

Assessing Implementation Challenges of
Women Entrepreneurship Development Fund

Needika Adhikari

Ministry of Industry

Daayitwa Summer Fellow 2017

Abstract

When we are talking about women entrepreneurship, enterprise growth and empowerment, funds through government play an important role. Women Entrepreneurship Development Fund (WEDF) is initiated by Ministry of Industry with a nature of collateral free loan at 6% interest rate. The fund was started in the year 2015 and women entrepreneurs in Pyuthan district have been receiving ever since. Every year more than 20 women entrepreneurs receive fund amount in Pyuthan (the research area) . In conversation with many women entrepreneurs of Pyuthan as a reflection on the advantages and disadvantages on use of the loan amount, following were some important observations:

- Collateral free loan at 6% interest rate in comparison to the interest rate charged by many micro-finance institutions is a good opportunity but definitely not sufficient for women entrepreneurs. As WEDF has limitation of providing loans only up to five lakh rupees, and the women entrepreneurs in Pyuthan have not been receiving more than two lakh rupees, they were bound to approach other financial institutions for loans, even if at a higher interest rate.
- Women entrepreneurs lack information on the nature of the loan and its payment structure. As the women entrepreneurs would assume that they would receive the full amount demanded of five lakh rupees, they would be disappointed when this was not the case. They did not receive the loan amount which they wished for and they were not interested in paying back the loan amount. This led to increment in default rate of WEDF.
- Women have been disadvantaged not only in raising the initial capital to start a new firm but also while operating the enterprise. Thus, finance must be injected at all stages of business continuum accompanied by accurate evaluation on growth potential of the enterprise.
- Financial injection must be accompanied by upgraded and new set of skills for the particular enterprise to survive in the competitive macro market.
- Continuous financial injection accompanied with upgraded skills for women led enterprises will still not make a significant difference if the products of such enterprises do not receive correct market. Market linkage helps in substantial growth of the enterprise.

List of Abbreviation

CSIDB	Cottage and Small Industries Development Board
DCSI	Department of Cottage and Small Industries
FNCCI	Federation of Nepalese Chamber of Commerce and Industry
FNCSI	Federation of Nepal Cottage and small Industries
FWEAN	Federation of Women Entrepreneurs Associations of Nepal
INGO	International Non-Government Organization
MFI	Micro Financial Institutions
NGO	Non-Government Organization
SME	Small and Medium Enterprises
WEDF	Women Entrepreneurship Development Fund

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I. Introduction/Background

As empowerment and economy have a direct linkage, women participating in economy directly or indirectly must be supported by the government for empowerment. In Nepal, a substantial proportion of Nepali women (40 percent) are economically active; most of them are employed in agriculture (Consultants, 1999). Their employment in organized manufacturing is also expanding. Government of Nepal, since 1995/96 started Women Entrepreneur Development Program, initiated by Cottage and Small Industries Development Board (CSIDB) which helped in promoting potential women entrepreneurs, organizing few but significant training courses which benefited around 500 women. Lately, the introduction to some progressive laws and policies for women, for instance, land ownership laws, ancestral property rights and inheritance of property has made the path to empowerment less complex for women. In addition to the efforts made by government of Nepal such as Sakchyam (an initiative funded by UK-aid as part of an agreement between the Governments of Nepal and the UK to improve financial capability of enterprises and households in priority districts) and Micro Enterprise Development Fund, Women Entrepreneurship Development Fund was also established to improve women's access to finance for the growth of their micro and small businesses.

Women Entrepreneurship Development Fund (WEDF) started with the Industrial Policy 2010, under Number 21.11 stating, "For development of women entrepreneurship, a separate women entrepreneurship fund shall be created."

