



National Governance Symposium 2023

Governance Innovations for Inclusive Development

Making a Case for National Women Enterprise Development Strategy (NWEDS)

POLICY BRIEF





Summary

The composition of Nepal's population, with women comprising 51% according to the 2021 Census, presents their significant role in the country's economic landscape. Women entrepreneurship plays a crucial role in Nepal's development by uplifting women's status within society and contributing to economic growth. However, ensuring equal opportunity and enabling equitable access for women entrepreneurs is still a far cry in various parts of the world including Nepal. Despite progress in recent years, women-led enterprises still face deeply-rooted obstacles to achieve their full potential both as contributors to and beneficiaries of social and economic development. According to the Nepal Economic Census 2018 (NEC 2018), less than 30 percent of firms are owned by women indicating a significantly lower rate of entry into entrepreneurship. Additionally, women entrepreneurs have much lower revenue and profits compared to their male counterparts. For instance, an average woman-owned firm in Nepal has around NPR 965,000 in sales compared to NPR 3,363,000 in sales for a man-owned firm. Similarly, an average woman-owned firm makes around NPR 292,000 in profits compared to NPR 928,000 for an average man-owned firm (Adhikari N., 2017). This indicates a serious challenge in promoting women entrepreneurs and consequently their contribution in the economic growth of the country. According to the recent National Economic Census 2018, women owned 29% of the total firms (National Planning Commission, Central Bureau of Statistics, 2019). Research has pointed out that small businesses owned by women, which mostly employ female workers and operate at the bottom of global value chains (UNDP 2020), also face multiple survival challenges.

Firstly, there is a lack of trust, as the women entrepreneurs question whether familial, societal, financial, and market entities will provide the necessary support. Secondly, there is a capability gap, where women entrepreneurs need to acquire the knowledge, skills, and mindset essential for entrepreneurial success. Lastly, a professional and mentorship network is crucial, as women entrepreneurs require strong connections with individuals and organizations possessing the resources pivotal for enhancing enterprise income.

The National Governance Symposium 2023, themed 'Governance Innovations for Inclusive Development', hosted a panel titled 'Building Bridges: Making a Case for the National Women Enterprise Development Strategy (NWEDS)'. Moderated by Ms. Sama Thapa, the panelists included Dr. Neelam Dhungana Timsina, Deputy Governor of Nepal Rastra Bank, Ms. Aava Shrestha Karn, Joint Secretary of the Ministry of Women, Children, and Senior Citizen (MoWCSC), and Ms. Shova Gyawali, President of the Federation of Women Entrepreneurs Association of Nepal (FWEAN). Ms. Radhika Aryal, Principal Secretary of the Office of the Council and Ministries of Lumbini Province, chaired the session. This policy brief draws upon insights from their discussions, supplemented by policy and secondary literature reviews.



Challenges for women entrepreneurs

Inadequate access to funds

Women have significantly lower access to funding compared to men. They are unable to qualify for a loan from mainstream financial institutions due to the lack of property to use for collateral. The requirement to pledge property as a collateral disproportionately affects women entrepreneurs. Nearly 80 percent of women in Nepal do not own fixed assets (Rijal, 2017). Consequently, they would have to depend on the support from male members of their family who own assets when they try to take loans. Alternatively, they have to take personal loans that have punitively high interest rates. According to a report by the World Bank, only about 27% of women in Nepal have access to formal financial services compared to 35% of men. This gender gap in financial inclusion presents the challenges women face in accessing finance for entrepreneurial ventures.

Limited access to market

Inadequate access to markets poses a significant challenge for women entrepreneurship in Nepal. A study by the International Finance Corporation (IFC) found that women entrepreneurs in Nepal often lack access to market information, limiting their ability to scale their businesses and enter new markets. USAID's LEO Brief also recognizes the constraints that stem from gendered norms and rules entrenched within households and communities. Often, women's mobility outside the home or community is restricted by such norms, limiting their ability to access markets and services crucial for business development. Furthermore, as noted by Acharya (2001), many enterprises owned by females operate without prior market research and business knowledge. This absence of essential resources hampers women proprietors, leading to severe operational difficulties.

Background

The National Governance Symposium 2023, themed 'Governance Innovations for Inclusive Development', hosted a panel titled **'Building Bridges: Making a Case for the National Women Enterprise Development Policy (NWEDP)'**.

