



### POLICY BRIEF 3

# ACCELERATING THE FINANCIAL INCLUSION OF WOMEN IN NEPAL



**POLICY BRIEF 3** draws from the key findings of a feasibility study on **'Financial Inclusion of Conflict-Affected Single Women in Sudurpaschim Province'**, which was commissioned by UN Women Nepal in 2021. The research was undertaken to identify key barriers and recommend interventions to promote the economic empowerment of conflict-affected women in Sudurpaschim Province.

The objective of the study was to map the regulatory framework, financial institutions and service delivery

gaps from a gender equality and social inclusion (GESI) perspective. It attempted to diagnose the cultural, structural and institutional limitations and challenges that women in Nepal – and conflict-affected women in particular – face in accessing financial services. The policy recommendations in this brief draw from the study but are not limited to conflict-affected women. The action points are also anchored to the priority areas highlighted in Nepal's Financial Inclusion Roadmap, 2017- 2023.

*“Improved access to and usage of financial services can unlock the ability of Nepali consumers to mitigate risks, smooth out consumption, accumulate assets and invest in productive activities. Access to affordable and appropriate financial instruments can improve the welfare of unserved and underserved households by helping them to conduct their financial lives more efficiently, increase income, manage risks and build wealth over time.”*

*- Nepal, Financial Inclusion Roadmap 2017–2022*

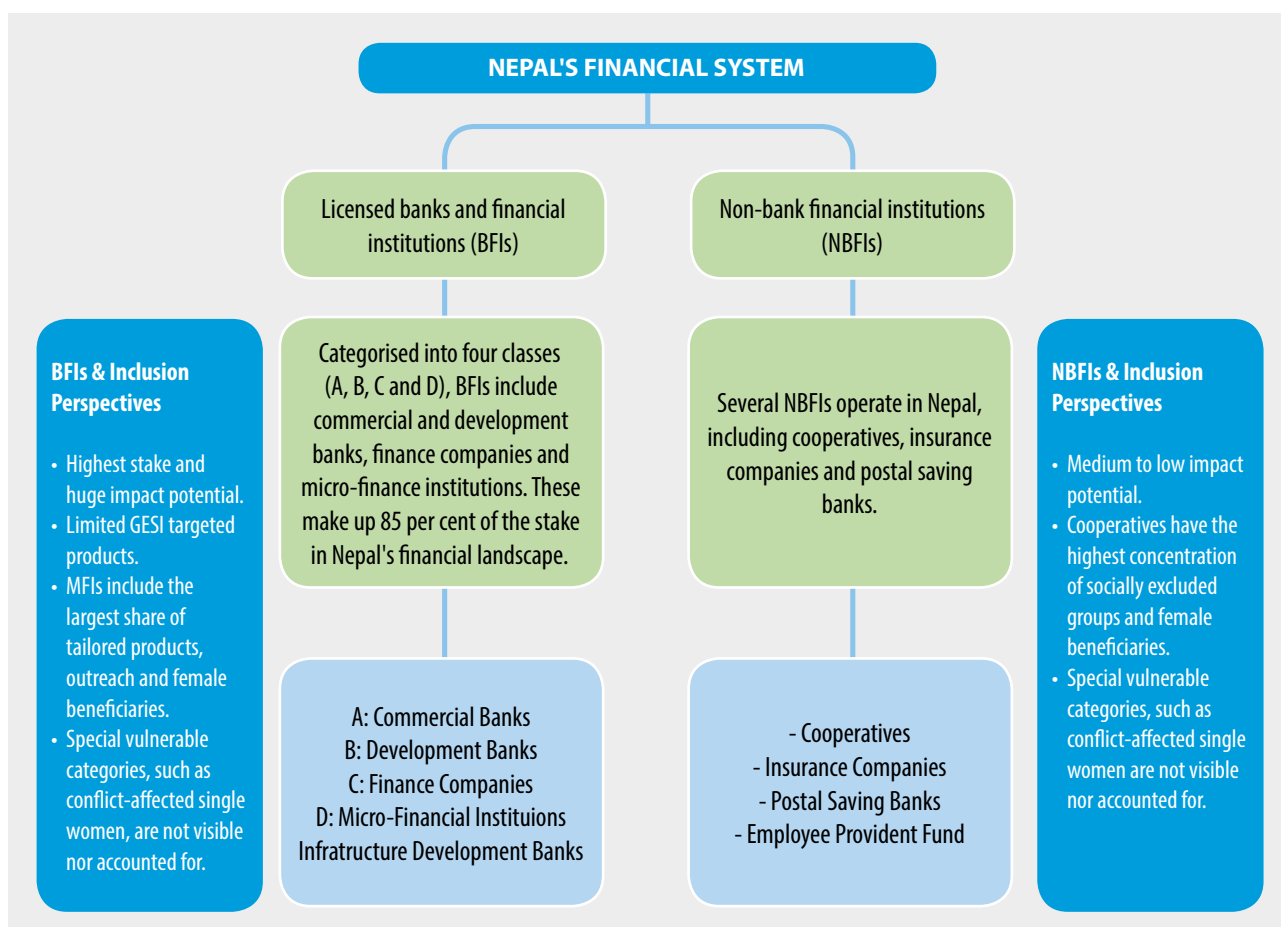
The goal of financial inclusion policies is to establish the “right to finance for every citizen who is excluded from financial mainstream” and ensure “access to affordable finance for all by 2030, with increased access to formal financial services.” The Government of Nepal’s Financial Inclusion Roadmap seeks to achieve this by promoting financial awareness, increasing financial literacy and digitizing financial services. An understanding of Nepal’s financial landscape, gender equality and social inclusion (GESI) priorities and a financial inclusion profile of marginalized groups are key to identifying gaps and making pointed recommendations for policymakers and development partners.

