What policies can help Sirahali women micro-entrepreneurs to grow their enterprises?

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Abstract

The study provides a comprehensive analysis of the personal finances of women micro-entrepreneurs. We examined the financial capability of women micro-entrepreneurs and how it changed their financial freedom in regards to doing business. Financial fragility decreased among women, but one-third still state they would not be able to cover an unexpected expense. In Nepal, over 18% of adults do not have any kind of access to Banking and Financial Institutions (BFIs). Fewer women have bank accounts than men do. Due to high male labor migration, there is an increasing trend of women going in the micro-enterprise sectors. Finally, the research shows women have very low financial literacy and business literacy skills. Less than one-third of surveyed women entrepreneurs demonstrated a basic level of financial literacy, a percentage significantly lower than that of working men—and troubling in that such literacy is an important predictor of financial behaviors related to entrepreneurship, debt, financial fragility, and retirement planning. This study conducted needs-based assessment with women micro-entrepreneurs in Siraha district—one of the districts with high outbound laborers and where an increasing number of women is establishing microenterprises—to understand challenges they faced and what innovative financial and non-financial services could potentially help them to grow their enterprises. The study understood their challenges and suggested policy recommendations of financial and non-financial products and services around them.

Keywords: *Access to Finance, Microenterprise, Women, Micro-entrepreneur, Nepal, Siraha, Financial Products, Financial Services, Innovation*

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I. Background

The aim of this report is to provide evidence and recommendations for expanding the ability of women entrepreneurs to pursue economic opportunities, invest additional capital, hire more employees, and grow their businesses. Of particular focus is addressing the extent to which women are less able to access finance. If women cannot access financial resources, they are disadvantaged in their ability to pursue economic opportunities. Various research (International Finance Report, 2014; Agbola, Acupan, and Mahmood, 2016; Miled and Rejeb, 2015; Mondal, 2009) suggest that access to finance has multi-dimensional advantages that stretch across generations. Access to finance has been strongly linked to poverty alleviation, the establishment of micro and small enterprises, creation of jobs, reduction of income inequality, increment of domestic consumption, and social empowerment. More specifically financial services such as credit to rural households and to microenterprises has helped local economies grow in China. Microfinance has been used both as a tool for poverty reduction and a sustainable institutionalized means to offer financial services to many people in China and around the world (Asian Development Bank, 2014).

Similarly, the microenterprise is in itself a potent tool to eradicate poverty and increase income levels. For example, a research conducted during the 2000-2010 period in Bangladesh showed that rural households' income grew by 36 percent when these households pursued an average microenterprise activity. Data showed that households with income from microenterprises as an additional source of income were much better off in terms of income, consumption, and poverty than their counterparts that did not operate such income-earning activities. Microenterprises helped reduce poverty by raising rural incomes. The research found that the microenterprise investment was profitable, and that the return on investment was as high as 36 percent (Samad et al., 2013).

Access to finance to microenterprises is hence positively associated with the further growth of enterprises. Increasing access to finance helps micro-entrepreneurs grow their businesses, whereas the unavailability of finance often leads to the 'paralysis' and in some cases even exiting of enterprises from the market. For example, the above research found that the inadequate access to finance constrained microenterprises' growth and profitability in Bangladesh. The research found that the major constraints to microenterprises' growth or set up was the access to finance itself (Samad et al., 2013).

II. Literature Review

General Overview of the state of Access to Finance.

The figure of access to finance is worrisome. As per the 2011 World Bank Report, 50% of adults worldwide did not have an account at a formal institution, such as a bank, credit union, cooperative, post office, or microfinance institution (Demirguc-Kunt and Klapper, 2012). The situation is worse for people down the economic ladder—the potential micro-entrepreneurs. As per the World Bank's Global Financial Inclusion data (2015), only 23 out of 100 adults earning less than $2 a day have bank accounts. The report also says fewer women (47 in 100) have access to finance than men (55 in 100).

Possible Explanation

The report mainly cited: 1) not having enough money to use a bank account (?); 2) expensive to open bank accounts or physical inaccessibility of banks; 3) and lack of proper documentations required for opening a bank account. The survey also illustrated that only 22 in 100 adults saved money in past 12 months at a bank or other formal institutions, whereas only 9 in 100 borrowed from a bank in the past 12 months during the research period, demonstrating lesser involvement with financial institutions in general. Most people in developing countries saved through informal means such as community-based saving groups. The data suggested possible innovation in two areas could yield positive outcomes. First, if the bureaucratic process could be eased—such as lowering threshold for having a bank account or easing documentation process, it would lead to the further accessibility of financial instruments. Second, the investment in financial instruments and changing the fearful perception among customers regarding financial instruments could help enroll more customers (Demirguc-Kunt & Klapper, 2012).

State of Access to Finance in Nepal

In Nepal, where most people earn less than $2 a day, the state of financial access is worse. As per the World Bank report, there were only 280 bank accounts per 1,000 adults in 2011. Similarly, there were only 6.7 bank branches per 100,000 adults. Only 25 in 100 of the population above 15 years had accounts at formal institutions, and only 10 in 100 of this age group borrowed loans during the 2010-11 period. The appeal of firms towards financial institutions was not strong either. About 74% of firms had a checking or savings account; however, only about 39% firms, in general, had bank loan or line of credit, and only 36.3% of small firms had bank loan or line of credits, suggesting direct relationship between the line of credit and the size of firm (World Bank, 2013). Likewise, the provisions of banking facilities were low, apparent by public banking infrastructure such as ATM, whose penetration was at a dismal less than one per 100,000 people in 2010, the lowest among other South Asian countries (Gabi and Pero, 2012).