Moderated by Ms. Sama Thapa, the panelists included Dr. Neelam Dhungana Timsina: Deputy Governor of Nepal Rastra Bank, Ms. Aava Shrestha Karn: Joint Secretary of the Ministry of Women, Children, and Senior Citizen (MoWCSC), and Ms. Shova Gyawali: President of the Federation of Women Entrepreneurs Association of Nepal (FWEAN).

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This policy brief draws upon insights from their discussions, supplemented by policy reviews and secondary literature.

Limited Networking opportunities

Women also often report smaller professional networks compared to men, resulting in restricted access to female role models, coaches, and mentors. This scarcity of support diminishes their ability to navigate challenges effectively and take risks. Both formal and informal business development services are predominantly controlled by men. This disparity leaves women with minimal exposure, hindering their access to training programs and modern management techniques, technology, and consulting services crucial for business growth.



Implementation Challenges

Legal and Regulatory Barriers:

In Nepal, women entrepreneurs confront numerous legal and regulatory obstacles that impede their business opportunities. The World Bank's Women, Business and the Law report highlights Nepal's unsatisfactory performance on indicators related to women's property rights and entrepreneurship. Despite legal safeguards, the absence of property ownership among women presents a significant barrier to accessing credit, crucial for starting and expanding businesses. According to a FWEAN report, banks hesitate to lend to women due to the lack of property as collateral, despite regulations mandating collateral-free credit issuance. Additionally, bureaucratic procedures for business registration and licensing can be overly complex and burdensome, particularly for women lacking resources and legal support. Furthermore, many women-owned enterprises operate in the informal sector, limiting their eligibility for credit and government initiatives.



Patriarchal Social and Cultural Norms:

The Gender Inequality Index (GII) by the United Nations Development Programme (UNDP) ranks Nepal 106th out of 162 countries, highlighting the persistence of gender disparities in various aspects of life, including entrepreneurship. Studies highlight pervasive stereotypes and biases that limit women's autonomy, mobility, and decision-making authority within households and communities. Acharya (2001) notes that women's participation in meaningful business experiences is hindered by family responsibilities, restrictions on mobility, and societal doubts about women's capacity to run businesses. Daayitwa's 7 Drivers of Change for Women's Economic Empowerment research, shows that drivers such as women's triple burden (work/house/family), and trust in women are all significant factors explaining why women entrepreneurs are unable to accelerate economic security. Balancing work with home responsibilities complicates women's entrepreneurship, with limited time and resources to navigate complex policies and regulations. Discrimination from male customers and business partners also poses barriers to women entrepreneurs' success.



Existing laws and policies

The Industrial Enterprise Act (2016) has a special provision for women entrepreneurs offering a 35% discount on industry registration, 20% discount on industrial property registration, priority to establish a business in industrial zones, and access to export loans. Additionally, registration is offered free of cost for women-owned microenterprises.

The Women Entrepreneurship Development Fund (WEDF), established by the Ministry of Industry (MOI) in 2015, aims to support women entrepreneurs by providing collateral-free loans at a six percent interest rate, with a maximum limit of five lakh rupees (WEDF Operational Procedure 2065). Despite the positive initiative of the WEDF, women entrepreneurs often still need to seek additional loans from other institutions due to the credit limitation, often at higher interest rates, to meet the operational needs of their enterprises (Adhikari, 2017).

The Micro Enterprise Development Programme (MEDEP) was initiated by the Government of Nepal (GoN) and the United Nations Development Programme (UNDP) in 1998 with the objective of increasing employment opportunities and income levels for groups below the poverty line by fostering the development of micro-enterprises through entrepreneurship development. Following the closure of MEDEP in July 2018, the Ministry of Industry, Commerce and Supplies (MoICS) have now replicated and internalized MEDEP's model. **The Micro Enterprise Development Programme for Poverty Alleviation Programme (MEDPA)**, a government flagship programme, is being rolled out in all 753 subnational bodies, as part of efforts to reduce poverty and generate employment. While women constitute the primary beneficiaries of the program, it predominantly supports hardcore poor women and largely enables subsistence entrepreneurs. The transition of these entrepreneurs into growth entrepreneurs is limited, with only a fraction successfully making this leap. According to Subedi (2019), entrepreneurs lament the lack of support post-program exit, especially in areas such as technology upgrading, additional capital acquisition, and business and marketing. Creating entrepreneurs appears to be a more feasible task than sustaining them. The program has seen the creation of 172,514 micro-entrepreneurs, yet only approximately 24.28% (41,852) have successfully graduated (MoICS, n.d.).