WEDF is an initiation taken by Ministry of Industry for providing collateral free loan up to five lakh rupees at an interest rate of 6% for women entrepreneurs. Women entrepreneurs after meeting the criteria listed by Department of Cottage and Small Industries (DCSI) along with the

recommendations of umbrella organizations like National Micro Entrepreneurs Federation Nepal (NMEFEN), Federation of Women Entrepreneurs Associations of Nepal (FWEAN), Federation of Nepalese Chamber of Commerce and Industry (FNCCI) and Federation of Nepal Cottage and Small Industries (FNCSI), can receive the loan amount.

WEDF was introduced to contribute on building an environment where the women entrepreneurs can work as freely as the male entrepreneurs followed by their capacity building on running the venture successfully. Women entrepreneurs, the targeted beneficiaries of this fund, in order to receive the loan are asked to present before the bank themselves. No male members from the woman's family can receive the loan amount on their behalf. Thus, the participation of women in the loan receiving process is ensured. They need to fill a form with an attachment of a business plan of their existing enterprise and submit it to the district office of DCSI. The district DCSI or umbrella organizations assist women entrepreneur in preparing the business plan. After approval, women entrepreneurs appear before the bank to receive the loan.

The collateral free nature of WEDF was intended to address the problem of mistrust and lack of recognition of women as women entrepreneurs. Banks and micro-financers ask for "guarantees" from the male members in the family. Although women venture out on their own as independent entrepreneurs, ultimately they are made to rely on the securities of others to raise their basic capital requirements. Such a mindset promotes dependency (Bushell, November 2008).

II. Methodology

The primary method of research used in this study is based on interviews with various stakeholders like DCSI, women entrepreneurs and umbrella organization (The National Micro Entrepreneurs Federation Nepal) at Pyuthan, a hill district some 250 km west of Kathmandu in Province No. 5 in Midwestern Nepal. Since 2015 (the year the WEDF started), Pyuthan women entrepreneurs have been receiving the loan amount. Every year, since 2015 around 40 women entrepreneurs receive the loan amount in Pyuthan district. Thus, this particular district was selected for the research purpose.

Randomly, 20 women entrepreneurs from Pyuthan were selected for the study along with the officials at Rastriya Banijya Bank and National Micro Entrepreneurs Federation Nepal at both Pyuthan and Kathmandu. The women entrepreneurs were scattered throughout Pyuthan. It was not possible to manage face to face interview with of all the women entrepreneurs due to landslide, long distance and less time. Therefore, 20 women entrepreneurs receiving loan from WEDF in years 2015/16 were selected randomly. These women entrepreneurs were living in settlements on the lower areas of Pyuthan: Bijubar , Saribang, Bahane, and Khalanga.

The interview with the respondents reflected the advantages and disadvantages on the use of loan amount by the women entrepreneurs for expanding their business. The collateral free loan at 6% interest rate in comparison to the rate provided by other financial institutions looked convenient. However, it was insufficient, and made it necessary for women entrepreneurs to take additional loans.

Drawn from the interviews with all the stakeholders; women entrepreneurs, DCSI, NMEFEN and Rastriya Banijya Bank there are two major questions that revolve around,they are:

- What are the reasons for the women entrepreneurs not being able to pay back the loan amount?
- What kind of monitoring actions can help implement the loan effectively for entrepreneurial development of women?

III. Literature Review

Government of Nepal has tapped women entrepreneurship for the economic growth in Nepal, but developing countries face problems to organizational management, business linkages and societal mindset (Holmquist, June 2004). Towards women entrepreneurship, less work is done and more perceptions are put up, tagged as less important to economic development and growth than high technology and manufacturing (Holmquist, June 2004).

Women entrepreneurship is limited to small enterprises like tailoring, allo (a fiber yielding plant, locally known as “puwa” in west and “allo” in east Nepal, used to weave durable jackets, porter’s head bands or straps, fishing nets, ropes, bags, sacks, mats, coarse clothing material, blanket, etc.) business, stationery shops, beauty parlor and other service industries like retail, and education.

Lack of relevant networks and patriarchal societal position are hindrances women entrepreneurs have been facing. Social networks could provide different useful resources for both the aspiring and practicing entrepreneur in the form of physical and financial assistance, such as experience, know-how, encouragement, financing and idea generation (Rammarayan, 1993).