State of Access to Finance for Women

The problem gets exacerbated for women and women micro-entrepreneurs. Women have less access to finance than men because of various legal, social, and institutional reasons (Ghosh & Vinod, 2017; Presbitero, Rabellotti, & Piras, 2014; Mertzanis, 2017). Though the constitution of Nepal grants an equal land and property ownership to women, the law has not been practiced. Banks require account holders to present collateral in accessing financial services such as credit loans. In absence of assets ownership, women are unable to access the services. Moreover, in South Asia, women have less freedom of mobility than men, owing to cultural reasons, which often prevents them from visiting banks. Similarly, research (Presbitero et al., 2014; Aristei & Gallo, 2016) shows that financial institutions hold bias against women, not allowing them to access services as men do, and in some cases even requiring the authorization of men when filling some forms. In most cases, financial institutions have one standard operating system for both sexes; such a system discounts the struggle of many vulnerable and poor women who need extra support system, and precludes them from accessing services and products. The World Development Report (2008) also cites poverty, poor education, physical distance, subprime loans and no collateral, low income and social status (ethnic/religious minorities, untouchable, and Dalits) as the barriers to access to finance.

Importance of Entrepreneurship and Access to Finance for Women

Various studies confirm that increasing access to finance for women indeed offers multitudes of benefits. For example, increasing access to finance can be a way for women to start businesses and be entrepreneurs, reducing economic and social deprivation (Chavan, 2008). A plethora of literature acknowledge the micro-credit’s role in the improvement of women’s socio-economic status in households and communities. Similarly, micro-entrepreneurship has led to women empowerment and dissolution of gender inequalities (Arul Paramananadam and Packirisamy, 2014).

Various global reports show that women entrepreneurs make a significant contribution to the economy. For example, women represent full or partial ownership of 31 to 38 percent of formal Small and Medium Enterprises (SMEs) in emerging markets. Such SMEs represent a significant share of employment generation and economic growth potential (International Finance Corporation, 2011). More women in entrepreneurship also help dissolve existing gender inequality, in addition to creating more jobs and wealth. Economically empowered women usually reinvest their money for their offspring's betterment in areas such as nutrition, education, and health, which is an investment in the future. Women entrepreneurs also tend to be socially empowered, and they develop capabilities to make decisions, voice concerns, and raise issues that are inhibiting women's progress (International Finance Corporation, 2014).

However, in order to become such resilient and empowered entrepreneurs, there are various challenges that women need to overcome. For poorer women micro-entrepreneurs, the challenges are diverse, and not limited to access to finance. Paramanandam and Packrisamy (2014) conducted a research to study the impact of micro-enterprises on women empowerment. They concluded that economic development was not possible without women economic development; however, they asserted that for a long-term sustainability women needed more technical knowledge, skill training, and marketing techniques when establishing an enterprise. In various places within Tamil Nadu where these researchers conducted their study, they found that women-led micro-enterprises were discontinued because of lack of proper marketing strategies and improper location of the enterprise. The researchers did not find problems related to access to finance or any post-finance difficulties; in fact, the loan default rate was less than 2%—thanks to stronger norms in the Women Self-Help Groups (WSHGs). However, they highlighted that women entrepreneurs needed suitable training for success and sustainability.

Women's challenges increase in rural areas. In some cases, there are no financial institutions at all. In many cases, women are able to access some financial services, such as savings and deposits, but not financial services such as credit loans. In Nepal, Demirguc-Kunt and Klapper (2012), who are cited early in the paper, suggest that heavy documentation and fearful perception of financial instruments may be barring poor customers from accessing financial services, especially in rural areas. Likewise, lack of property and land ownership, combined with lack of mobility, and institutional biases may be further marginalizing women from the poor segment in accessing financial institutions. In some cases, even if they have accounts, per se, that did not translate into periodic visits to the financial institutions.

In this research paper, I studied cases of highly marginalized women (socially and economically), who were trained to be micro-entrepreneurs and the financial and non-financial barriers that they faced. These women were at the bottom of economic and social hierarchies. Challenges faced by them were numerous and unique. Very little studies have been conducted to understand this segment of population who are striving to come out of poverty through micro-entrepreneurship. Better designed financial and non-financial products and services can help these women micro-entrepreneurs make an incremental growth within their category or beyond. The study conducted needs-based assessment surveys with women micro-entrepreneurs for this purpose.

III. Methodology

I conducted needs-based assessment study in Siraha district, which lies in southern Nepal. Siraha is one of the poorest districts with a HDI score of 0.408, which is below the nation's HDI average 0.558. The outbound male migration of the district is one of the highest in the country, leaving villages full of women, children, and old people. An increasing number of women are now pursuing range of income-generating activities (Labor Migration of Employment, 2014). Through this study, I attempted to understand various aspects of these women micro-entrepreneurs' lives such as their mobility, decision-making capabilities, financial and business backgrounds, their will towards expanding the enterprise, and problems that prevent them from expanding their business. The rationale was that informed ideas about various aspects of their lives would help us to identify their day-to-day challenges and design services and products around them. To better assist with this purpose, I formed questionnaires encompassing all these aspects and conducted interviews with women micro-entrepreneurs.

