families have ownership on the house, land and the livestock.
- Among those who reported of female ownership, 10.8 percent reported of female ownership of the land, 7.6 percent reported of the female ownership of livestock and 5.5 percent reported of the female ownership of the house (Shrestha, 2011)

### 2.2 Access and Control over Economic Resources

While Constitutional arrangement of Nepal provides equal rights for women to property inheritance, there has been no specific law to enforce it. On the contrary, family laws in Nepal that govern marriage, divorce, property rights and inheritance reinforce the patriarchy and put severe limits on women's command over economic resources. The key issues in this relation are

- Women's limited access to productive assets- land and property, credit and modern avenues of knowledge and information reinforced by unequal inheritance laws and by social norms that confine women resources base only to marriage,
- Lack of information of women's employment and wages and under reporting or "invisibility" of women's economic activities,
- Concentration of women in low-productive, subsistence agriculture,
- Concentration of women in low-wage,

low-skill, manual jobs in agriculture and non-agriculture sectors, due to lack of education, training, information, and bargaining power,

- High and increasing work burden without concomitant increase in access to resources,
- The “feminization” of the self-employed sector,
- Poor working environment,
- Difficult environment for women entrepreneurs,
- Child labor (girls more than boys) (Shrestha, 2011)

### **2.3 Key Issues in Nepalese Financial/Credit Sector**

In Nepalese context, the financial services primarily do not focus the grass-root women. The financial institutions come up with the schemes that do not meet the societal settings and are not in easy access to the women. First and foremost, the women cannot get access to those financial resources as they do not have the access and control over the productive assets. Financial institutions do not provide credit facilities without collateral. This has become a major challenge for most of the Nepalese women in relation to easy access to financial services (Shrestha, 2011).

Secondly, the product or the services provided by the financial institutions are basically profit oriented and such institutions provide credit facilities to only those who give really good repayment. Women cannot access such facilities as the policy of the financial institutions focus more on the profit orientation rather than the service orientation. This implies, the product and packages that they come up do not meet the need and expectation of the women basically in the Nepalese rural setting (Shrestha, 2011).

Getting access to finance through the governmental institutions is very difficult for the women as well. The long and tiresome formalities that have to be fulfilled for getting access to finance is one of the major barrier (Shrestha, 2011).

#### **2.3.1 Delivery Related Issues**

Most of the financial institutions except microfinance institutions and cooperatives, basically the formal financial institutions are urban centered. Their services and products focus on the urban clients and urban business. The rural women do not get access to such financial institutions. Likewise, many microfinance institutions though are in a good network have not been able to reach very poor grassroots women. Door to door program for easy access to finance is not yet in practice in most of the rural areas. The microfinance institutions are basically in group concept and group approach. All the activities are done in centres. The regular meeting and going to centre are also difficult in many cases because of the accessibility (Shrestha, 2011).

#### **2.3.4 Capacity Related Issues**

The risk bearing capacity in women and entrepreneurship capacity is generally low in female as compared to the male. This situation makes women more vulnerable to poverty. They lack proper knowledge and awareness regarding the entrepreneurship and other financial decision making. The societal construct is such that the women have fewer roles to play in the economy. This has in one way or other minimized their confidence level in handling the economic activities. Lack of education, lack of skill training and lack of proper decisive capacity women in Nepal have remained away from the access to finance/credit services (Shrestha, 2011)

Women, though capable are not given the economic responsibility in most of the Nepalese family. This trend of not trusting the women's capability in the family and the community has made women more vulnerable to in-access to financial and credit facilities. In this respect the ground reality of the women has all the time been undermined and their capability has not yet been recognized. Instead of fostering the capability of women, they are even suppressed from the family, community as well as the policy level (Shrestha, 2011).

### 2.3.5 Access and Control over Resources

Lack of access to, and control over, productive resources is one of the major factors that hamper women's equal participation in economic activities and the decision-making process.

Most formal financial institutions do not provide access to finance unless one comes up with valid collateral. In the context of Nepal, land and valuable asset like gold are basically valid collateral. Women do not have control over both resources without the consent of the male counterparts or male members. This is a big challenge for women to getting access to the financial services. To overcome these problems concept of microfinance services emerged (Shrestha, 2011).

## 3. Emergence of Micro Finance

Various Institutions and scholars have defined microfinance in different ways. Asian Development Bank (2000) has defined microfinance as "... the provision of broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low income households and their micro enterprises.

Likewise, Lidgerwood (1999) states that the term microfinance refers to "... the provision of financial services to low-income clients" since microfinance has emerged as an "economic development approach" to benefit low-income section of the society including women.

She further elaborates that microfinance is a kind of service products such as savings, credits, and insurance and payment services and social intermediation services such as group formation, development of self-confidence, training in financial literacy and management capabilities among members of a group.

The above definitions state that microfinance is a kind of strategy devised to focus mainly on the financial services to be provided to the low-income people to operate their micro enterprises.

However, Lidgerwood (1999) has added some parts of the social intermediation such as group formation, training and management capabilities. Thus, according to her definition microfinance often includes both financial intermediation and social intermediation. She further explains that microfinance, being banking as well as development tool, it, among others, includes following activities.

- Small loans, typically for working capital
- Informal appraisal of borrowers and investments
- Collateral substitutes, such as group guarantee or compulsory savings
- Access to repeat and larger loans based on repayment performance
- Streamlined loan disbursement and monitoring
- Secure saving products.

Microfinance Institutions are NGOs, Saving and Credit Cooperatives, Credit Unions, Government Banks, Commercial Banks, etc. Microfinance clients are typically self-employed, low-income entrepreneurs in both urban and rural areas. Clients are often traders, street vendors, small farmers, service providers (hairdressers, rickshaw pullers), and artisans and small producers, such as blacksmiths. Usually their activities provide a stable source of income (often from more than one activity). Although they are poor, they are generally not considered to be the "poorest of the poor." Moneylenders, and rotating savings and credit associations are informal microfinance providers and important sources of financial intermediation (Lidgerwood, 1999, cited in Shrestha, 2010).

## 4. Micro financing Policies and Programmes

To support for micro financing, different policies and programmes have been promulgated by Nepal Rastra Bank. They are as follows.