### Finance landscape

The degree, depth and direction of financial inclusion in Nepal are guided by licensed banks and financial

institutions (AFI, 2022). The country’s apex body, the Nepal Rastra Bank (NRB), is the monetary and regulatory authority. It is also the supervisory body that governs banks and financial institutions (BFIs) and non-bank financial institutions (NBFIs). The financial system in Nepal comprises of BFIs and NBFIs that provide an array of financial services and products. In line with the Banks and Financial Institutions Act, 2016, the banking system is grouped into four distinct categories – Class A, Class B, Class C and Class D.<sup>1</sup> These combine to form the BFI segment, which includes commercial banks, development banks, finance companies and micro-financial institutions (MFIs). The NBFIs, through cooperatives, have the highest concentration of female beneficiaries and a significant potential in realizing substantive and sustainable financial inclusion in Nepal.

**The financial system comprises of banks and financial institutions (BFIs) and non-banking financial institutions (NBFIs), including cooperatives. The Nepal Rastra Bank is the ‘regulator’ at the apex level.**



*Source: Alliance for Financial Inclusion (2022). Contextualised from 'Nepal's Financial Inclusion Journey Towards Access to Finance, Financial Literacy and Financial Consumer Protection.' Data updated in January 2022.*

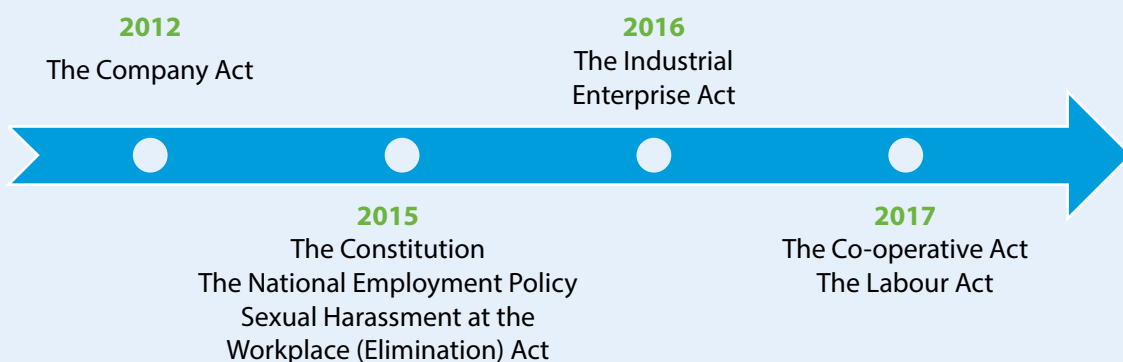
## Institutional and legal framework for women's economic empowerment in Nepal

Since the promulgation of the Constitution of Nepal on 20 September 2015, the government has enacted several proactive measures to achieve gender equality and women's empowerment goals. As a result of these concerted measures, women own 29.8 per cent of the

923,356 economic establishments as per the latest data (National Economic Census, 2018). The latest Financial Inclusion Report, which was published in 2023, found that there is "notable improvement" in access and usage of services among women, with 89 per cent of women accessing services in 2022 versus 57 per cent in 2014. The size of informal service providers and financially excluded groups also shrunk gradually (International Finance Corporation, 2023).

### Legal provisions promoting equitable access to economic opportunities

- Article 5 (1), Article 33 and Article 34 in **the 2015 Constitution** guarantee citizens the right to economic opportunities, equal employment and labour respectively.
- The **Co-operative Act 2017** stipulates that 33 per cent of cooperative board seats must be occupied by women. As a result, women now constitute 40 per cent of the board of directors in cooperatives.<sup>1</sup>
- **Article 7.1 of the Labour Act 2017** guarantees equal wages for work done of equal value. It provides for 60 days paid maternity and 15 days paid paternity leave.
- **Section 2 (9) of the Company Act 2012** makes it mandatory for public companies to have a female director if the company has one or more female shareholders.
- The **Sexual Harassment at the Workplace (Elimination) Act of 2015** mandates that each company form internal mechanism for resolving cases of sexual harassment to prevent the exploitation of female workers.
- The **Industrial Enterprise Act 2016** and **Policy 2010** exempt women entrepreneurs from paying registration fees and income tax. It offers them with further incentives to set up their businesses inside the industrial estate, including a rebate of 35 per cent and 20 per cent on fees for registration of industry and trademarks respectively. The policy encourages inclusivity in local employment by providing businesses with an annual exemption of 40 per cent in income tax if 50 per cent of their directly employed staff members are local women, Dalit or people with disabilities. The Industrial Enterprise Act and Policy are the most conducive legal frameworks for promoting women's entrepreneurship and inclusive employment generation.
- The **National Employment Policy 2015** ensures workforce diversity and gender-friendly workplaces, enforces maternal safety and security measures and offers flexible leave options.