In reality, women in general have less social presence than men, which affects the kind of networks they can have access to or participate in. Women have little access to critical resources, support and information needed to successfully start and manage a new firm compared to men. They have limited social network resulting less reach to the available opportunities for practicing and observing small business activities at close range and the provision of positive (or negative) role models with regard to entrepreneurial behavior. This could weaken the sense of self-confidence in behaviors related to the entrepreneurial domain.

Another major prerequisite for starting a firm is capital in terms of financial assets and in terms of operation of the enterprise relevant knowledge assets. In the process of access to finance for women entrepreneurs, four major problems have been identified (Storey, 1994):

- a) Women disadvantaged in raising the initial capital to start a new firm.
- b) Collateral needed for external financing above the wealth level of most women.
- c) Finance for an existing firm is less available, because women are less likely than men to penetrate informal financial networks.
- d) Women entrepreneurs' relationship with different financial institutions suffers because of gender stereotyping and discrimination.

IV. Policy Context

In Nepal, Micro Finance Institutions (MFIs) provide loans following group lending mechanisms, thus peer pressure plays a key role in loan recovery. In case of WEDF, no collateral and absence of peer pressure makes it difficult for recovery of loan.

Women Entrepreneurship Development Fund Procedural Guidelines 2008, during the loan allocation process recognizes only Rastriya Banijya Bank as the loan channelizing body. The bank receives 3% of the allocated loan as its facilitation fee. It plays the role of the loan distributor with no designated power to deal with the problem of default rate. The district branch of Rastriya Banijya Bank receives the loan amount to give to the women entrepreneurs in their respective districts.

Mr. Vaidehi Kumar Mahaseth, Manager of Agriculture and Social Banking Department at Rastriya Banijya Bank said, “Bank is receiving 3% of the allocated loan for its facilitation and that percentage does not make much of a difference. When women entrepreneurs do not pay the loan, bank neither can retrieve it as there is no collateral and nor can it question on non-repayment without any designated power. I think government should ask the financial institutions in Nepal to channelize the fund of such nature as they have been doing so for a long time. If WEDF is collateralized and provision of blacklisting the women entrepreneurs for defaulting is introduced then the problem of non-repayment of loan amount could be solved. The problem of non-repayment is growing because of the perception of the women entrepreneurs towards WEDF. They believe as the loan is collateral free provided by the government, eventually it shall elapse.”

Mr. Mahaseth added, “It is extremely important for government to focus on data collection of women entrepreneurs borrowing loan from more than one source. If this criterion is also taken under consideration, we could minimize default rate to some extent.”

V. Analysis of Findings

The research question is “What kind of monitoring actions or improvisation in WEDF can help implement the loan effectively for entrepreneurial development of women?”

As per the literature review and the drawbacks of WEDF in comparison to access to finance by MFIs in Nepal, the important aspects analyzed during the research in Pyuthan were:

- Credit Facilitation
- Market feasibility

The women entrepreneurs in Pyuthan shared that the loan amount was not sufficient for them. In conversation with twenty women entrepreneurs at Pyuthan who received loan in the year 2015/16, only four of them received the loan amount they had demanded.

The form and the business plan submitted by the women entrepreneurs, prior to loan allocation, to the DCSI office at Pyuthan district are filled and prepared by National Micro Entrepreneurs Federation Nepal. The form and the business plan are evaluated by the central DCSI office in Kathmandu. The enterprises are selected based on the following criteria:

- a) Use of local resources
- b) Training received by entrepreneur
- c) Agriculture based enterprise of national priority

- d) Conflict victims, disabled, single women, minorities
- e) Sustainability
- f) Employment generation
- g) Pollution control

Among twenty women entrepreneurs, eleven women entrepreneurs took additional loan from other financial institution at higher interest rate.