## 4.1 Deprived Sector Lending Program (DSLPL)

Nepal Rastra Bank (NRB) has established the framework for the Deprived Sector Lending Program (DSLPL) in its Unified Directives, and regularly updates its modalities in its annual Monetary Policy.

According to NRB's Unified Directives No 17/068 (2011), "deprived group" refers to low income people and specifically to socially deprived women; indigenous peoples (janajatis); schedule cast people (Dalits); blind, deaf and disabled persons; marginalized communities; and small farmers, artisans, wage labourers and landless families.

"Deprived sector credit" is defined as credits disbursed within the limits established by the NRB to operate self-employment generating micro enterprises for the economic and social development of the deprived group (NRB, Unified Directives, 2011). It was introduced in 1990 for commercial banks and in 2008 for development banks and finance companies.

Under this program, banks and financial institutions must allocate a prescribed percentage of their loan portfolio to poor and deprived households, either directly or through recognized microfinance institutions, including Microfinance Development Banks (Class D), as follows:

- Commercial banks: 3.5 percent of their loan portfolio.
- Development banks: 3.0 percent of their loan portfolio.
- Finance companies: 2.5 percent of their loan portfolio.
- These percentages will increase by 0.5 percent a year over the next three years.

Banks and financial institutions (BFIs) must submit a report to the NRB to confirm that they have complied with their DSLPL obligations. Those that do not, are penalized.

In DSLPL focus has been given to women clients as deprived group including other low income people to make access to finance.

## 4.2 Rural Self Reliance Fund (RSRF)

GoN also made provisions for wholesale lending to the MFIs such as Microfinance Development Bank, Cooperatives and Financial NGOs through Rural Self Reliance Fund (RSRF) which was established in 1991 to make small wholesale funds available to the MFIs. The fund has addressed access to inclusive finance for women Dalits and Janajatis (NRB, 2012).

## 4.3 Microfinance Policy

In 2007-08 Microfinance policy came in to existence which perceived microfinance as an effective way to alleviate poverty, but so far low-income people have not benefited from MF programs as much as expected. Existing services are inadequate to satisfy strong demand for small loans. So, National Microfinance Policy promulgated with the objective to "help reduce poverty through sustainable, simple and accessible small investment policy", by implementing the following initiatives:

- Establish a new separate unit under the Nepal Rastra Bank (NRB) to regulate and monitor MFIs;
- Establish a Microfinance Development Fund with funding from national and international organizations, to supply long-term funding to the MF sector;
- Conduct a survey of existing cooperatives and microfinance organizations, to establish the scope of their operations and outreach;
- Support the involvement of the private sector in microfinance activities and services;
- Programs such as microcredit and skills development for marginalized and deprived communities; and
- Expansion of microfinance programs to increase access to credit for these same communities (NRB, 2007/08)

This policy has laid emphasis on marginalized and deprived communities. However, this policy is silent regarding women's access to finance

although microfinance institutions have been mainly targeting the women community. It is mainly because women are found as the quality clients of financing institutions, who are sincere, take only necessary amount of credit, use it in the proposed project, operate the project in efficient and effective manner and repay the principal and interest on time (Shrestha, 2010). The repayment rate of women clients has been found as almost cent percent. So most of the microfinance institutions are attracted and have devised policies to include women as their clients and implemented accordingly.

#### **4.4 Monetary Policy**

For every fiscal year Nepal Rastra bank publishes Monetary Policy. In Fiscal Year 2011/12 following provisions have been made relative to the DSLP:

- Loans of up to Rs 300,000 (\$ 3,750) to micro-enterprises operated by women will continue to qualify under the DSLP. However, this sort of policy is not mentioned in the Monetary Policy of the Fiscal Year 2015/16.

## **5. Over View of Government's Periodic Plans**

### **5.1 Seventh Plan (1985/86-1989/90)**

This plan has set the objectives to facilitate the planned and rapid development of water resources by coordinating the activities of all the concerned agencies and by providing specific guide lines and to orient the focus of the program on water resource control and conservation to the water use needs of the country as a whole. Under this plan, policies were developed to coordinate the activities of the agencies involved in water resource and energy sectors and National laws and rules and regulations related to water resource and energy was planned to devised and developed. Total sum of Rs. 5.6 million has been earmarked for the programs of Water and Energy Commission to be implemented during the Seventh Plan

period.(NPC, 1985/86-1989/90. However, the plan and policies have not addressed rural renewable energy and access to energy for women.

An integrated banking programme was launched from mid-October 1980 with a view to financing projects under priority sector under regional basis. Special attention was given to the feasibility and supervisory aspects of the projects financed under this programme and a policy of financing individuals without mortgagable assets against collective security was adopted. Additionally, 60 per cent of the total loan under this priority sector was provided to small families. In the initial years of the Sixth Plan, it was made obligatory to the commercial banks to finance minimum of 7 percent of the total deposit liability the projects under the priority sector. This proportion was raised to 10 per cent in FY 1982/83 and the same was maintained in FY 1983/84. However, the commercial banks could not attain this level, it was reduced to 8 percent in FY 1984/85(NPC n.d). This programme has addressed to the small families. However, this has not mentioned about access to inclusive finance including women.

### **5.2 Eighth Plan**

With a view to providing self-employment and income generating opportunities to socially and economically backward sections such as small and marginal farmers, landless peasants, village artisans, craftsmen, labourers and similar deprived families, the small farmers development programme was planned to be further strengthened and expanded. Under this programme, the production credit programme for women also was to be upgraded. Extending convenient loan facility to women who have received skill and efficiency promotion training from women development programme, support was planned for income generating activities.

Expanding the small farmers' groups, 25 percent of the total investment to be made under this programme was directed towards women's groups. This programme was thus to provide services to additional 140, 000 deprived poor

families during this plan period. About an average 25 percent of total credit expansion outlay of Agriculture Development Bank was planned to be mobilized under this programme. In new areas to be brought under the programme non-government organisations also were encouraged to increase their participation in non-banking programmes. Other policies and strategies are as follows.