<sup>1</sup> Class A refers to commercial banks, Class B refers to development banks, Class C refers to finance companies and Class 'D' refers to micro-finance companies.

“The growth and the narrowing of the gender gap can be primarily attributed to gender balanced regulations, financial inclusion drive by all three tiers of governments, i.e., local, provincial and federal governments, as well as government-supported access programmes such as concessional loans targeted towards women.”

-Nepal Financial Inclusion Report 2023, International Finance Corporation

## Financial institutions, GESI-responsive provisions and good practices

As per the Bank and Financial Institutions Act 2006, the NRB categorized financial institutions in Nepal into government banks and private sector commercial banks (Class A), development banks (Class B), finance companies

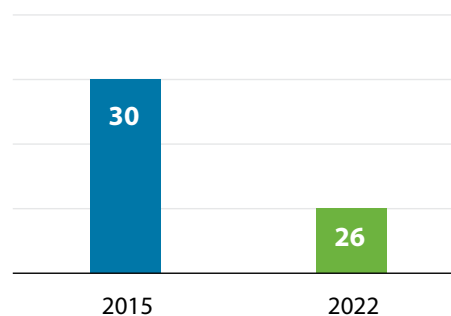
(Class C) and micro-finance institutions (MFIs) (Class D).<sup>2</sup> According to the NRB, the number of branches of commercial banks, development banks and finance companies was 18.988 per 100,000 people in 2021, despite the number of institutions reducing since 2015. The reduction from 222 in 2015 to 125 as of November 2022 was due to the Mergers and Acquisition Bylaws (2011), which was adopted by the NRB.<sup>3</sup>

### Commercial Banks – Class A<sup>4</sup>

All commercial banks in Nepal provide deposit services, various loans and internet banking services, along with automated teller machine facilities through their networks. **Commercial banks have the highest influence due to having the widest reach and greatest level of commitment towards financial inclusion.** However, their potential to reach underserved populations has still not been adequately realized. Commercial banks do not reach out to high volumes of women beneficiaries and therefore have untapped potential for women’s economic empowerment.

Source: Nepal Rashtra Bank (2022)

Change in number of commercial banks, 2015-2022



### Provisions that Promote GESI Principles

- As per the 2021/22 Monetary Policy, commercial banks need to extend at least 15 per cent of their total loans to the agriculture, energy, micro, cottage, and medium scale industries with a loan limit not exceeding NPR 10 million.
- The 2021/22 budget has also included various tax exemptions and incentives for businesses affected by COVID-19.
- Commercial banks encourage women to save by offering them high-yield savings accounts.
- Some banks have specific products targeting women, including Women Entrepreneur Loans.

2 Shakya et al. (2014). Making Access Possible: Financial Inclusion Country Report 2014.

3 Financial Inclusion Report 2023, International Finance Corporation.

4 There are 27 Class “A” commercial banks in Nepal.

## Good Practices

**Encouraging entrepreneurship.** Nabil Bank and Sanima Bank have a policy to disburse concessional loans to ten eligible women entrepreneurs per branch. This is in line with an NRB directive. Nabil Bank offers the Women-Run Enterprises Loan, which is collateral free with a cap of NPR 1.5 million. The loan timeline is fixed at five years, the repayments are made in equated monthly instalments and the approval time should be within 15 days after submitting the relevant documents. The Sakcham Access to Finance Programme has helped increase the number of women entrepreneurs accessing small loans, thanks to the dedicated outreach of its field offices.

**Encouraging small savings.** Everest Bank Limited introduced Naari Bachat Khata to encourage professionals and homemakers to make small savings that yield higher interest rates. These accounts require a minimum balance of NPR 5,000 for customers living in the Kathmandu Valley and NPR 2,500 for those living in other parts of Nepal.<sup>5</sup> Citizens Bank Limited offers Citizens Mahila Bachat Khata for Nepali women above age 16. The product offers benefits, such as a 50 per cent discount on locker fees and free internet banking for the first year. A minimum balance of NPR 500 is mandatory and interest is calculated on daily balance and credited quarterly.<sup>6</sup>