The Women Entrepreneurship Facilitation Center (WEFC) in Nepal, under MoWCSC, serves as a dedicated institution supporting women entrepreneurs. With a focus on fostering an enabling environment for women's entrepreneurship, WEFC offers capacity-building programs, access to finance, networking opportunities, market access support, policy advocacy, and research initiatives.

Nepal Rastra Bank (NRB) introduced the policy of providing subsidized loans under different categories in 2019. The policy outlined that the government of Nepal will provide a subsidy of 6 percent on the interest rates of loans provided to women entrepreneurs. Furthermore, women entrepreneurs are entitled to a loan of up to Rs. 1.5 million without collateral (Frost & Hopkins, 2020). Similarly, women-owned microenterprises can register their businesses free of charge (Goodrich et al., 2018). However, despite these incentives, banks remain reluctant to offer collateral-free loans as observed in recent reports (Ale, 2021). Banks often view collateral-free loans as risky due to concerns about borrowers' creditworthiness, especially for women entrepreneurs. Cultural biases and stereotypes also influence banks' attitudes, perpetuating doubts about the creditworthiness and business acumen of women-owned enterprises despite policy incentives.



The President Women Upliftment Program, initiated under the Ministry of Women, Children, and Senior Citizen (MoWCSC), is designed to address the social and economic obstacles encountered by women. Launched in 2019, the program provides skill development and capacity-building training to marginalized and disadvantaged women across Nepal.

The **Micro, Cottage, and Small Industry Promotion Policy 2080** has recently been drafted by the Ministry of Industry, Commerce, and Supplies (MoICS). This policy aims to leverage the increasing involvement of the private sector in advancing the growth and promotion of Micro, Small, and Medium Enterprises (MSMEs), with the objective of reducing trade deficits through export promotion and import management. This policy is anticipated to serve as a guiding framework for the private sectors as well as local and provincial governments to steer efforts in MSMEs in the right direction. Some of the strategies outlined include prioritizing the expansion of access and ownership for women and marginalized communities in MSMEs. This involves promoting investment through integrated funds like the Women Entrepreneurship Development Fund. Enterprises operated by women will benefit from exemptions from registration costs and tax discounts offered by local governments. Moreover, women-run enterprises will have access to easy and affordable loans, with banks and cooperatives required to invest a certain percentage in these ventures. Additionally, women will receive priority in training and entrepreneurship programs.

Key Challenges for the execution of these provisions

Fragmented Coordination of SME Policies across Ministries:

The Small and Medium Enterprises (SMEs) provisions are dispersed across various policies overseen by different ministries. MoICS formulates and regulates the industrial policy, which offers guidelines on accessing diverse SME funds. MoF crafts and oversees the monetary policy, governing loan operations by financial institutions (BFIs). Similarly, the Ministry of Agriculture and Livestock Development (MoALD) regulates provisions concerning SMEs in agriculture and livestock. Existing programs suffer from a lack of coordination among ministries, leading to fragmented implementation and a failure to deliver visible impact on SME development.



Implementation Hurdles:

The challenges in promoting women's entrepreneurship stem from a combination of factors, including both grassroots-level control/management issues and poor government implementation. Despite numerous policies aimed at encouraging women entrepreneurship, their execution faces obstacles. For instance, there's a lack of clarity regarding the control and management of enterprises registered under women's names, undermining the intended impact of incentives (Acharya & Pandey, 2018). Additionally, organizations like the Federation of Women Entrepreneurs Associations of Nepal (FWEAN) highlight implementation hurdles, such as difficulties in navigating the tax exemption process. Moreover, interventions for women's enterprise development often lack contextualization, with training failing to be gender-sensitive, further hindering women's empowerment in business ventures.

High focus on subsistence entrepreneurship and less on growth entrepreneurship:

In Nepal, many engage in subsistence entrepreneurship such as street vending, agriculture, and crafts production to meet their daily needs. These enterprises often operate on a micro-level, serving local communities and providing essential goods and services. While crucial for livelihoods, they may lack the capacity for significant expansion or innovation. Daayitwa, under the Sub-national Governance Program (SNGP), conducted a comprehensive 'Scoping Study for Municipal Engagement on Local Economic Development' in seven municipalities. The findings revealed a concerning trend that the entrepreneurial ecosystem in the municipalities is largely underdeveloped. The existing entrepreneurship support programs were found to predominantly cater to subsistence and necessity businesses, such as parlors, clothing making, leaf plates, and terrace farming. Despite the implementation of training programs, there is a notable absence of initiatives targeted at fostering high-growth entrepreneurship. Furthermore, the existing policies and subsidies of the government only covers needs of small- and micro-scale enterprises but doesn't have provisions to graduate them to the middle-scale enterprises. Revising the current ceiling on the loan application can improve the financial accessibility of entrepreneurs.