- b. As the commercial banks have a significant role to play in the mobilisation of the domestic resources of the country, 60 percent of the agricultural, rural and cottage industry loans to be disbursed under the priority credit programme of commercial banks which was to be made available to deprived, poor families. In the event of failure on the part of commercial banks to disburse such loans from their banking offices, the loan amount available will be disbursed through other banks or non-governmental organizations to deprived sections at an interest rate to be fixed by the central bank.
- c. In the case of poor, landless peasants, arrangements will be made for banks to provide credit of upto Rs. 10,000 without any collateral. However, such credits will be extended only on the basis of group liability and feasibility of the scheme. The banks will make arrangements for supervising the proper utilization of the credit on a regular basis.
- d. Making credit facilities easily accessible to poor, helpless families, they will be encouraged to engage themselves in self-sustainable economic activities. Savings and credit facility programmes will be conducted savings and credit facility programmes will be conducted by promoting such self-reliant groups and cooperatives.

In order to promote the participation of non-governmental organizations in these activities,

arrangements will be made for these organizations, depending upon their ability, to act as intermediaries for easy disbursement of the bank loans (NPC n.d.)

In this plan, to accelerate the economic development and attain massive extension of low cost energy sources, credit facility policy has been developed to provide to the farmers and entrepreneurs interested in undertaking these activities. Such credit facility was to be made available with the objectives of preventing the destruction of forest to individual farmers and groups in the Tarai and low hilly regions to establish biogas plants as alternative energy sources. Necessary credit facility was also to be provided for developing various means of utilizing solar and other alternative energy sources (NPC, n.d.). However, having made all above arrangements the plan and policies have not mentioned the access to credit to women in energy sector.

### 5.3 Ninth Plan

Nepal's economy is mainly based on rural agriculture and the use of commercial energy is minimal. So desired change in the use of energy will be brought about through encouraging changes in the consumption pattern by implementing appropriate energy programmes. Modern energy produced using natural resources will gradually replace traditional sources for developing rural energy system. Small-scale hydropower, solar energy and alternative energy programmes will be widely expanded to fulfil the rural energy demand through the supply of electricity and other alternative energies. Policies that focus on information flow, raining, availability of appropriate financial services, technology development and extension and its specialization will be adopted in order to lessen the present external dependency on the supply of energy (NPC n.d.). Accordingly, the Ninth Plan has set the following objectives.

- Traditional technology like agriculture, cottage and small industries which can contribute to rural development will be

improved, and appropriate rural technology will be developed and transferred.

- Energy use efficiency will be improved by adopting new technology for rural energy and economic development; and negative environmental effect created by other activities will be minimized. (NPC n.d.) In order to achieve above objectives following policies and programmes have been devised
- Absorption of energy will be reduced by increasing the existing bio-energy utilization efficiency while considering the replacement time for traditional energy, and special attention will be given to expand and promote improved stove to keep rural environment smokeless and healthier. Similarly, special emphasis will be given to replace kerosene and diesel by generating micro hydel, solar and other isolated energy generation for light and other purposes.
- The exiting bio-gas support programme will be continued in the Ninth Plan. 90,000 bio-gas plants will be established while taking the Eighth Plan's achievement into consideration. The existing subsidy for this programme will be maintained. Non-collateral investment for rural energy development under the Rural Poor Programme as targeted by the programme will be encouraged. The rural energy development fund will be mobilised as a revolving fund and used as collateral for this purpose. Research will be carried out in order to produce bio-gas in the hilly and the northern regions of the country.
- Improved stove technology will be developed and promoted with the active participation of the private sector and non-governmental organisations. Improved stove programme will be

launched in 45 districts during the Plan period, and about 150,000 stoves will be installed. Besides, 100,000 additional improved stoves will also be installed by non-governmental sector (NPC n.d.)

- Around 38,000 household photovoltaic systems will be installed during the Plan period at remote places that are not feasible to link with the central grid system and to generate micro-hydel electricity. In the near future, based on the experience, at least photovoltaic energy can provide energy in such areas for lighting purpose. Non-collateral loan will be provided for most of the people who are unable to utilize the subsidy for alternative energy technology in the absence of collateral.
- Rural energy development fund will be created, and special consideration will be given to mobilize local NGOs and to create income generation opportunities while providing such loans (NPC 2002,

In the above policies and programmes Energy use efficiency, installation of ICS, revolving fund as collateral for biogas, no loan for those who are unable to use subsidy for alternative energy technology have been mentioned. However, the policy has not shown concern with women's access to energy and finance.

#### **5.4 Tenth Plan (2002/03-2007/08)**

Under Science and Technology, and Alternative Energy Chapter of this plan, the objective has been set as developing of science and technology and its use in achieving a sustainable and overall development of the country through maintenance and improvement of traditional technologies that can contribute in the rural development including the research and development of practical technology and to extend necessary contribution to make children, women and deprived section economically independent through science and technology (NPC, 2002). To achieve this objective the

following policies and programs have been developed

- As per the concept of sustainable development, attention would be paid in uplifting the socio-economic status of the people living in rural areas by promoting alternative energy technologies based on locally available resources and by minimizing the cost of construction and installation of such technologies. The promotion of alternative energy would minimize the consumption of traditional energy and would improve the health condition of general public and environment.
- As per the policy of decentralization, technological promotion programs, in participation of local bodies, would be initiated in three regions namely Tarai, Hill and Himal (NPC 2002).

In this plan objectives has touched upon women to make them economically independent. However it has not mentioned in its policy and programme. The objective, policies and programs have mainly focused on research under science and technology and a very few in alternative energy as mentioned above. So in this plan women's access to energy and finance, energy technology have not been addressed.

To explore the access to credit for women in energy sector deprived sector credit policy in the Tenth Plan was reviewed. It is revealed that credit will be made available to deprived women but not specifically mentioned about the availability of credit in energy sector like the unemployed agricultural graduates, educated unemployed rural youth, who have received skill oriented training shall be issued loans on project collateral to set up micro enterprises (NPC, 2002)

### **5.5 Eleventh Plan (Three Year Interim Plan, 2007/08 -2009/10)**

This plan has been developed with the long term vision of alternative energy promotion among others, contributing to rural development, enhancing rural economy and quality of rural life and contributing to the broader national goal of

achieving social inclusion and gender mainstreaming through increased participation of population of all class, caste and gender in the development promotion and utilization of alternative energy sources. Based on this vision, set objectives of alternative energy development and promotion are to develop environment friendly energy technology used on local resources and integrating it to the social and economic activities to contribute to poverty alleviation and improving the livelihood through enhanced productivity and increasing employment opportunities. This intends to reducing the dependence on the imported energy and minimizing the environmental consequences through capacity development and commercialization of alternative energy (NPC, 2007). Some of the component wise target set by the plan were