*“This product is designed to support women and their upliftment.”*

*-Citizens Bank Limited*

## Development Banks – Class B

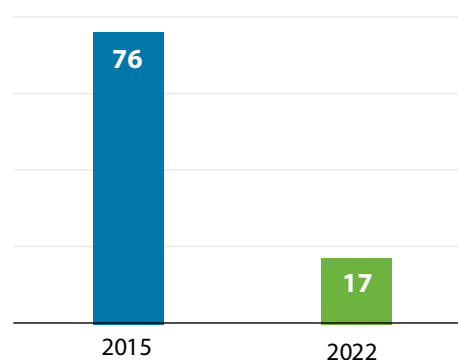
There are 17 Class “B” development banks in Nepal, eight of which are at the national level and located in Kathmandu. On the basis of geographical coverage and activity, the development banks are further classified into three types: (1) 1-3 districts type; (2) 4-10 districts type; and (3) national type.

**Development banks have the highest influence and widest outreach potential to promote financial inclusion.**

Yet, their penetration is not optimal, as these institutions prefer to play safe and avoid risks. There is often confusion among the public regarding their processes. Lack of motivation among staff members is another barrier. The potential of these institutions to reach underserved populations has not been adequately realized.

*Source: Nepal Rashtra Bank (2022)*

**Change in number of development banks, 2015-2022**



<sup>5</sup> Further details are available at: <https://everestbankltd.com/product-and-services/deposit/savings-account/naari-bachat-account/>

<sup>6</sup> Further details are available at: <https://www.ctznbank.com/product/deposit/citizens-mahila-bachats>

## Provisions that Promote GESI Principles

- These banks deliver specific services related to deposits, savings and loans, and they also have fixed account schemes targeting farmers and different development sectors.
- In line with the central bank mandate of priority lending, the development banks were required in 2019 to extend at least 15 per cent and 10 per cent of their total credits respectively to these sectors. However, in real numbers, they were found to be far below the central bank's mandate.<sup>7</sup>
- Development banks have introduced innovative financial products targeting women farmers, including savings and loans. For example, the Jyoti Bikash Bank Limited offers the Mahila Udyamsilta Karja (Women Entrepreneurship Loan) as well as an agriculture loan.<sup>8</sup>

## Good Practices

“*The product aims to be a catalyst to those motivated women who have faith in their skills and knowledge and are determined to bring change in their lives through their own business venture.*”<sup>9</sup>

-Jyoti Bikash Bank Limited

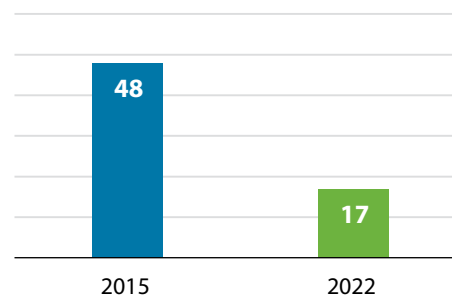
**Empowering rural women.** The Mahila Udyamsilta Karja scheme offered by the Jyoti Bikash Bank Limited is aligned with the government's mandate to provide subsidies on interest to promote entrepreneurship in the country. This scheme was introduced to provide financial assistance and encourage women to become entrepreneurs.

## Finance Companies – Class C

There are 17 Class “C” finance companies in Nepal, 15 of which operate at the national level and three are located in Madhesh Province. These companies are licensed by NRB, with the objective to provide different banking and financial services to the general public, as banking and financial service outreach still lags behind. **Finance companies have the highest influence and the widest outreach potential to promote financial inclusion.** Yet, their penetration in communities is not optimal due to various procedural factors and other issues. As a result, finance companies are unable to tap underserved communities to the desired extent.

Source: Nepal Rashtra Bank (2022)

Change in number of finance companies, 2015-2022



7 Thapa, S. Priority Sector Lending in Nepal: Importance and Complication. Available at: <https://www.investopaper.com/news/priority-sector-lending-in-nepal/>

8 Further details are available at Jyoti Bikash Bank: <https://www.jbbl.com.np/personal-banking/loans/mahila-udyamsilta-karja->

9 Ibid.

## Provisions that Promote GESI Principles

**“In Sudurpashchim, 66.1 per cent of women aged 15-49 own a phone but only 8.8 per cent have ever used the internet, which makes it difficult for them to access banking services and products.”**

-UN Women (2021)

- Finance companies provide deposits, loans, digital banking and other services. The companies are mostly listed in the Nepal Stock Exchange.
- There are separate savings schemes for women; however, few loans are targeted towards people living below the poverty line. The services targeting women primarily focus on savings and include the Nari Bachat (Women Savings) and Naba Nari Bachat (New Women Savings) schemes.
- Most these companies have branches in urban areas.
- Limited digital literacy and the mobile phone divide are barriers that prevent rural women from accessing these institutions and services.