List of Survey Respondents

S. N.	Name of Woman Entrepreneur	Enterprise	Loan Amount Demanded	Loan Amount Received	Institution for additional loan	Interest rate
1.	Til Kumari Khadka	Sewing	5 lakh	1 lakh	Bank	12%
2.	Basanta Kumari K.C	Allo Sewing	5 lakh	1 lakh	Bank (8 lakh)	12%
3.	Kamala Shahi	Beauty Palor	2 lakh	1 lakh	Co-operatives (4 lakh)	18%
4.	Puspa Sunuwar	Sewing	2 lakh	1 lakh	Financial Institution	18%
5.	Nima Devi Rokka Magar	Sewing	5 lakh	1 lakh	Women Groups	18%
6.	Buddhi Maya	Photo Studio	1 lakh	1 lakh	Financial	18%

	Magar	and Gifts			Institution	
7.	Parvata Nepali	Poultry Farming	2 lakh	1,5,00,000 Rs	Women Groups	15%
8.	Reema K.C	Wool Bag	5 lakh	1 lakh	Financial Institution	18%
9.	Durga Devi Sunuwar	Sewing	1,5,00,000 Rs	1 lakh	Financial Institution	15%
10.	Deva Pokharel	Hotel	5 lakh	1 lakh	Financial Institution (3 lakh)	11%
11.	Chitrakali Budamagar	Allo Cloth	3 lakh	1 lakh	Financial Institution	15%

As per the given Table 1.1, out of twenty women entrepreneurs, eleven of them went on to take additional loans at high interest rate. Around forty women entrepreneurs have been receiving the loan annually since 2015 in Pyuthan. The data, DCSI has on women entrepreneurs receiving loan in Pyuthan and in conversation with twenty women entrepreneurs there, they were taking additional loan from other micro-financial institutions. They said, the loan from WEDF was not sufficient. An observation made at Pyuthan was that the allocation of minimal loan amount to most of the entrepreneurs was not in accordance to their actual need and enterprise status. Women entrepreneurs receiving loan in the year 2015 did not apply for loans in 2016 because

they believed everyone must get their chance of getting loans. An enterprise needs finance at every stage and one time injection of capital can help no enterprise grow sustainably.

Some of the women entrepreneurs demanded 5 lakh rupees on assumption that they shall receive the entire amount as they had inadequate information about the criteria for loan allocation. Mrs. Deva Pokharel who runs Dolphin Hotel at Pyuthan, Khalanga, was also under the false impression that she would receive entire five lakh rupees. She already had the land, building, and furniture ready for her hotel enterprise, and was planning for acquiring kitchen materials like barbeque set, refrigerator, cutleries and dining table. In addition to that five lakh (amount she expected to receive from WEDF), she needed only two more lakh and her hotel would be ready to operate. Instead she received just one lakh which got her only the cutleries. The received amount was less and did not make much of a difference. Initially, she even wanted to close her business and was very discouraged to pay the interest and the principal amount. She says it is a big relief that the interest rate is low and she will pay the amount slowly.