- Increasing access of additional 5 percent of the population in 1500 DDCs to electricity during the Plan period.
- Promotion of small and micro-hydropower schemes in 54 Districts, capable of generating 11,500 kilowatts (11.5 Megawatt),
- Installation of 90,000 unit of solar electrical systems in 73 Districts to provide electricity at the household level.
- Development of 100,000 units of biogas plants in 70 Districts.
- Improvement and installation of 4,000 units of water mills in 40 districts.
- Mapping of wind energy in the Districts considered feasible for wind energy generation and actual generation of 50 kW of wind energy.
- Development of 300,000 units of improved cook stove and installation of other bio-energy technologies in the mid and high hilly regions.
- Establishment of Energy and Environment Cell/Unit under Local Agencies/DDCs in all the 75 Districts to undertake such activities as planning,

coordination and monitoring and evaluation for alternative energy promotion.

In order to achieve this target among others following strategies, working policies have been developed.

- Priority shall be given to small and micro-hydropower development and development and promotion of solar energy, bio-energy and wind energy technologies considering the needs and resources available in the rural areas.
- The Rural Energy Fund developed at present shall be expanded as Central Rural Energy Fund in order to undertake effective and sustainable development of rural energy. Programs shall be developed and implemented to increase the access of communities and individuals to credit by developing environment supportive to banks and financial institutions to increase funding in this sector.
- Financial support shall be provided through Central Rural Energy Fund to ensure sustainability in alternative energy development. This fund will be used in providing support for collective collateral, revolving fund and easy loan, in order to increase the accessibility of poor, marginal, disadvantaged and ethnic groups to alternative energy technologies. This fund will also be used in ensuring credit guarantee on credit advanced that would encourage financial institutions to advance credit in alternative energy sector.
- Similarly, total of 300,000 improved cook stove and other bio-energy systems are proposed to be developed during the plan period in order to improve energy efficiency of conventional fuel, such as fuel wood, improvement in the health and sanitation of the households and reduction of work drudgery on women and children.

- For development and expansion of alternative energy and for the mobilization and facilitation of credit and subsidy for this purpose, Central Rural Energy Fund at the central level and District Energy Fund at the District level shall be established. Alongside this regional level service centres will be established in different parts of the country depending upon the needs and in coordination with the local institutions in order to make the development of small and micro-hydropower projects economically viable and operationally sustainable (NPC2007).

In this plan, vision with social inclusion and gender mainstreaming, detail policies and strategies and working policies have been developed and the component wise target have been set and the facilitation of credit and subsidies have been arranged through Central Rural Energy Fund. Credit Guarantee fund Central Rural Energy Fund has been provisioned to guarantee on credit to encourage financial institutions to advance credit in alternative energy sector. The plan has mentioned the programme of 300,000 improved cook stoves which will be implemented for the reduction of work drudgery on women and children. As compared to previous periodic plans, this plan is comprehensive. However, credit facility especially for the women is not mentioned and how to get access to credit for energy is not clearly stated.

### **5.6 Twelfth Plan (Three Year Plan, 2010/11-2012/13)**

This plan has developed its vision of 20 years in which, of the total energy use 10 percent will be contributed from alternative energy and out of the total population having access to electricity, 30 percent will be provided through development and expansion of alternative energy, thereby contributing in ecological balance, employment creation and inclusive development. With this vision the plan has set the objectives to emphasize on sustainable

environment development to reduce dependency on traditional energy and integrate with social and economic activities to uplift the living standard of the people and bring improvement in employment opportunity and their productivity (NPC, 2011). To attain these objectives following strategies have been developed.

- Lay emphasis on development and expansion of renewable energy under decentralized energy system.
- Give priority to the integrated types of programs which contribute in improvement in the socioeconomic condition and sustainable environment through alternative energy.
- Promote partnership and coordination among stakeholders, local bodies, private sector related to alternative energy development and expansion.
- Develop sustainable and proper rural energy.
- Lay emphasis on research on alternative energy and handover technology.
- Expand biogas and different bio energy technologies in order to minimize the use of fuel wood.
- Transform rural energy fund in to central rural energy fund and create conducive environment to invest to the financial institutions for the proper and sustainable development of rural energy.
- Install 300,000 ICSs, 200,000 bio-briquettes and other bio-energy system in order to replace imported gas especially in the urban areas (NPC, 2011)

In this plan, policies, strategies and programmes have been developed and arranged financial support to the financing institution through Central rural energy fund. However, this plan has not addressed inclusion and women issues and how they will be get credit and the provision of financial support to the women to reap the

benefit from use of the alternative energy is not taken in to consideration.

### **5.7 Thirteenth Plan and Approach Paper (2013/14-2015/16)**

The Thirteenth Plan Approach Paper (2014 -16) has emphasized renewable energy as per the concept of sustainable energy for all. The approach paper states that the existing challenges of this sector are to increase the access of renewable energy of low-income people residing in remote areas, especially women, poor and backward classes, to enhance economic sustainability of energy utilizing projects for productive uses such as micro and medium industries and manage to provide easy and low interest loan for users (NPC, 2013).

While the thirteenth plan has developed a twenty- year vision to make access 10 percent of the total energy uses and 30 percent to the total people having access to electricity will be made available through renewable energy. Considering this, the plan has set the objective to reduce the dependency on traditional and imported energy and in the area where national electricity transmission line cannot reach emphasis will be laid emphasis on development of alternative and renewable energy (NPC, 2014).

In order to attain the objective, strategy has been developed to focus on research, development and technology transfer and equipment production nationally. For overall sustainable development of renewable energy, environment will be created to invest in financial institutions by developing rural energy fund in to central renewable energy fund. One of the main programmes envisaged in the plan is “Clean Cooking Solution for all by 2017”. Under this campaign promotion and expansion of biogas, ICS and bio briquettes will be under taken and increase access to deprived families by providing them with financial support to install 80,000 domestic biogas plants and 900 community and institutional biogas plants, 1.2 million ICSs. Besides, promotion of 23000 iron made ICSs and production and sale of 2000 metric ton bio briquette annually will take place. Nineteen

thousand women and men will enjoy job opportunities through 1300 new enterprises and 2800 running scaled up enterprises. In addition various income generating activities will be carried out in 15,300 households NPC, 2014).