## Life, Livelihood and Financial Inclusion: Asha's Story

**“I am a single woman with a ten-year-old son, living with my parents. I earn my livelihood from growing vegetables and selling them from a land that we work on lease. I am also involved in poultry farming, which helps me take care of our daily needs. For the past three years, I have been engaged in a fisheries project that I initiated on my own after seeing someone do the same. I took this up because I saw that this does not take up too much space or investment and has good returns. I leased four katthas of land. I dug out the pond and filled it with water and fish. I have not received any formal skills-development training or training on fish breeding. I also bought a book from the local market to understand this better. But slowly the fish started to die. So, I contacted the Agriculture Knowledge Centre and they advised me on the use of chemicals and limiting the number of fish per kattha so as to let them grow in a healthy manner.**

*I took out a loan of NPR. 0.5 million from two cooperatives at an 18 per cent interest rate. I feel more comfortable doing transactions with cooperatives than with banks or MFIs because I can deal with cooperatives on an individual basis and repay the principal whenever I am able to. There is no pressure because it operates on a trust basis and no documents are required. I am aware that banks have collateral-free loans. However, there are a lot of processes like registering your business, documentation, paying taxes, etc. Also, I am not too aware of the interest rates and repayment modalities. Additionally, if you don't make any transactions in your savings account, then they close your account, which was done to mine.*

*The MFIs operate on a group lending basis and if a member of a group defaults on the monthly repayment of an instalment, then the whole group is penalized. We have to sit all day at the meeting site until the payment is made and if that is not done, then they go to the house of the defaulter and take away household items as a guarantee for payment. Plus, their interest rates are higher than cooperatives. Their interest rate after services is 24 per cent. Nevertheless, in terms of ease of access, I feel MFIs are more appropriate. In terms of the outreach of financial institutions, there are quite a few in my municipality (Narayanpur). Useful trainings on knitting, tailoring, bangle- and candle-making are provided, but these are not accompanied by any kind of substantial financial support to buy equipment and sustain a business, so the trainings and resources go to waste. It does not lead to change, either.”*

-Story adapted from the study 'Financial Inclusion of Conflict-Affected Single Women in Sudurpashchim Province' (UN Women, 2021).

“The fact that these MFIs visit door-to-door makes access easier for women. MFIs work on a group basis as a security mechanism for repayment by groups instead of individuals. The monthly meetings also provide a secure space to the group members to discuss issues other than finance. This also contributes to group solidarity.”

-Financial Inclusion of Conflict-Affected Single Women in Sudurpaschim Province (UN Women, 2021)

## Inclusion Barriers – Lack of Insurance and Safety Nets

“Low exposure to the banking and insurance sectors also lead to negative perceptions of BFIs. This is both a challenge for conflict-affected single women in sustaining their enterprises and the BFIs in making available their services to the satisfaction of their clients. BFIs make enterprise insurance mandatory for those taking medium- and large-size loans. Necessary information about the multiple benefits of insurance as a valuable risk-mitigation tool for enterprises rather than as an extra cost often leads to grudges towards the BFIs, which are called a ‘grudge purchase.’ The absence of information is also due to the lack of outreach and penetration by the BFIs, which exclude special disadvantaged categories, such as conflict affected women, as they are not considered high-value clients. Thus, most of the BFIs provide non-credit services, such as payments, money transfers and safeguarding savings. In interviews with conflict-affected single women, they reported losses in livelihoods and income, as they did not have insurance for their enterprises, particularly goat farming and fisheries. The Sakchyam Access to Finance Programme has partnered with BFIs in piloting insurance schemes for farmers. The programme has demonstrated positive results.”

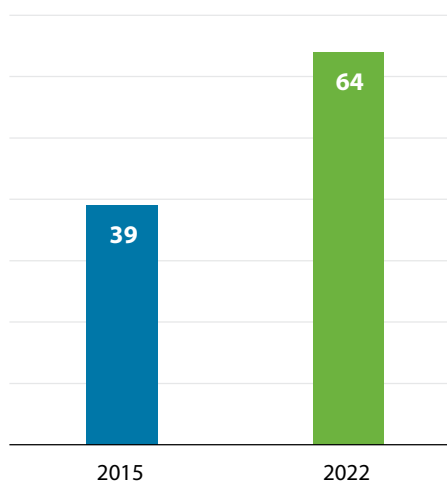
-Financial Inclusion of Conflict-Affected Single Women in Sudurpaschim Province (UN Women, 2021)

## Micro-Finance Institutions (MFIs) – Class D

There are 64 Class “D” MFIs in Nepal, almost half of which are national-level companies. The number of MFIs has grown exponentially at the local level. MFIs work as per the regulations of the NRB, providing micro-finance services such as loans, deposits, micro-insurance and remittance services to low-income families. They have achieved a large client base through door-to-door awareness generation. They have also managed to create spaces for women’s large-scale employment in the sector, especially in rural areas. **MFIs have the lowest level of influence but also have the widest outreach in diverse, underserved populations.** Given their working model, MFIs have a huge potential to generate awareness on other important issues, including financial literacy and female workforce participation in the sector. Their low-risk, low-value products and group lending strategies are designed to mitigate access barriers that women and other socially excluded groups face.