Selection. The Microenterprise Development Programme (MEDEP) data for Siraha district was used. MEDEP has been conducting training programs for marginalized and poor communities since 1998. The spreadsheet had more than 1400 women in the list. I sorted 9 villages, where 50 or more women were chosen for skill-based training. Among the women from these places, 60 women were randomly selected. The interviews were conducted with 37 of these women. Other women in the list were not at their homes when we went to interview them.

Participants. The participants belonged to following villages: Baderwa, Makhanaha, Badara Mirchaiya, Ratanpur, and Pokharvinda. These villages were geographically apart from each other. The participants belonged to various ethnicities such as Madhesis, Terai Dalits, Hill Indigenous nationalities, Muslims, and Tharus. Similarly, the participants were also engaged in a range of occupations, such as mushroom farming, riverbed farming, animal husbandry, goat farming, tailoring, *muda-making* (bamboo chair), etc.

IV. Policy Context

In Nepal, the access to finance determines a bank's performance; however, there are fewer banks that are performing well and most of these banks are A-grade commercial banks, which operate for high end-customers mainly in urban areas. These banks also control almost 80% of assets and liabilities in the country (Shakya et al., 2016). Other than the commercial banks are development banks, financial banks, and microfinance banks, which control the remaining assets and liabilities in the country. As per Shakya et al., the number of licensed institutions in Nepal increased from 4 to 180 in 2005 to 263 in 2010. In 2010, there were 27 commercial banks (Class A banks), 78 development banks (Class B banks), 79 financial companies (Class C banks), 18 microfinance development banks (Class D banks), 16 credit cooperatives, and 45 financial NGOs. Among these financial institutions, microfinance institutions are well equipped and have institutional experiences to serve the need of the bottom segment of the population, including micro-entrepreneurs.

Microfinance institutions, for example, include entities such as microfinance development banks (also called Class D banks), Savings and Credits Cooperatives (SACCOs), and Financial Intermediary Non-Governmental Organizations (FINGOs). The main purpose of such entities is to provide services to country's poor and deprived communities. Nepal Rastra Bank (NRB), under its deprived sector lending directive, issues commercial banks (Class A), development banks (Class B), and financial banks (Class C) to provide low-cost wholesale funds to such microfinance institutions (Chaulagain, 2015). As per the Nepal Rastra Bank 2014 report, there are 27 FINGOs and 40 Class D microfinance development banks. NRB has been encouraging the merger of FINGOs by allowing them to transform into class D microfinance institutions to bring them into one regulatory framework as well as to help them expand and deepen their financial assets.

In Nepal, the net profit of Micro Finance Institutions in 2013/14 was over USD 12 million and the collective return on equity (RoE) was above 20%. The main source of MFIs' revenue was interest-based incomes. Non-performing loan of MFIs was also below the regulatory acceptable range of 5%, signaling the low level of risk MFIs took. Banks usually prefer SACCOs when lending the deprived sector loans. SACCOs are registered under the

Department of Cooperatives (DoC) and have their own set of regulations. They usually provide financial services of credits and savings. Some SACCOs are for specific purpose cooperatives aid such as in agriculture, dairy, electricity, whereas some are for multipurpose uses and conduct saving and credit activities. As per the Department of Cooperatives annual statistics, the number of cooperatives has been steadily increasing every year, the number in 2016 being 32,663 in Nepal; the number of people involved in such cooperatives has also been steadily increasing. Currently, there are over 5 million members, which is more than 1/6th of the country's population, the ratio of male and female stood at 53.5% and 46.5%. About 33.8% of women were engaged in the leadership activities, and the number of all-women operated cooperative institutions has reached to 3,656 (Shakya et al., 2016). The presence of such financial intermediaries has helped expand the access to finance; however, these financial intermediaries do not have enough capacity to offer a broad range of financial services. Offering more tailored services would incur a high cost and low returns for these low-capital institutions, and this high transaction cost is what discourages most of these microfinance institutions to further understand nuances of this sector (Gabi and Pero, 2012).

Gabi and Pero (2012), along with other financial experts, argue that the government mandate "priority sector lending program," which requires A-grade banks to lend 5% of their capital to various microfinance lending institutes at subsidized rates, is not working because banks see it as an annual tax, and do not strive to establish relations with micro and small enterprises and introduce financial products around their needs. In their research, Gabi and Pero found that micro-entrepreneurs encounter relatively more financial difficulties in registering their firms than small and medium entrepreneurs because the ratio of the registering cost to the available finance is high. They also stated that these firms had hit a plateau and were not growing, requiring no need for finance. As a result, the research found that fewer institutions make use of financial services. The proportion of firms that have a loan or a bank account in Nepal is less than the average of South Asia. Firms also reported that they had to report collateral, which was as high as 260% of the loan value. Exacerbating the problems, banks required the collateral to be non-movable personal assets such as buildings and lands. Banks in Nepal find it difficult to serve micro and small businesses profitably because of high transaction costs in the process, need for high collateral requirements, which small business owners find difficult to report. Small and micro business owners, such as a dairy farmer, usually have a market transaction on a daily basis and have to pay off their bills on daily basis. The revenue usually does not get deposited in the bank, leaving banks largely unassured (Gabi and Pero, 2012).