Women run enterprises in Pyuthan

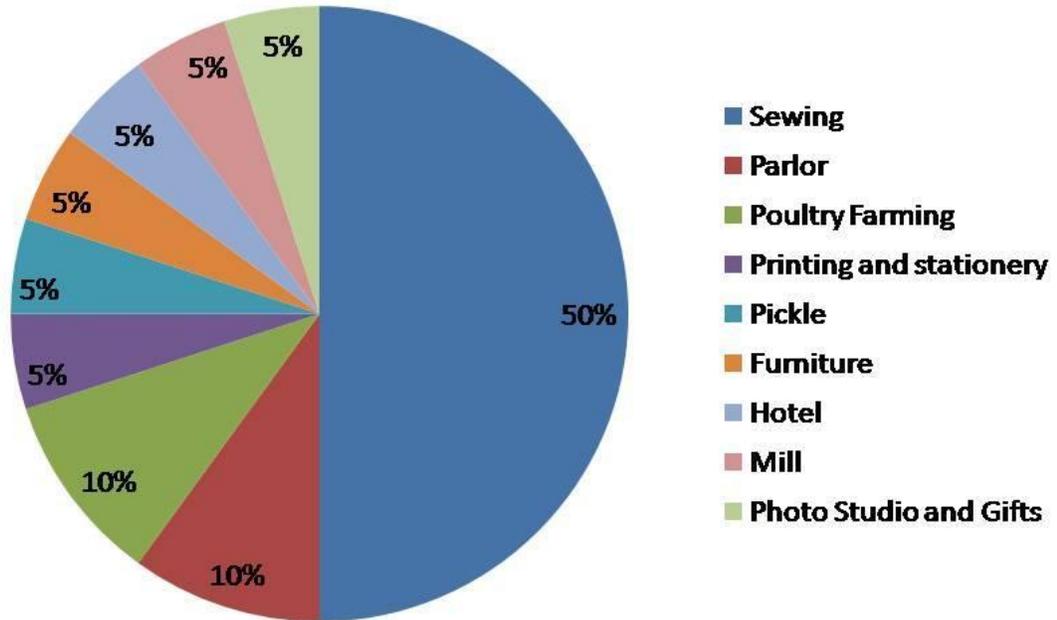


Figure 1

As shown in the Figure 1 above, the percentage of the women entrepreneurs involved in the sewing enterprise is 50%. This 50% of entrepreneurial population are running their enterprise in a common location, Khalanga. At a distance of every 20-30 meters these sewing enterprises are opened. The entrepreneurs have not yet faced the problem of more supply and less demand, but if they do, then it shall be difficult problem to overcome. The women entrepreneurs without proper market linkages shall have problem in surviving the competitive market.

WEDF as a financial injection must be accompanied by upgraded set of skills and correct market linkages for the women led enterprises to survive in the competitive macro market. Their products (for instance; blouse, sari, formal wear, school uniforms, and bags with different embroidery designs) must have the urban market exposure.

Frequent participation in international women trade expo would give the much-needed exposure to women entrepreneurs. For example, expos with stalls showcasing products from countries like Bangladesh, Afghanistan, India, the Philippines and South Korea would help women entrepreneurs from Nepal analyze the quality of their own products. The participation of women entrepreneurs in expos only after the knowledge on the nature of their enterprise, their profit and losses, and their sustainability along with the trainings received by the entrepreneurs would be helpful. Thus, the collection of all the data (for instance; what kind of enterprises the women are involved in, kind of expos they get as an opportunity to participate, the problems they face for the enterprise operation, the trainings they wish to take) is only possible by a local body following up, keeping records on the enterprise and making an observation on the enterprises in day to day life.

It is fundamental to collect data on the trainings provided to women entrepreneurs, awareness on market linkages and societal attitude, and the entire status of their enterprise for WEDF to help in the growth of women led enterprises as a financial input.

In particular, WEDF, has addressed women's financial needs at certain stages of the business continuum but it has failed to address the following:

- The need for finance at all stages of the business continuum. Every stage of business requires capital, the amount of capital might differ with the stage the enterprise is in, but financial capital is a must.
- Follow-up from the concerned authorities in regard to how the loan amount has been used by the entrepreneurs, the problems and the suggestions they are facing throughout the expansion process of their enterprise is missing (?).
- Prior to the allocation of the loan, the women entrepreneurs lack awareness on the nature of the loan, they assumed that the full amount applied for (five lakh rupees) would be provided.
- Additional provisions of business development and support services; access to corporate, government and international markets; access to and use of technology; R&D and innovation are other areas that WEDF can look into.