Source: Nepal Rashtra Bank (2022)

Change in number of MFIs,  
2015-2022





## Provisions that Promote GESI Principles

- The MFIs prioritize marginalized groups, with a special focus on women. They also target families living below the poverty line and those who are interested in improving their economic conditions. The MFIs also promote employment opportunities for women.
- In 2019, the number of total MFI saving members and borrowers, both men and women, reached 4.16 million and 2.61 million respectively. These institutions mobilized savings of NPR 79.59 billion and extended loans to NPR 225.07 billion.
- The MFI lending interest is fixed at 15 per cent, as of 2020. However, its operational costs are much higher.
- Also, the three-month repayment time on principal is not feasible or realistic given the small window of gestation needed for any new business.
- The greatest strength of MFIs is the extent of their penetration and client base, which they achieve through a rigorous door-to-door awareness-raising approach.
- Several MFIs also focus on social and gender issues by generating awareness on concerns, such as violence against women and girls.

## Challenges and Barriers

- Despite a fixed maximum lending interest rate on MFIs at 15 per cent,<sup>10</sup> the actual interest rate is as high as 22 to 24 per cent, after accounting for operational costs and service charges.<sup>11</sup>
- The small timeframe for repayment within three months is not practical, given that the gestation period of any business is longer. Higher interest rates, service charges and pressure to make quick repayments are huge barriers and may result in exploitative conditions for borrowers.<sup>12</sup>

## Good Practices

**Gender-responsive and innovative approaches.** In Deprosc Laghubitta Bittiya Sanstha Limited, 99.9 per cent of the members are women. Their policies, products and approach are considered gender friendly.<sup>13</sup> They have specific guidelines and manuals to proactively engage with gender-inclusive approaches and practices. They also have customized approaches for women in special circumstances, such as pregnant and lactating women. Nirdhan Utthan Laghubitta Bittiya Sanstha Limited follows group-lending based on the Grameen Bank model. They have developed a Self-Reliant Group model through a network of 181 branch offices spread over 77 districts of Nepal. Besides traditional loans and festival savings, the model provides innovative loans for foreign employment, energy, emergencies, mobility and business rehabilitation.

**“ The demand-side diagnostic study revealed that the level of financial inclusion within the country was very moderate, with only 40 per cent formally banked (Classes A, B, C and D financial institutions); 21 per cent aligned with other formal financial entities (i.e. cooperatives, remittance companies, financial NGOs, insurance companies, postal banks etc.); another 21 per cent involved in the informal sector (i.e. users' groups, money-lenders, 'hundi', 'dhukuti', informal networks, friends, relatives etc.) and the remaining 18 per cent using no form of financial services at all.”**

-MAP Financial Inclusion Action Plan, 2017-2022

10 Nepal Rashtra Bank - Monetary Policy 2020-2021.

11 Key informant interview with MFI, taken from the study.

12 Ibid.

13 <https://www.ddbank.org.np/en/cms/about-us/geographical-coverage.html>

## Cooperatives – Class D

Cooperatives continue to propagate the long traditional practice of *dhukuti*, a community-based savings and credit system in Nepal. The cooperative movement is gradually developing into a force for promoting non-exploitative economic relations, with around 34,000 cooperatives operating in all provinces, districts and municipalities or village bodies and over 6.3 million beneficiaries, including small farmers, artisans, labourers, consumers and others in the poverty bracket. The sector contributes close to three per cent of Nepal's GDP. Like MFIs, the cooperatives have achieved a large client base. They are community owned and managed, so their ownership is much higher. **Cooperatives exert the least level of influence in the policy space but have the widest outreach in diverse, underserved communities.** Given their working model, they are the most sustainable, with immense potential to increase female workforce participation, financial inclusion and access to social security during times of crisis.

### Provisions that Promote GESI Principles

- In total, 23 per cent of Nepal's population belong to cooperatives. Although the majority of members are women (56 per cent), there are data gaps regarding the number of women-led cooperatives. More than 60,517 people are employed directly in the cooperative business.
- According to the Department of Cooperatives, the major types of cooperatives operating in Nepal focus on savings and credit, dairy, agriculture, fruits and vegetables, beekeeping, tea, coffee, consumers, science and technology, energy or are categorized as multipurpose.
- Cooperatives also provide trainings to members on enterprise and financial management, literacy, reporting, leadership and advocacy skills.
- Many women and other people from marginalized groups who are members of cooperatives and have started a micro-enterprise are often empowered to tackle food insecurity and poverty.
- Cooperatives respond better to unemployment-related challenges, especially during economic recessions or other crisis situations, as they do not function solely for profit.

### Challenges and Barriers

- There are increasingly instances of 'debt trap' due to the easily availability of credit. It is noted that women often take loans from multiple cooperatives to repay prior loans, setting in motion a vicious cycle of debt. This is primarily due to low financial literacy and money-management skills, which make these women more vulnerable to poverty.
- The government's regulatory and monitoring mechanism for cooperatives is very weak. The absence of a regulatory body and clear legal framework has made cooperatives risky.