V. Analysis of Findings

All 37 women interviewed in the study were given skill-based trainings by the MEDEP (Micro-enterprise Development Programme) at some point during the last eight years. Out of them, about 70% were uneducated, whereas only about 17% had studied till Grade 10 or above. These women belonged to various occupations such as bangle-making (8 women), riverbed farming (7), mushroom-farming (6), animal husbandry (6), tailoring (5), *Muda*-making (1), and others (4). Some trainings provided these women with new skill, for example bangle-making skill was a new learning experience for women in *Makanaha* village, whereas some trainings were given in the same area of expertise where women had previously been working in (for example, riverbed farming for women in Baderwa village).

The MEDEP (now changed to MEDPA, Micro-enterprise Development for Poverty Alleviation) program was launched to alleviate marginalized and historically deprived populations from poverty. The women we interviewed belonged to the bottom segment of social and economic hierarchies. Some women and their families did not have lands of their own and faced several hardships. Many inhibiting factors, other than low access to finance, held their growth. Low access to finance was one among many parallel problems (for example, lack of proper skill-based training) that these diverse sets of women faced that hindered their growth. In many cases, other problems contributed to situations of low of access to finance. For example, patriarchy had caused restricted mobility and lack of information about financial institutions for women micro-entrepreneurs. In the following sections, I present quantitative and qualitative analysis of the findings. In the qualitative analysis, I present patriarchy and lack of suitable trainings as two among many substantial problems preventing women micro-entrepreneurs to expand their enterprises. Other cultural and non-cultural issues collectively restricted women micro-entrepreneurs' ability to engage in their enterprises and to expand them.

Quantitative Findings

Decision-making capability: It was found that women had decreasing independence in decision making when it came to purchase of higher valued goods for their enterprises. A substantial number of women (60%), however, said that they had immovable properties in their names.

Starting Enterprise: About 60% of women said they needed both money and materials (for example, materials could include "bamboos" in *muda-making* or a sewing machine in tailoring) to start their enterprises, whereas about 20% said they required only money as they already had materials. This availability of materials was because during trainings these women received materials from various agencies without having to pay for them. These women were mostly animal farmers, and had acquired animals such as cows and buffaloes when they were married into families which owned these animals. About 21 women only needed NRs. 10,000 or less to start their business. The source of initial capital for majority of women came from family (husband side) (14), financial institutions and money lenders (8), and personal savings (7). Very few women (30%) had saving of their own to start the enterprise. About 85% of the surveyed women's enterprises were not registered, and only 1 in 4 knew about provisions related to income taxation and registration fees related to microenterprise.

Mobile: About 90% of women had mobile devices; most of these devices were non-smartphone (55%). Majority were unable to read messages, respond to texts, or access internet on their mobile devices. About 22% of women said they had a Facebook account.

Experience at the financial institution: About 56% of women knew about financial institutions such as banks and cooperatives when starting the enterprise but only 36% had asked for credits. Majority of women (77%) went with friends, relatives, or male members of family when they went to any financial institutions for the first time; among them about 67% said their first-time experience with the financial institution was either "excellent" or "good." About 3 in 4 women said officers were receptive, and nearly 3 in 5 said the atmosphere for women was good. While filling some documents at financial institutions, majority (64%) of them said they needed some form of help, but these women also said that officers were very helpful in responding to their calls. Majority (about 60%) of women who accessed some sort of service from the financial institutions (banks, cooperatives, insurance companies) were encouraged by someone in the circle to take services.

Branchless Banking: When asked if these women preferred going to banks or receiving any financial services at the door steps, about 44% of 34 women said they would go to banks themselves because they would be more assured than when bank personnel came to their doors. About 30% held no preferences.

Membership in Self-Help Group and Cooperative: All but one was part of the community self-help groups, and knew all other members before joining the group. About 3 in 4 said they were a member at a cooperative.

Performance of enterprises after joining any FIs: Half of 34 women believed their enterprise had been performing somewhat better after they joined the cooperative or self-help group, whereas 1 in 4 believe their business had not grown and they did not note any progress—however,nearly 7 in 10 women said they invested a part of their profit in the business. More than 9 in 10 women aspired to grow their business and said their family members supported them in the pursuits.

Goods and Services of Enterprises: Demand of almost all the goods that were produced by these enterprises varied from "high" to "very high," and demand of some goods soared during specific seasons. They also said that a substantial number of wholesalers, from whom they bought raw materials would never give them the required raw materials on credit, mainly because these wholesalers were from across the border.

Physical location of FI matters: About 3 in 4 surveyed women entrepreneurs had been to financial institutions—cooperative, bank, or Life Insurance Companies (LICs) company among others—at some point in their lives, even if they did not have an account. Nearly all women said they would make an account in the bank if the bank was in their villages. Among the total respondents, three-fourth said they would still make an account in a bank if a person from the bank came to periodically provide services. However, nearly all of the respondents said that a physical presence— office, officers, buildings— increased their confidence in the institutions.

Gender Dynamics at FIs: About 90% said that officials at the financial institutions were mostly men, and the same percentage of women said that they would love to see more female officers in institutions as that would make them more comfortable.

Interest rates at FIs: About 51% of women took some form of loans from financial institutions, self-help groups, or money lenders at some point during the operation of their enterprises. The interest rates of these loans varied from 6% p.a. to about 48% p.a. The interest rates were cheaper for members of self-help groups, whereas loans from cooperatives and money lenders were expensive. In some cases, loans were taken but never paid back.

Repayment of loans: Nearly half of the women said they had successfully repaid all previous loans, whereas 2 in 5 women said they had outstanding loans. Three in four were confident that if they borrowed a new loan, they could pay it back, and nearly 1 in 5 said they could also repay the loans if they were provided some guidance.