In this plan policy, strategies and programmes have been developed for research, development and promotion of alternative and renewable energy and financial support from central renewable energy fund.

However, the plan has not explicitly addressed for inclusive and the women regarding access to energy and financial support and the benefit they get.

### **5.8 Thirteenth Three-Year Renewable Energy Sector Plan (2013/14-2015/16)**

As developed long term vision in this Thirteenth Three-Year Renewable Energy Sector Plan adhering to the thirteenth plan of Nepal Government, in 20 years, 10 percent of the total energy consumption will be met from renewable energy and 30 percent of population having access to electricity will be provided with electricity from renewable energy. Besides, by ensuring necessary policy, institutional and economic aspects for renewable energy development and promotion and by improving livelihoods of deprived and women, contribution will be made to country's poverty alleviation.

Based on the envisaged vision the objective has been set as to reduce dependency on traditional energy as well as to emphasize on development and promotion of alternative and renewable energy in areas where national grid cannot reach in the near future. Accordingly, in order to attain this objective strategies and working policies have been developed as follows.

- Development, promotion and extension of alternative energy will be done in rural areas, such as, micro- and small hydro, solar energy, biomass energy and wind energy.
- Essential capacity building of local bodies will be done for renewable

energy planning, implementation, promotion, monitoring and evaluation related activities.

- In order to reduce consumption of firewood as household energy, promotion as well as extension of efficient biomass energy will be done, such as, biogas, ICS, gasifire, and bio-briquettes.
- Promotion and extension, of community and institutional biogas, energy production from dumping sites and gasifire systems, will be done.
- For sustainable and appropriate development of renewable energy, by developing the existing Rural Energy Fund (REF) into a Central Renewable Energy Fund (CREF) an investment environment will be created for financial institutions.
- Appropriate subsidy will be provided for generation and use of energy from garbage coming from city dwellers.

Within the plan period, the target has been as follows

- Provide electricity services to additional 8 per cent rural population through alternative and renewable energy resources.
- By 2017, achieve smokeless homes throughout the country through provision of clean energy technologies. Covering all districts, install 80,000 household biogas plants, 900 community and institutional biogas plants,
- 50 commercial biogas plants & 10 biogas plants from municipal waste to produce energy. Install 1.2 million ICS and other biomass energy technologies (BETs).
- Promote 23,000 metallic ICS (rocket type, two pot hole, three pot hole and institutional).
- Produce and distribute 2,000 tonnes of bio-briquettes per year (AEPC, n.d.).

This Renewable Energy Sector Plan has focussed on development, promotion and extension of alternative energy sustainable and appropriate development of renewable energy by developing the existing Rural Energy Fund (REF) into a Central Renewable Energy Fund and set the target as well. The plan has mentioned the improvement of livelihood of deprived and women. However not addressed in strategies and programmes regarding women's access to finance, inclusion and women's involvement in the programme and the benefit to them from alternative energy sustainable and appropriate development of renewable energy.

### **5.9 Rural Energy Policy, 2006**

In addition to subsidies, this policy has emphasized on access to credit facilities for users which will have a profound influence in the adoption of renewable energy systems. Despite various efforts, access to credit in rural areas for renewable energy investment has been found to be utterly inadequate. In the long run, when subsidies are withdrawn, it is expected that credit will replace the subsidy and will be only a reasonable way to expand the service delivery sustainably. The Government of Nepal desires that an appropriately long term credit at an affordable interest is available for investment in the field of renewable energy. In order to encourage financial institutions to invest in renewable energy, efforts will be made in creating an institutional credit mechanism through credit-line and credit guarantee scheme under the Central Renewable Energy Fund, which will supervise and disburse the subsidy (MoE, 2006).

In addition to subsidy, there will be soft loan to the various renewable energy technologies or systems through the financial institutions. The credit mechanism will be developed in such a way that the poorest people will have access to such credit in simple way (MoE, 2006).

This policy has addressed access to credit facilities for users and poorest people creating an institutional credit mechanism through credit-line and credit guarantee scheme under the Central Renewable Energy Fund, However, it has

not stated on access to inclusive finance including women.

### **5.10 Budget Speech of Fiscal Year 2015/16**

In the budget speech, the Government of Nepal (GoN) has given high priority for the production and distribution of electricity from alternative energy sector by allocating Rs. 450 million to fix the street light in municipality and solar energy in urban area. For coming year, GoN has managed subsidy to connect solar cottage electricity system and drinking water along with irrigation pump and also allocated necessary amount to fix household bio-fuel and to flow loan through Central Rural Energy Trust for renewable energy technology. Solar lamp light and cell phone charging for the family of those whose houses are fully damaged by earthquake and portable metallic rocket stoves for the family of earthquake affected districts will be fixed. For which Rs. 4.85 billion have been allocated for all these works. Thus for the overall development of energy sector, GoN has allocated Rs 45.72 billion in hydropower production, transmission and distribution and Rs.5.49 billion in the alternative energy (MoF, Budget Speech of Fiscal Year 2015/16). However in the budget speech programme for energy access to women and access to finance for the women has not been addressed.

## **6. Efforts made to get access to finance for women**

### **6.1 Microfinance Program in Nepal**

Microfinance has become a strong means to reduce poverty especially of the women. Among the many developmental programs implemented in Nepal, microfinance programs have a strong rural orientation and are targeted at the poor.

The Nepal Rastra Bank (NRB) under the "Priority Sector Loan Program" directed the commercial banks to provide institutional loans to the Priority Sector in April 1974/75. Accordingly, they were required to disburse five percent of their

total deposit as loans to this sector such as agriculture, cottage industry and services. However, in this programme women are not mentioned clearly as the target group.

In 1975, the Agricultural Development Bank, Nepal (ADBN), started Small Farmers Development Program (SFDP) on a pilot basis in two Village Development Committees (VDCs) of the two districts, one in the hill and the other in Tarai. The success of this pilot testing prompted the then government to expand it to all over the country. However, the women development program in SFDP started from early 1980s, as a special program to deal with the women exclusively. Before the initiation of the program women motivators are recruited and trained and posted in the district sub project office (SPO). The remarkable performance of these women SPOs played an eye opening role to realize the capability of women in the socio-economic activities. The progress in this sector have changed the focus from the male oriented program to the women oriented program.