### Good Practices

**Building women's economic independence.** The Nepal Federation of Savings and Credit Cooperative Unions facilitate programmes that encourage women to participate and become leaders. They provide skills trainings in microfinance, partnerships, monitoring and evaluation, quality assurance, digitization and business-development services. Mahila Urja Multipurpose Cooperative, a Kathmandu-based women's cooperative, was established by 32 women in 1999, with the goal of transforming the lives of underprivileged people through self-help and sustainable schemes. Apart from providing microfinance, savings and credit facilities, they also host gender trainings. They motivate youth, especially women, to improve their socioeconomic status and improve savings.

## Recommendations

The Financial Inclusion Roadmap 2017-2030 aims to ensure “access to affordable finance for all by 2030, with increased access to formal financial services.” It is envisioned that this will be achieved by making financial services more available, affordable, people-centred and needs-based. To achieve this, **six priority action areas** and a range of interventions have been identified.<sup>14</sup> The aim is to create an ecosystem that promotes

economic empowerment through improved and inclusive financial services. Of those who have access to finance, almost 57 per cent use informal channels, and a larger number of females use such services (MAP, 2017). Other disadvantaged groups, such as conflict-affected single women, face multiple exclusion barriers due to the nature of their vulnerabilities. To ensure that ‘no one is left behind,’ all vulnerable and excluded groups require special attention.

### #1

#### Address invisibility in policy frameworks.

Limited data on disadvantaged groups (e.g. conflict-affected single women) and financial inclusion coverage are key limitations. The feasibility study highlights the issue of the ‘invisibility of women and other disadvantaged groups’ in the financial system. A priority action area for the government and development partners is to commission a survey on the socioeconomic status of excluded groups of women and their dependents. This will help create traction for the invisible segments of disadvantaged and extremely vulnerable groups.

The NRB is the apex body that influences policymaking and regulates Nepal’s financial system. The NRB should issue a directive to all BFIs and NBFIs to give special consideration to women from excluded groups (including conflict-affected women) during product development; create approvals and disbursements of non-collateralized credit products tailored to these specific target groups; and generate disaggregated data on beneficiaries that capture inclusion perspectives. The MFIs can be encouraged and incentivised to include customized products for a targeted segment of low-income groups. This will help leverage lending provisions in the deprived sector.<sup>15</sup>

### #2

#### Remove access barriers.

### #3

#### Expand safety nets and insurance coverage.

The lack of insurance and safety nets (due to accessibility and affordability factors) act as a deterrent to the inclusion of conflict-affected single women. Given their predisposition to vulnerabilities, any adversity can further exacerbate their disadvantaged position, exposing them to extreme hardships, risks and exploitation. Effective measures will include product innovations that recognize the specific vulnerabilities of conflict-affected women and the increased availability of risk-mitigation products, such as health, disaster, and crop insurance packages. It is equally important to increase awareness on insurance as a risk-mitigation tool.<sup>16</sup>

14 The six priority areas are: (1) Unlock constrained credit and savings market; (2) Improve payments system; (3) Bolster risk-mitigation capabilities; (4) Enhance and leverage locally based financial service providers; (5) Enhance financial inclusion support in national governance; and (6) Strengthen consumer empowerment, protection and education.

15 This recommendation is aligned with Priority 1: Unlock constrained credit and savings market, as part of the Financial Inclusion Roadmap.

16 This recommendation is aligned with Priority 3: Bolster risk-mitigation capabilities of the Financial Inclusion Roadmap.

Vulnerable groups, such as conflict-affected single women, can be trained and employed as key supply-side functionaries, such as financial service providers (FSPs). BFIs, development partners and local NGOs can plan initiatives to train disadvantaged, socially excluded local women to be part of the financial landscape. Quotas can be fixed for the same purpose. This will expand their earning potential and also help expand coverage of financial services to similar women. Also, all FSPs and grassroots functionaries should receive trainings on exclusion and gender inequality issues. FSPs in partnership with MFIs can use their knowledge to identify pockets of marginalized groups (including conflict-affected women) to develop needs-based products, pilot test the acceptability and disseminate information.<sup>17</sup>

## #4

**Engage grassroots functionaries and harness local knowledge.**

## #5

**Conduct consultations and capacity development.**

The development phase of the Financial Inclusion Roadmap did not recognize or include specific disadvantaged groups; their issues and interests remain unaddressed in sector policies and programmes. Stakeholder consultations during policy formulation should include women's networks and other local groups that work in the area of gender, inclusion and conflict-affected communities.<sup>18</sup> BFIs and NBFIs 'champions' – institutions that have taken affirmative steps to create special inclusion measures for women from excluded groups, including conflict-affected single women – should be identified, showcased, documented and disseminated. This will help in cross-learning and encourage more champions to follow suit. Capacity-development programmes to respond to financial exclusion, discrimination and gender inequality issues should be planned for all stakeholders involved in the financial inclusion ecosystem. Development partners can take a lead role in this regard.<sup>19</sup>

Low levels of awareness and financial literacy are the main factors that influence demand for financial services. Disadvantaged groups often lack knowledge about products, procedures/paperwork, documentation, interest rates, collateral and repayments, and they avoid the formal financial system as a result. Financial education and awareness will be important to rupturing these barriers. These initiatives should be planned through a cascade model and leveraged through grassroots organizations, such as self-help groups and cooperatives, to ensure maximum coverage. The FSPs, development partners, NGOs and government partners should jointly plan and roll out financial literacy programmes.