Obstacles to the enterprises' growth: Some of the main obstacles that women said that hindered their business were nature of their job, which was physically taxing such as in the case of riverbed farming, age, labor unavailability, lack of capital and access to affordable credit, huge time investment with no assurance for returns, lack of long-term skill-based training, lack of business management skills, self-doubts, lack of experience in some professions, which counted as a liability (for example, tailoring), lack of market in the region, and other parallel problems such as health, and family issues.

Women's demand from FIs: Women generally wished their financial service providers to provide credits at low interest rates, training, and business management lessons. About 60% of women were also interested in insurance services for their goods.

Need for non-financial services: All women thought that regular training and lessons on business management could help them become better entrepreneurs; more than half of them said that they did not know of any Financial Institutions or NGOs/INGOs that provided such trainings or conducted workshops for it. About 94% of women said they could have better managed their financial past. Half of the interviewed women said that they had received some sorts of literacy classes from financial institutions or NGOs/INGOs. As for trainings, about 6 in 10 women said trainings were effective, about 2 in 10 said "somewhat effective," whereas 2 in 10 said they were not helpful. About 3 in 5 said that "lack of finance" was a substantial reason in their enterprise life, and 2 in 5 said that it was the main reason that made them almost quit their business. Almost all said they were interested in complementary services such as financial management or business advisory lessons if their financial institutions provided that.

Inspiration and Incentive: Nearly half of the women had not heard of any success stories of women who started modest but later became successful and rich. All but one said they would love to meet such successful entrepreneurs. Similarly, nearly all women said that a cash prize or an award for better-performing entrepreneurs would incentivize them to work harder.

Qualitative Analysis

Patriarchy: Patriarchy is pervasive in rural areas. This was apparent when male members were protective and required us to explain why we were interviewing their women relatives; women, in such cases, were generally silent and spoke little in front of the male members of their families. This patriarchy extended to the work domain as well; women pursued activities that would enable them to stay closer to their homes, such as bangle-making, animal husbandry, and tailoring occupations, or working in nearby farms with other women workers. Fewer women pursued labor-intensive occupation such as riverbed farming that required going away from homes. Most of these jobs, including the ones that allowed them to stay closer, were seasonal, meaning that these women had to rely on more conventional jobs such as animal-farming, which again required to stay closer to homes. Such conventional jobs did not help them to earn much, creating a dependency on males, who were either invested fully in agriculture, or were abroad, or pursued activities that allowed maximum mobility. Even in families that appeared less patriarchal, females seemed dependent on males. Since males already earned money for the family, women considered their profession as a supplement, and did not seem interested to expand their businesses. In other words, they were content with their performance, and a growth mindset lagged. Women in families that were poor were wanting to expand their businesses but they had various limitations.

Trainings: These women received skills-based trainings but many women said that the trainings were for a short-period of time and did not provide concrete learning. Women also said that some trainings were only conducted for a day, and not much follow-ups were not done after that. Some said that they were given various trainings but they were not facilitated to specialize in one.

1. Limited working-skill sets: In some cases, the range of skills that women learned was limited. Although trainings have enabled many women to learn new skills, join new work forces, and even earn money, it has not been able to provide a sustained and secure source of income because of limited skill areas covered. Lalita BK, for example, narrated how she was already four months into opening her tailoring shop in a road side area in Badhara Mirchaiya village , and her enterprise was performing well. She was making profit but her customer base was limited. She wanted to widen her skills in tailoring so that she could also widen her customer base.

2. Opportunity costs of new skills: Some women, even after receiving skills-based trainings in new areas that could potentially help them earn more, were not pursuing those occupations. For many rural people, the option of switching to new jobs accompanied doubts, fear, and uncertainty as they were confused and ill-equipped to pursue next steps, which included identification of customer segments, procurement of raw materials, production, and marketing of goods they produced. For example, in cases of women micro-entrepreneurs in Pokharvinda, there were many challenges that deterred them from starting *muda-making* business. Even when their starting capital was met by a governmental agency during the phase, they did not start the enterprise but resorted to a more secure and conventional pursuit such as cow rearing. They cited the lack of bamboo-sellers in the areas (procurement of raw materials) and being away from market areas (customers' identification) as major problems.

3. Unsuitable training: Women riverbed farmers in Baderwa said that riverbed farming was a labor intensive activity and needed male laborers to dig trench of about 5'6". However, because of lack of laborers in the region—due to high male emigration—they were unable to pursue the occupation. Riverbed farming—a seasonal occupation—required time and caring, and needed women to move near riverbeds to farm. Women struggled to commit enough time. Moreover, the riverbeds in which they farmed were not their own, and hence conflicts were frequent. Most women said that they would pursue another secure activity if they were provided another skill-based training.

Domestic Obligations: Many women had domestic obligations, such as taking care of children and elderly, that prevented them to work full-time on their enterprises, hindering their growth.

Access to Finance. Access to finance was a substantial problem for many women micro-entrepreneurs in the district. But it was not the main problem that hindered their upward mobility. Cheaper credits and collateral free loans were easily available in many cases. As per the official definition, one of the criteria to be a micro-entrepreneur is that one needs to have a fixed capital of or equal to NRs. 500,000. Most of these women's needs were in tens of thousands than hundreds of thousands. Generally, formal financial institutions require individuals to submit collateral for anything above NRs. 100,000. So, the collateral and barriers to assessing such collaterals such as ownership of lands and other equities were not of major concern for these women micro-entrepreneurs. However, there were also cases where women were completely cut-off from the formal financial institutions. Likewise, most of them were trained when they were already above 35 years old and were not interested to enhance their enterprise, and had a mindset of settling down or working just enough to make the same level of living. Hence, despite the availability of finance, lack of motivation was one of the reasons that prevented women to expand their business.