In 1982, the government also launched a women focused microfinance program (PCRW) called 'Production Credit for Rural Women through the Women Development Section of the Ministry of Local Development with the support of the government owned commercial banks for credit, which has outreached 82,416 women.

Five Gramin Banks (GBs) model replicating banks and several Financial Intermediary Non-Government Organizations (FINGOs), and Savings and Credit Cooperative Societies (SCCSs) also came into existence following the GB approach which enhanced the accessibility of the poor to the microfinance services at their doorstep. The group members understand the problems and capabilities of all members, and the field staff, who go to provide service at the doorstep, also gets an opportunity to closely assess the reality of the local situations. Both these factors help to effectively use the loan funds provided to the group members and a system of close monitoring for productive use of loans is also made possible by the decisions of the group together with the Loan Officer.

## 6.2 Wholesale MFIs

### 6.2.1 *The Rural Microfinance Development Centre*

The Rural Microfinance Development Centre (RMDC) was established as a D class wholesaler to provide micro-finance services to rural people and women.

It is reaching out to women clients through its 95 MFI partner organizations to deliver financial services and technical services regarding income generating activities and skills development are directly delivered by RMDC. The empowerment of women in decision making in their entrepreneur activities, confidence in their own project operations and confidence to present their achievements in front of large gatherings during conferences are remarkable achievements.

### 6.2.2 *The Small Farmers Development Bank (SFDB)*

The Small Farmers Development Bank (SFDB) was established as a D class bank as wholesale lender institution to Small Farmer Cooperatives Limited (SFCLs), to provide services to small farmers, to women and to indigenous people.

The focus of the SFDB and its member SFCLs has changed from development of male-focused groups to groups centred on women and indigenous people, because of the visible impact on women members and their families in terms of productive economic performance.

A total of 236 SFCLs are under SFDB's management. Out of these, 27 are headed by women. They are functioning well and working actively. The chairwoman of one of these active women-managed SFCLs named Uttar Ganga from Surkhet is a member of SFDB's Board of Directors. This case illustrates the possibility of empowering women to move from rural grassroots groups to the highest board level member of the institution.

The SFDB started a special credit program for very good clients who have maintained a good credit record for five years and have increased their business volume. This is called a special loan for green card holder. They are recognized with a

certificate and are eligible to receive special revolving overdraft facilities.

The First Microfinance Development Bank Limited (FMDB) was established as D Class to provide wholesale loan/credit with priority to MFIs that provide microfinance services to its members/client at high percentage of low income individuals particularly women. FMDB portion of end borrowers as of 16 July 2011 comprised of 99 percent women which highlights its status of lending policy implementation. FMDB is promoting microfinance services to deprived women through its partner organizations thereby supporting women in social transformation, empowerment and livelihood support and improve living standard.

### **6.2.3 National Federation of Saving and Credit Union**

National Federation of Saving and Credit Union (NEFSCUN) is registered as the umbrella organization of Saving and Credit Cooperatives under Cooperative Department to provide both financial and non-financial services to its members Savings and Credit Cooperatives (SACCOs) and District Unions. It extends financial facilities to poor, rural and deprived women as wholesale lender to its member institutions. In the non-financial sector NEFSCUN provides different training to its members.

NEFSCUN has been implementing Credit Union Microfinance Innovation (CUMI) programme since 2001, the main objective of the programme is providing affordable financial service to the poor. It has been providing the services of micro savings, micro credit, micro insurance and other support services to the low income poor, micro entrepreneurs, women and disadvantage group in rural area and to uplift their socio economics condition. Its aim is to integrate low income people in rural area into financial mainstreaming by offering different skill development and employment creating activities in the local level.

The program has covered 188 SACCOs from 25 districts and more than 92 thousand of woman members are involved in the program by different SACCOS. NEFSCUN has targeted to reach out two hundred thousand poor family

households through this program by the end of 2014 (<http://www.nefscun.org.np/> September 27, 2015).

### **6.2.4 Retail Micro Finance Development Banks**

All these banks are registered as 'D' class financing institutions. Most of all these MFIs have started their programs in the Gramin model replication with certain modification.

The approach of the MFIs are to reach the poor women clients at their door rather than waiting for the clients to visit the Bank. All these MFIs facilitate the poor women, deprived and indigenous people specially women with credit facilities for creating opportunities and generating income and improve their life style. Some of the microfinance development banks initiated their developments activities at the very grassroots as NGOs. As a result of the effective and successful progress and productive result of the woman clients, MFIs are more attracted towards the rural poor women. The main activities carried out by the MFIs are as follows.

- Credit facilities to the members for income generating activities
- Micro saving program for creating financial resources
- Extension service in the field of agriculture and small entrepreneurs for modernizing their occupation and making their activities viable and sustainable
- Opportunity for overall social development together with raising their awareness about undesirable socio-cultural and traditional practices
- Minimize the disparity among the ethnic people and accept them as equals

### **6.2.5 Savings & Credit Cooperative Societies**

Savings & Credit Cooperative Society (SACCOS) is an autonomous community based financial institution formed voluntarily by the people for

mutual benefits and to meet their common goals of economic, social and cultural needs. It follows self-help development approach and runs under the credit union operating principles. Most importantly, it is owned and controlled by its members. SACCOS is an effective means for small scale lending through internally generated funds and a tool of promoting self-help development practices among its members. It enables the people to support each other and to be self-reliant in the development. A separate legal framework called Cooperative Act governs cooperative societies.

SACCOSs provide services, which are categorised mainly into three groups (i) Saving and Credit Services, (ii) Education and (iii) Community Development Services. By Mid July 2012 (2069 Ashadh) 26,501 Cooperatives were registered with the Department of Cooperatives. That included 11,851 SACCOSs (<http://www.deoc.gov.np/downloadfile/statistics>, retrieved on September 27, 2015). Among the 11,851 SACCOSs 16 are permitted by NRB for limited banking transaction (NRB, 2014).

## 7. Micro-finance Institutions in Nepal

The micro financial sector has been expanding rapidly over the past few years. As of July 16, 2014, there are 250 financial institutions licensed by the Nepal Rastra Bank (NRB)<sup>1</sup>, including 37 Micro Finance Development Banks (MFDBs), 16 savings and credit cooperatives (SACCOSs), and 30 financial intermediary NGOs as given in Table 1.