## #6

**Promote awareness and financial literacy.**

<sup>17</sup> This recommendation is aligned with Priority 4: Enhance and leverage locally based financial service providers of the Financial Inclusion Roadmap.

<sup>18</sup> There are several active groups and networks that represent and prioritize conflict-affected single women and their issues: the Conflict-Affected Single Women's Network, Conflict-Victims and Single-Women Development Centre, Conflict-Victims Common Platform, Conflict-Victim National Alliance, Nagarik Awaz, Nispakshya and the Network of Families of the Disappeared.

<sup>19</sup> Recommendation aligned to Priority 5: Enhance financial inclusion support in national governance of the Financial Inclusion Roadmap.

## #7

**Close the digital divide.**

Digital literacy is intrinsically linked to financial literacy. It is key to enabling seamless financial services and ensuring that ‘no one is left behind.’ The use of digital technology for distance learning is gaining more traction in Nepal and elsewhere. The mobile phone usage gap is more pronounced among women, however, and there is a sharp rural-urban divide in availability and access to the internet.

The NRB, in partnership with development organizations and civil society groups, should undertake a costing exercise to estimate the unit cost of a comprehensive ‘financial inclusion package,’ customized to the needs of special categories of women, such as conflict-affected single women and their dependents.

## #8

**Create gender-responsive budgets and costing.**

## #9

**Ensure effective monitoring of financial inclusion policies.**

The government’s regulatory and monitoring mechanism for MFIs and cooperatives needs a thorough review to make it stronger and more effective. The financial inclusion policies have to be client friendly and include safeguards against exploitation. The Financial Inclusion Roadmap recommends a framework to measure and track progress on pre-defined quantifiable parameters. To make this feasible, all beneficiary data should be disaggregated to the largest possible extent. Developing a gender, age, disability, demographic and socioeconomic profile will help in identifying persistent gaps.

IFIs, sector departments, development partners and civil society organizations can plan and implement a range of interventions, including customized economic empowerment initiatives. Such initiatives are usually planned in isolation, without coordination or convergence with other actors. **A cross-cutting theme of financial literacy** can be planned, budgeted and integrated within all such projects. Development partners implement innovative projects in the sector. All such projects in their feasibility phase should consider aspects of disadvantaged groups, including conflict-affected people in the poverty and gender assessments and socioeconomic surveys. For example, as per the Nepal Living Standard Survey III, 76 per cent of households depend on agriculture for their livelihoods, and 84 per cent of the labour force involved in agriculture are women.<sup>20</sup> The female workforce can be supported through different programmes by introducing gender-friendly technologies, especially through the Prime Minister Agriculture Modernization Project.<sup>21</sup> Effective convergence would result in increased agricultural productivity and enable financial inclusion both in terms of supply services (such as credits and inputs, like seeds, fertilizer and storage) and demand for inclusive technology, affordability, accessibility, usage, benefits and income adequacy. A similar approach will guide improved gender design elements within all government programmes and those funded by development partners.

## #10

**Improve coordination and convergence.**

20 Asian Development Bank (2020). Gender Equality & Social Inclusion Diagnostic of Selected Sectors in Nepal.

21 There are 708 projects under the Prime Minister Employment Programme in the provinces. Under this programme, there are 19,576 people engaged in various employment programmes, according to the Ministry of Finance.

## #11

**Increase outreach to 'high influence' institutions to make them inclusive and empower 'high outreach' institutions to make them more effective.**

Despite their immense potential to ensure financial inclusion, financial institutions – including commercial banks, development banks and finance companies – are exclusionary in their approach and services. They are typically urban centric, alienating a substantial portion of Nepal's rural population. There is an express need to identify effective approaches to make their services and products more inclusive and gender friendly. MFIs and cooperatives have a much larger penetration and clientship; however, they lack power to influence the sector. Given their large client base, it is important that they influence decision-making in the sector, which in turn will make them more effective. They also engage a large number of local community members, providing secure employment to rural women. It is therefore important that social protection measures are in place for their workforce.

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- 'Financial Inclusion of Conflict-Affected Single Women in Sudurpaschim Province' led by *Bharati Silawal Giri*
- 'Gender Assessment of Social Protection Policies in Nepal' led by *Women Act*
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