1. High Interest Rate: In some cases, there was a genuine lack of finance and capital problem. Women had insufficient capital in their business. Women mainly cited high interest rates—sometimes as high as 36% p.a. and 48% p.a.—as reasons that they were not taking credits at all or taking with a reluctance.

2. Lack of formal institutions: Similarly, there were also women who had no bank accounts at formal financial institutions such as banks or cooperatives. They either asked for credits with people in their villages or from self-help groups (SHGs). Every village had one or more than one SHGs. Such SHGs had been established mainly through external interventions; often some social workers had informed women about the benefits of SHGs and had helped them set up the initial framework. Guidelines were made and various posts were divided among interested members. The average size of such group was 20, and sometimes these groups were made on various occupational lines. For example, in one village, there were two SHGS: one SHG for soap-making and one for bangle-making women micro-entrepreneurs. The rules were set-up by the groups, and the members would convene regularly at someone's house. SHGs had provisions for both depositing money and giving credits. The interest rate for micro-credits asked by members were cheaper than the interest rate of micro-credits asked by non-members.

In most deprived cases, women also had no access to such SHGs, such as a case of one Dalit woman in Baderwa who borrowed loans from money lenders at interest of 3% per month, or 36% per annum.

There was a lack of formal financial institutions in the region. The branches of some commercial banks were only in urban areas such as Lahan or Mirchaiya. Some cooperatives operated without registration, and there have been incidents where unregulated cooperatives ran away with all the savings and deposits, shared the women in Siraha.

3. Not much processing difficulties: Most women did not have accounts at banks but they had been to such formal institutions. They did not demonstrate that they had difficulty while at banks. Most of them said that they did not encounter any problem and that they knew what they were there for, and that they were well facilitated by bank officers. Moreover, for many women, such financial institutions' experience was a break from their labor-intensive lives. For many middle-aged women, going to banks symbolized an upward mobility, and hence they did not notice or perceive any bureaucratic inefficiency, slowness, or getting lost for a while in the office as problems. For them, getting services was important than getting qualitative services.

Group dynamics and financial services: Group dynamics were strong in all the villages visited during the study. Most of the women micro-entrepreneurs interviewed lived in the villages, away from the black-topped roads in villages. These women were part of various self-help groups and met regularly. They would undertake any decision in the group. When we asked a woman, who worked as river-bed farmer in Baderwa that if there were a risk-mitigating service, such as an insurance service for watermelon for seasonal fluctuation of the produce, would she take the service? She said she liked the concept and she would enroll if women from her group also joined. Such group dynamics was a recurring theme elsewhere too.

Male dependency: In some cases, when women sought credits from banks or cooperatives, they were required to be accompanied by male members from their families. In some extreme cases, such as a case where a woman's husband eloped with another woman, the bank still required the eloped husband's citizenship copy.

Fear that FIs would run away: Because of multiple incidences in the region where cooperatives reportedly ran with all savings, a substantial number of women micro-entrepreneurs were cautious that the FIs would run away.

Lack of clear information. Most women had no clear distinction between various financial institutions, particularly between self-help groups and cooperatives. They also did not know about various commercial banks, and had a perception that it required huge sum of money to open a bank account in a renowned bank.

VI. Case Studies and Best Practices

Amartha (Indonesia)

Amartha provides financial services to micro and small business through a peer-to-peer lending business model in rural areas in Indonesia. Peer-to-peer model ensures a continuous availability of funds from an ever increasing pool of registered investors. More borrowers are able to ask for more loans. Amartha targets working age mothers with dependents. It bypasses villages that have been served by other financial institutions. Through a demographic survey and market validation in areas not served by conventional banking systems, it comes up with a list of eligible borrowers. It then divides eligible borrowers into various groups and provide them with finance-related coaching. Amartha uses its own personal credit scoring, a unique model, to analyze unbanked financial transactions to measure the creditworthiness of an applicant. As financial transactions' histories do not exist among unbanked, the new approach to measure creditworthiness blends demographic profiling and psychometric tests to model risks and determine the probability of repayment.

Amartha's vision to increase access to finance by being an informal bridge between lenders and borrowers is already paying off. So far, it has more than 5,000 investors registered in its system. Around 90% of borrowers receive funding within a day. Investors usually get 15-17% return.

Tailor-made financial products for women

In developed and emerging economies, financial institutions have been working to provide tailored products to suit women's needs.

- Wells Fargo provides customized products and solutions for women entrepreneurs. The Women Business Services Program that Wells Fargo launched recently provides outreach and education to help women business owners to increase access to various financial services.
- Westpac Banking Corporation, similarly, is committed to providing products tailored to women's needs. It's focus on women is "embedded into all existing segments, delivery models, products, and organizational structure." Similarly, it conducts regular training across the bank to lift the standards of service to women.
- American Express, through its OPEN program, enables women-owned enterprises to access a range of cards that help them manage their daily business activities. In addition, the corporation has been working actively to promote women entrepreneurs access to governmental contracts, which is a traditionally male-dominated area.

Likewise, there are many examples of financial institutions in emerging economies, which provides women tailored products.