**Table 1: Financial institutions**

FINANCIAL INSTITUTIONS	16th July, 2014
Commercial Banks (Class A)	30
Development Banks (Class B)	84
Finance Companies (Class C)	53
Microfinance Development Banks	37
Savings and Credit Cooperatives (limited banking license)	16
Financial Intermediary NGOs	30
TOTAL INSTITUTIONS LICENSED BY NRB	250

Source: NRB, July 2014.

In addition to the institutions supervised by the NRB, as of July 2011 there are over 10,000 Savings and Credit Cooperatives (SACCOSs) registered and regulated by the Department of Co-operatives under the then Ministry of Agriculture and Co-operatives. A separate Ministry has been established within the name of cooperative and poverty alleviation.

## 8. Women's involvement as Directors of the Governing Board and Staff Members.

Women in different level of the organization could play a crucial role from policy level to implementation level. Accordingly some microfinance institutions have woman Director in the Governing Board and hired the woman staff indifferent levels as follows in table 2 and 3.

**Table 2: Women representation in Board of Directors**

Organization	Representation in Board of Directors				
	Total	Male	%	Female	%
RMDC	7	6	86	1	14
SFDBL	7	6	86	1	14
NEFSCUN	19	15	79	4	21
FMDB	5	5	100	0	0
Overall	38	32	84	6	16

Source: Study survey, 2012.

The mandate of NEFSCUN is that one Senior Vice-chairperson should be a woman and one woman member must represent in the account supervisory committee. This is a special effort to encourage woman member participation and reflect their view from the gender perspective. The BoD is to reflect policy/issue from the gender perspective. The female representation could be:

- Female members as professional expert, similar to RMDC, could be represented by promoter commercial banks;
- from among the grass-root level active group leaders like that in SFCL and group client to represent as in SFDBL BoD; and from among female shareholders.

**Table3: Women as regular staff in different organizations**

Organization	Established Date	Staff Composition						Managerial Level Female Staff
		Total	Male		Female			
			No.	%	No.	%		
RMDC	2000	23	17	74	6	26	1 managerial level	
SFDB	2001	18	12	67	6	33	1 managerial level	
NEFSCUN	1993	55	40	73	15	27	1 newly appointed as WO officer, rest is junior level	
FMDB	2010	13	8	62	5	38		
Overall		109	77	71	32	29	3	

Source: Study Survey, 2012.

Based on the above table. Efforts have been made to give opportunity to women as Board Director and staff. However as compared to men, women's involvement in the governing board and staff member is insignificant.

## 9. Baseline Survey Report: Access to Finance

Based on the Baseline Survey Report conducted by the WEE Nepal/ CRT/N in 2015, under a Promoting Women-led Enterprises for Energy Access and Local Production (WEE-Nepal) in 2015, access to finance is difficult in the project areas, however, 76 percent male and nearly 25 percent female are found to be taking loans from different sources such as local money lenders, savings and credits groups, banks as well as friends. Table 4 below compares the sources of finance:

**Table 4: Percent of Loan Bearers by Source and Gender**

	Male				Female			
	Local Money Lenders	Savings and Credits	Banks	Friends	Local Money Lenders	Savings and Credits	Banks	Friends
	34%	29%	20%	24%	18%	48%	10%	20%

Note: The percent is based on the respective male and female loan bearers.

Source: Field Survey, 2015.

Thirty four percent male took loan from local money lenders while only 18 percent of the female depended on this source;

- Women preferably took loan from savings and credit groups, e.g. 48 percent women as compared to 29 percent male;
- Twenty four percent male and 20 percent female depended on friends for loan and
- Twenty percent male and only 10 percent female took loan from banks.

In most cases nearly 12 percent women were found to be taking loan for household appliances as against 36 percent male counterparts. Seven percent female invested the loan on animal husbandry as against 12 percent male. Only two percent female invested on property, foreign employment and education by using the loan. Whereas 18 percent male used on purchase of property and 21 percent male used the loan for enterprises.

**Table 5: Reason for Taking Loan**

Reasons	Male	Female
Enterprises	21	3
Purchase of Property	18	2
Animal Husbandry	12	7
Purchase HH Appliances	36	12
Foreign Employment	6	2
Higher Education	4	2

Source: Field Survey, 2015

Three percent female used the loan for enterprises, six and four percent male used the loan for foreign employment and higher education respectively. (Refer to Table 5) (WEE Nepal/CRT/N Baseline Survey Report, 2015).

### a. Microfinance Institutions

Sixteen financing institutions were assessed. These operated commonly as savings and credits groups and co-operatives Commonly they disbursed loan mainly for agriculture such as buffalo, cow, poultry, crops, vegetable

cultivation, from Rs.12000 to Rs. 50,000 at an interest rate between 12 and 15 percent interest. Twelve of these had above 90 percent repayment rate. The total outstanding loan was between 25000 to 100,000 NRs. with an average of four defaulters.

Some of features of these institutions are:

- The number of clients in the savings and credit groups ranges from 30 to 438 members, whereas in the co-operatives the clients range from 125 to 1200.
- Four savings and credit groups provided loan at an interest rate varying between 12-24 percent.
- In eight co-operatives one provided loan at an interest rate of 12 percent and the other at 18 percent.
- The loan products for the co-operatives included: agriculture, livestock, poultry, enterprise, construction and cattle rearing.

## 9.1 Policy and Procedures

The Policy and procedures for Loan are as follows.

- Should be shareholders and take 10 shares by paying Rs. 100 per share.
- Should deposit Rs.100 as monthly saving.
- Entrance fee Rs. 100
- Should give application for loan with three photos
- Can provide loan amount Rs. 50,000 based on trust and from more than Rs. 50,000 to 200,000 collateral is needed. Above Rs. 200,000 to 500,000 the land as collateral should be transferred in the name of the cooperative.
- Repayment period is six monthly interest payment and yearly interest and principal. All loan amounts should be repaid within 18 months.
- Three percent penal charge has to be paid if the loan becomes overdue.

## 10. Gaps & Recommendations

### 10.1 Policy Level

Based on the review of the policies following gaps have been found out and come up with some recommendations.