NGO advocacy heavily focused on social and political empowerment and less on women's economic leadership:

The challenge for women's entrepreneurship in Nepal also lies in the prevalent focus of NGO advocacy on social and political empowerment and not adequate attention is paid to women's economic leadership. Despite the increase of NGO networks and initiatives, there remains a significant gap in support for women's economic empowerment. As stated in Mahat's paper, while organizations work diligently to address barriers to women's political participation, most NGOs are urban-based and have been less effective in mobilizing rural women for their enhancement and empowerment initiatives. This emphasis on social and political agendas has overshadowed efforts to bolster women's economic roles. This imbalance not only hampers the development of necessary resources and support systems crucial for fostering women's entrepreneurship but also perpetuates the urban-rural divide, limiting access to opportunities for rural women.

Low representation of women's leadership in politics and bureaucracy:

In Nepal's local-level elections of 2017 and 2022, women's representation in elected positions saw a marginal increase from 40.95% to 41.21% but fell short of the 50% target for gender parity. Despite women comprising 51% of the population, they only account for 33.09% of parliamentarians, ranking Nepal 54th globally in women's parliamentary representation (Inter-Parliamentary Union). According to the Department of National Personnel Records (Civil), out of the total number of civil servants i.e., 88,657, only 26.58 percent are women. The women holding the senior positions are nominal. Approximately 9.59% of the Chief Secretary, Secretaries, and Special Category Officers of the Government of Nepal are women (OPMCM, n.d.). The existence of quotas and reservation suggests efforts to promote gender equality, but the underrepresentation shows that genuine intention and leadership are lacking. The underrepresentation of women in leadership roles not only limits their advocacy for women's rights but also hampers women entrepreneurship by creating less inclusive business environments, reducing opportunities for women entrepreneurs to thrive and succeed. Women's representation in political and bureaucratic high-level positions is crucial to address the entrepreneurial challenges, ensuring gender-sensitive policies and support systems are in place for inclusive economic growth. A scarcity of female role models and mentors, coupled with policy blind spots and gender stereotypes, perpetuates systemic barriers.

Findings from the panel Discussion

Need for National Women Enterprise Development Strategy (NWEDS):

The need for NWEDS in Nepal is essential for several reasons. It consolidates and streamlines government initiatives aimed at supporting women entrepreneurs, minimizing confusion among entrepreneurs and government agencies, and efficiently channeling resources through a unified framework. This approach reduces duplication of efforts across ministries and ensures optimal resource allocation, thereby enhancing the effectiveness of support mechanisms for women in business. Ms. Aryal stressed, 'Nepal urgently requires a comprehensive policy that integrates the responsibilities of all sectors'.



While women entrepreneurs are increasingly active and running their enterprises, there is a need for them to transition towards growth entrepreneurship. A comprehensive policy is necessary to provide guidance from the local to federal levels. Currently, there is a lack of clarity regarding the allocation of funds to the local level, leading to confusion among local government agencies. Concrete policies are essential as they not only secure budgets but also facilitate targeted programs. Merely focusing on subsistence entrepreneurship is insufficient; a concrete policy ensures accountability, check and balance, and ownership across all ministries and government bodies.

Ms. Shrestha advocated for the need for such a policy or strategy. She highlighted that while various policy arrangements exist, an umbrella policy or strategy is crucial. Such a framework would facilitate the transition of women entrepreneurs to high-earning enterprises. While incremental changes are currently underway, transformative progress is achievable through an aggregate policy approach. Similarly, Ms. Gyawali emphasized the urgent need for policy, stating that currently, the allocation of resources and dissemination of information are confusing.