- DFCU Bank in Uganda created the “Women in Business (WIB)” as a part of its SME business strategy plan. It provides “land loan” to women by which women can buy land, which later can be used as collateral for business loans. Similarly, it has also promoted partnerships among its clients through an investment club—a formal form of community savings. The funds from the club is used for future business investments.
- Similar to DFCU Bank, Rawbank in Democratic Republic of Congo, launched its “Women in Business” program. The bank has eased collateral requirements to spur more lending to women entrepreneurs.
- SME Bank in Malaysia provides customized financial products for women in manufacturing and tourism fields. Depending on size and development stage of women enterprises, the bank provides tailored packages.
- Similarly, Garanti Bank in Turkey provides special project loans for women-owned SMEs.

Non-financial services

In addition to providing customized financial services to women entrepreneurs, financial institutions are also focusing more on non-financial services.

Wells Fargo collaborates with women’s organizations to reach women-run businesses and provide clients with research, financial solutions, and business advice resources. It regularly conducts training and networking opportunities through workshops and seminars. In addition to this, it organizes “trailblazer” awards to recognize the business achievements and leadership of women entrepreneurs.

- American Express, through its OPEN online platform, provides innovative tools and insights to help women entrepreneurs monitor everyday operations, from advertisement to payment. Westpac Banking Corporation, likewise, teams up with various organizations to provide business management trainings and to enhance capacity of women. It conducts educational seminars to inform women entrepreneurs about financial innovative tools and organizes networking events to foster collaboration.
- DFCU bank provides financial awareness training and business management trainings to women entrepreneur.

- SME Bank has an incubation system via which it provides financing, entrepreneurial guidance, and training to women entrepreneurs so as to enhance their business skills and grow their business. It also assists clients in marketing and promoting products.
- RawBank provides a legal advice desk assistance through its RawConseil service. The service assists entrepreneurs with registration of business and navigating through difficult business environment processes.
- Garanti Bank collaborates with local universities in providing business and financial management training to women entrepreneurs. It also sponsors awards such as “Woman Entrepreneur of the Year” in collaboration with Turkey Women Business Association.

VII. Policy Recommendations

Entrepreneurs, on the basis of capital of their enterprises, can be categorized as large, medium, small, and micro-entrepreneurs. Through this research, we aimed to understand the financial needs of micro-entrepreneurs. However, even in the micro-entrepreneurs’ category, we found a range of micro-entrepreneurs. In this range, most of them were at the struggling end, unable to even pursue their enterprises freely, whereas very few were able to fully pursue their enterprises. In some cases, some women had dropped their new occupation, for which they had received trainings, and had resorted back to working as daily-wage laborers or working at homes, rearing cows and buffaloes—a secured traditional income-generating activity. Most of these women were uneducated and could not read. Their problems were fundamental and mostly centered towards career ambiguity. Unless these fundamental problems are addressed, women shall be unable to advance their enterprises, and think about means (such as various financial services) that can help them expand their enterprises. Following recommendations are presented keeping in mind the population of women in Siraha and across the country who have just received trainings, are poor, uneducated, but desire to expand their businesses. These recommendations serve to contribute to creating an enabling environment, where women can become more resilient entrepreneurs.

1. Provide apt trainings: Whereas some trainings are given based on the geography and local expertise, it is also necessary to understand the changing context of such places. For example, riverbed farming may not be apt when floods are too often. In Siraha’s Baderwa, where river-bed farming is pursued, along with the danger of flood, there is also lack of daily-wage laborers in the village. In such places where historically deprived poor populations live, it is necessary to provide trainings that inherently come with less hassles and are technical, and whose success mostly relies on the entrepreneurs' command over the technicalities. One example could be tailoring.

2. Provide a wide breadth of training in specific sector for a longer period of time: Even within tailoring, for example, a specific skill can only help to make specific type of clothes. A woman micro-entrepreneur adept in a wide range of skills within tailoring can earn more than when she has limited skills.

NGOs, INGOs, or governmental agencies that are planning to train such women, after the consultation with these women, should focus on providing one specific and apt training for longer period of time rather than providing various trainings for shorter periods of time. Such organizations should sit with local women populations and help them think through the kinds of occupation they want to pursue, which occupations are relevant to them, and for which occupations they could contribute substantial amount of time.

Also, close coordination with various local organizations in multiple stages could yield more productive results. For example, in one case, a woman said she had received training from the Mahila Bikash Karyalay (Women Development Office) and later the Red Cross group provided her with loans to operate bangles-making work. A local organization may not have the capacity to prepare women to be entrepreneurs. In such a context, these organizations can team with other organizations and share their expertise at various stages in preparing women to becoming resilient entrepreneurs.

3. Increase Access to Finance: Many women are in various self-help community groups that are usually informal. In many cases, women borrow from moneylenders at exorbitant rates. Presence of financial institutions such as cooperatives and micro-finance development banks can increase their access to more formal funds.

4. Physical Presence of FIs: Because of various cases of cooperatives running away with all savings, there has been a negative perception of FIs, and more so of FIs which provide door-to-door services. People said they would be more comfortable and would open an account at an institution which had a physical presence in their vicinity.

5. Provide credits at lower-interest rates: Many women said that the credits that they received from various places, including self-help groups, had higher interest rates. Banks or cooperatives must come with schemes that understand the sensitivity of these populations.