#### 10.1.1 Deprived Sector Lending Program (DSLPL)

NRB has policies to provide loan to deprived group specifically to socially deprived women; indigenous peoples (Janajatis); schedule cast people (Dalits); blind, deaf and disabled persons; marginalized communities; and small farmers, artisans, wage labourers and landless families. However, it has not stated what percentage of loan amount should be available to women. So it is recommended that at least 40 percent loan should be channelled to women in low interest rate in order to increase the access to finance for the women in renewable energy sector.

#### 10.1.2 Rural Self Reliance Fund

Under the Rural Self Reliance Fund (RSF), NRB has been providing whole sale credit to the MFIs such as Microfinance Development Banks, Cooperatives and FINGOs to retail to the members individually or in the group. However the fund has not stated regarding provision of loan to the women explicitly. Therefore it is imperative that fund policy should be women friendly, for instance, borrower financial institutions should make available of credit to women at least 40 percent of the total loan amount, less interest, less number of guarantors, less entry fee and annual fee and reasonable repayment period.

#### 10.1.3 Microfinance Policy 2064

Microfinance Policy 2064 has been promulgated to support for microfinance. However, this policy lacks women's access to finance. So it is essential that clear policies as mentioned above in RSRF should be clearly addressed.

#### 10.1.4 Monetary Policy (2015/16)

Nepal Rastra Bank's Monetary Policy is the main policy guideline to direct loan flow to the particular target group. In the monetary policy of

2015/16 it is silent regarding access to finance for women. So, It is recommended that every year Monetary Policy address women's availability of loan amount up to Rs.400, 000 or above for energy sector and energy based enterprises under the DSLP.

#### **10.1.5 Periodic Plans Three-Year Renewable Energy Sector Plan and Energy Policies**

Except in some periodic plans most of the plans have missed to address inclusive finance including women's access. Some periodic plans where financial aspects have been considered. However, they lack inclusive finance implementing strategies and programmes.

Although the Thirteenth Plan Approach Paper (2014 -17) has clearly mentioned to increase the access of renewable energy of low-income people residing in remote areas, especially women, poor and backward classes, to enhance economic sustainability of energy utilizing projects for productive uses such as micro and medium industries and manage to provide easy and low interest loan for users (NPC, 2013) the thirteenth plan is silent stating only to emphasize in increasing access to inclusive finance in the rural areas (NPC, 2014). Therefore, it is recommended that the upcoming plan explicitly address for the women's access under inclusive finance in energy sector in easy and efficient manner, such as percentage of the total loan amount to be made available to women, less interest, less number of guarantors, less entry fee and annual fee and reasonable repayment period, insurance and their representation in policy decision making level and implementation level.

#### **10.1.6 Budget Speech of Fiscal Year 2015/16**

In the Budget Speech GoN has allocated Rs.5.49 billion in the alternative energy (MoF, Budget Speech of Fiscal Year 2015/16). However it has not addressed energy access to women and access to finance. Hence, it is recommended that upcoming budget speech of Government earmark the budget for energy and loan amount

in low interest rate in order to promote participation of women in accessing finance and increase benefit for the large number of the women through alternative and renewable energy services.

#### **10.1.7 Women Officials in the Decision Making Level and Implementation Level**

For women friendly policy and procedures and providing financing services to women, provision should be made that at least one woman needs to be placed in Governing Board, Division, Branch offices so that woman representative in the Governing Board and Division can think for woman friendly policy and Branch can implement the decision accordingly. Another thing is that women can be facilitated to share their problems to women officials and seek services easily. This has been experienced in SFDP and PCRW programme where women officials have shown outstanding performance in accessing finance to women community.

### **10.2 Implementation Level**

Most of the bank and financial institutions do not have policy to lend credit for energy or although they have policy they are reluctant to finance in this sector due to lack of direct income generation to repay the loan from the clients e.g. ICS, solar, micro hydro. However, possibilities are seen if they are convinced and motivated to revise the policy and lend credit to women in this sector even for small size of loan to ICS as it is evidenced by the "Project Piloting Innovative Financing Project in Nepal" (2014). So it is recommended that banks and financial institutions be visited and convinced to the board of directors and management to suggest women friendly and procedures to finance for women in energy sector. For instance, Chhimek Lahu Bitta Bikas Bank Limited and Saving and credit cooperative and Multipurpose Cooperative have revised their policy focusing women and provided credit to users of improved water mill with electrification in Sindhuli by Chhimek Lahu Bitta Bikas Bank Limited and ICS by Cooperatives in Dadeldhura.

Women friendly policy could be as relaxation in interest, repayment period, collateral, less number of guarantor, easy loan procedures etc. For instance, suggested policy and procedures and implemented by the Chhimek Lahu Bitta Bikas Bank Limited in Sindhuli, and Cooperatives in Dadeldhura can be taken as reference.

Based on the baseline study report (2015), at present there is no demand for loan for enterprise and ICS. But the Executive Members have showed interest to lend loan for these activities if there is demand. They have not thought of changing policy but adopt the same as before to serve the woman entrepreneurs. However, they are interested for the promotion of enterprises. Loan can be given more than Rs. 15,000 in group and Rs. 5000 to the individual as emergence loan if someone is interested to promote the enterprises. Loan can be released within one day. So it is recommended that executive committee of the cooperatives be convinced to revise women friendly policy and procedures to provide loan in energy sector.

In the project areas some Cooperatives are functioning well. However, they need better management and operation for widening the loan activities. So, for their institutional readiness they need to capacitate by various

types of training such as microfinance operation, record keeping, account/book keeping, business promotion, office management etc. and they need soft loan for financing enterprises and ICS. Other supports they needed are to enhance knowledge of the WEE Nepal project and the products to which loan is needed.

Financial institutions ensure a proper understanding of gender aspects in credit and household financial decision making through conducting a gender analysis or integrating gender as part of the credit or livelihood assessment (Care, ICMP, and UN Women, 2015).

Provide customised information to women on credit programmes and organize financial literacy to raise awareness among potential credit users.

Link credit to insurance and to savings. Reduce cost for recipients and increase empowerment through group based delivery (Care, ICMP, UN Women, 2015).

Potential Development Banks and Microfinance Institutions in the project districts also needs to be given orientation on WEE Nepal project and Energy: Empowering Women uplifting Lives so as to make them ready to access to finance for women in ICS and enterprises.

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