Components of NWEDS:

The NWEDS can encompass a range of strategies to empower and support women entrepreneurs. These components include:

- **Access to Finance:** The policy should incorporate strategies to establish mechanisms that facilitate access to financial resources for women entrepreneurs. Ms. Gyawali suggests coordination between FWEAN, banks, and government entities to select loan recipients, with FWEAN acting as a guarantee to ensure that loans reach the targeted beneficiaries.
- **Business-Friendly Policies:** This policy should include initiatives aimed at creating an enabling environment for women-owned businesses, such as streamlining regulations and reducing bureaucratic barriers.
- **Skill Development:** This policy document should entail implementing initiatives to enhance the skills and capabilities of women entrepreneurs through training and capacity-building programs.
- **Technology Access:** It should focus on promoting access to technology and digital tools to enhance the competitiveness and efficiency of women-owned enterprises.
- **Need-Based Implementation:** This component involves designing and implementing programs tailored to address the specific needs and challenges faced by women entrepreneurs, considering factors such as location, sector, and level of experience.
- **Compulsory Entrepreneurship Courses at the School Level:** This component entails introducing entrepreneurship education into school curricula to foster an entrepreneurial mindset and equip students with essential business skills.

Ownership of NWEDS:

MOICS, tasked with promoting the industrial sector as a whole, is well-suited to lead the development of the NWEDS, says Ms. Shrestha. Their leadership can ensure that the policy effectively addresses the unique challenges faced by women entrepreneurs, utilizing resources and expertise to create a conducive environment for their success.

Simultaneously, MoWCSC can play a significant role in advocating for the policy. Their participation in lobbying efforts can foster a supportive atmosphere for policy formulation, with an emphasis on gender-sensitive approaches. This involvement will assure that the NWEDS considers the diverse needs of women across various sectors and demographics. Moreover, the ministry can also provide support through gender auditing, and their coordination can complement MOICS' efforts during implementation.

Ecosystem for NWEDS implementation:

To establish an effective ecosystem for NWEDS implementation, it's important to emphasize the importance of robust governance. Governance here extends beyond governmental entities to encompass private and social sectors. Firstly, policies must be grounded in evidence and research, providing a firm basis for decision-making. Secondly, impactful implementation relies on a strong commitment from policymakers and the public alike. Collaboration should not just be vertical but horizontal, necessitating coordination across various sectors. Strengthening local-level social development offices is crucial at the local government. Private sectors should play a pivotal role in nurturing social capital and providing networking platforms for women entrepreneurs, thereby integrating small entrepreneurs into the value chain. The social sectors should continue raising awareness, act as a bridge between entrepreneurs and Government and keep sensitizing the government for the effective implementation.



Recommendations

Prioritize formulation and implementation of NWEDS to address the existing gaps and challenges in women's entrepreneurship within Nepal comprehensively.

Encourage collaboration between relevant ministries as well as agencies such as the Ministry of Industry, Commerce, and Supplies, Ministry of Women, Children & Senior Citizens, National Planning Commission, Office of the Prime Minister and Council of Ministries (OPMCM) among others to ensure comprehensive ownership and effective coordination in formulating and implementing the NWEDS. MOICS should take a lead in formulation and implementation of NWEDS. Similarly, the MoWCSC could be involved in lobbying to create an environment conducive to the policy formulation, gender auditing, advocacy and coordination during implementation.

Emphasize the importance of grounding policies in evidence and research to inform decision-making processes, ensuring that the NWEDS is well-informed and strategically designed to address the specific needs and challenges faced by women entrepreneurs in Nepal.

Foster a culture of commitment and collaboration among government stakeholders, to garner support for the NWEDS and ensure its successful implementation. This includes raising awareness, encouraging participation, and fostering a sense of accountability among all stakeholders involved.

Establish mechanisms for continuous monitoring and evaluation of the NWEDS implementation progress to enhance its effectiveness and sustainability over time.

Case Study of Bangladesh

Bangladesh is witnessing a surge in female entrepreneurship, driven by women breaking societal barriers and reshaping business landscapes. Government support and conducive environments are fueling this trend, marking a shift towards empowerment and economic independence.

Programs:

Microcredit initiatives like Grameen Bank, Brac, and ASA are empowering women in rural areas. Tailored schemes such as the Women Entrepreneurs' Loan Scheme and the Women Entrepreneur Development Project offer financial support. Training programs and workshops enhance entrepreneurial skills, focusing on business planning, finance, marketing, and technology adoption.

Policies:

Bangladesh's government has made dedicated initiatives to encourage female entrepreneurs and provide an enabling atmosphere for their success. Women-led enterprises benefit from policies and programs such as the National Women Development Policy (NWDP) and the National Women Entrepreneurs Development Policy (NWEDP). Ministry of Women and Children Affairs plays a central role in coordinating efforts to implement NWEDP and other related initiatives across government agencies and stakeholders.

(Rahman, 2019)

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