VI. Case Studies and Best Practices

A women entrepreneur, Ms. Til Kumari Khadka with a tailoring enterprise at Pyuthan, referring to WEDF, shared, “A fund like this is very helpful. I would never get one lakh fifty thousand rupees at such low interest rate. I pay my interest and principal amount every month, i.e., thirty five hundred rupees. I have three years to repay the amount but I think I will be able to pay even earlier. I want to keep my records right by paying loan in time so that I could apply for next time as well. I want to expand my business and a fund like this is very reliable, in comparison to a

loan from other financial institutions at a very high interest rate.” As the nature of this fund is collateral free at very low interest rates, the entrepreneurs feel no pressure to pay the amount in given time but there are cases of default too where the women entrepreneurs are not paying back the principal loan amount.

Government bodies like DCSI also face their own set of challenges. Issues like absence of a monitoring mechanism which led to receiving no updates on the status of women entrepreneurs after receiving the loan amount, or the reasons the loan amount could not make any difference to their enterprise must be addressed without any delay.

VII. Policy Recommendations

The district office of DCSI in Pyuthan admitted that they were unable to establish a committee which would look into the problems faced by the women entrepreneurs prior to receiving loan, during the use of the loan amount and after the use of the loan. Under Women Entrepreneurship Development Fund Procedural Guidelines, 2008, there is a provision for a district committee to facilitate the fund, but due to lack of budget the committee is not yet established. Women entrepreneurs in Pyuthan there have no place to complain regarding the problems they face during the operation of their enterprise. Following are the policy recommendations made on the basis of these observations:

1. In cases where trainings are given to financially weak women, it is beneficial and sustainable to provide diverse trainings (not limited to one month training for businesses

like sewing and beauty parlour) to these women so as to avoid fierce competition that may lead to “exiting” from market for some.

2. There must be an adequate budget allocation for establishment of WEDF district committee—a platform for women entrepreneurs to express their problems and suggestions.
3. The criteria mentioned under Women Entrepreneurship Development Fund Procedural, 2065 for the allocation of loan should be made more definite and measurable so it would be easier to identify and distinguish growth oriented entrepreneurs.
4. The fund should be allocated as per the need of these growth oriented entrepreneurs in contrast to the status quo which tend to cover all women entrepreneurs irrespective of their potential, thus, leading to inadequate funds to deserving women entrepreneurs.
5. While injecting capital to the enterprises, the focus should also be to simultaneously enhance and upgrade skills of entrepreneurs. The new set of skills combined with the injected capital will lead to the financial empowerment of the entrepreneur.
6. If only the loan is collateralized, or group lending mechanism adopted, the problem of default rate could be addressed to a large extent. In addition, if the provision of blacklisting is introduced- which restricts the women entrepreneurs from getting loan from any other institutions- the problem of non-repayment could be solved.
7. Government must devise collaborative ways to involve the private sector in financial activities and services.

VIII. Conclusion

Women entrepreneurship in Nepal is on an evolving trend. Women have gradually overcome the traditional patriarchal norms existing in the society, however, the role of husband, family and society in the entrepreneurial stories of women is mostly found to be debilitating. The decision of a woman entrepreneur about taking a risk and starting an enterprise still comes as a surprise for family of women entrepreneurs. In an environment which is still not in favor of women entrepreneurship, funds like WEDF initiated by the government must work with strong monitoring actions for effective implementation in order to leave a distinctive impact on empowerment of women.

Even though the importance of women entrepreneurship is progressively realized, it is still limited to small enterprises like tailoring, allo business, stationery shops, beauty parlor, and service sectors like retail and education. Nonetheless, these small industries have huge potential to grow if there is injection of required and upgraded trainings, capital, and awareness on market linkages time and again by GON and other stakeholders. Instead women entrepreneurs are tagged less important to economic development and growth than high technology and manufacturing business. WEDF addresses the financial needs of women entrepreneurs to some extent, but this financial injection must be accompanied by upgraded and a new set of skills for the enterprises to survive in the competitive macro market. Business development and support services; access to corporate, government and international markets; technology access and utilization; R&D and innovation are also equally important for women entrepreneurs. If these insufficiencies are addressed, it shall encourage women in their entrepreneurial journey to take risk.

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