6. Bank-insurances: Many women pursued animal husbandry or were involved in the line of enterprise where goods produced were degradable. Given the vulnerabilities and risks, if there were a risk-mitigating system, it would provide confidence to women to pursue the enterprise. For example, riverbed farming is a labor-intensive work. If an unpredictable event such as flood comes, which is increasingly occurring in the Terai, and even more in riverbed areas, the entrepreneurs' hard work may be swept away. Such risks also extend to animal husbandry and mushroom-farming sectors. Goods insurance can help mitigate risks in such cases. Government can work as insurer if financial institutions are concerned about the nature of goods produced when extending credits.

7. Loans for Skill-Enhancement: Many women entrepreneurs wished to learn more diverse range of skills within their job so that they would be able to attract a broader customer range. However, they did not have much capital resources. In such cases, if there were a financial product specifically tailored to growth-oriented women micro-entrepreneurs to learn further skills, and if enough advertisement was done of such a scheme, many women entrepreneurs are likely to enroll for such products. With additional skills, women shall be able to earn more and pay loans in time.

8. Financial literacy: There was a huge gap in financial literacy. Many women did not have a clear understanding between self-help groups, cooperatives, Class D banks, and Class A, B, C banks. Furthermore, many of them were not aware of credit and saving services. Many of the surveyed women were uneducated and illiterate. In such areas, more financial literacy class can help women be more financially active.

9. Female officer: Majority of women cited that they would be comfortable talking to women officers. In most of the financial institutions that the surveyed women had visited they reported finding most bank staff to be men. Though there were hardly any cases where they felt intimidated by male presence, they, however, pointed that talking to women would be easier.

10. Non-financial services: Non-financial services will work as a great incentive in places such as Siraha and among the severely marginalized populations. The problem here is not so much about access to finance, as it is about the obstacles to starting an enterprise. If a financial institution is successful in providing a strong support system when an enterprise is opened, it will most likely reap benefits once the enterprise starts making profits.

Trainings: Trainings can be one of the many complimentary services that the financial institutions can provide. In fact, there are many cooperatives that provide various trainings. But the approach, however, seems to be that the trainings are done just for the sake of doing them to fulfill their obligations. Various trainings are provided but not in a customized way. Because of no follow-ups in a particular training, women learn something about every training but not enough to carry it further, which has created a short-term career ambiguity.

Women's success stories: The interviewed women,had a strong group dynamic which was made apparent from positive responses to the following and similar questions, such as: would you prefer to go to market with friends or alone? and remarks such as I would enroll in this service if women from my group also enroll. Another interesting finding was that majority of women had not heard about any women's success stories from rags to riches, giving up on their hope in many cases, but they were interested to hear more and partake in any local event, where they get to see these women entrepreneurs.

Hence, while launching any new schemes or products, if financial institutions can appeal to a group, it can automatically appeal to individuals within the group. In relation to success stories, financial institutions should organize inspirational meet-up events regularly.

Exploration of Markets: Market is a necessary venue for entrepreneurs to display their products. While in many cases, the products produced by women entrepreneurs had high demand in their areas (for example, bangles being sold within the village in Makhanaha village, and water-melon being sold in summer season in haat baazar), they, however, did not know market beyond their local places. This created a complacency. If they knew more about demands outside and also about better payoffs, then it is likely that they would put more efforts into their enterprises.

In other extreme cases, women had no idea where to find market for their goods. For example, women in Pokharvinda did not know where to sell their *Mudas* if they made one. Cooperatives and other local FIs, if they can help them with such technicalities, it may help and inspire women to work harder.

Incentivize: Majority of women said that they would work even harder if there were a prize to recognize the efforts of women micro-entrepreneurs. Although the government at the central level has such practices, such prizes and incentive programs also need to be further decentralized, and these women entrepreneurs should be made aware of such programs.

11. Encourage micro-entrepreneurs to team up: Women micro-entrepreneurs, in many cases, demonstrated their problems to be lack of capital and lack of labor. If women team up in a group, these problems may be solved. If women come under one organization, as few Muslim women in Pokharvinda did, it will be easier for them to get more loans at cheaper rates from commercial banks without the need of collateral. Furthermore, women can further specialize in many areas within the field over time, increasing efficiency and increasing output. Working in a team may help grow sooner than working individually.

12. Use of mobiles in dispensing information: Majority of women had mobiles and even though a substantial number of them could not read or respond to the texts, their immediate family members could. Mobiles could be a medium, at this stage when sophisticated payment systems have not been made, to use as a medium of information to inform them about price changes and adopting ways to improve their enterprise.

VIII. Conclusion

Not enough research has been done on the needs of extreme poor micro-entrepreneurs, who have been trained as a part of project to take them out of extreme poverty. The challenges faced by these micro-entrepreneurs, and especially women among them, are different from a seasoned micro-entrepreneur with a growth mindset. We found that struggling women micro-entrepreneurs in Siraha faced various challenges in addition to the lack of access to finance. However, low of access to finance was not an immediate problem. Many women were confused and unhappy with the training they received. Many wished for a different training or the same skills-based training for a longer period of time that covered broader skill-sets. Various other inhibiting factors such as health, culture, limited mobility, and domestic obligations also prevented them to pursue their enterprise full-time. Many women also complained about higher interest rates that they received from financial institutions. Financial institutions, desiring social and economic change, must focus more on non-financial services such as training and business management lessons to support these entrepreneurs in addition to launching products such as cheaper credit rates and products insurance that take into account the vulnerability of this poorest among the poor segment.

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