

Financial institutions and women's access to credit: Implications on women's empowerment, collectives and natural resource management

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Key highlights

1. Financial institutions, through micro credit and creation of Self-Help groups (SHGs) have no doubt helped the micro-credit recipient women and their families in numerous monetary and material ways.
 2. The lending model adopted by the local financial institution has limited empowerment components, rather they are more focused on their sustainability by increasing clients.
 3. There is increasing pressure from the loan recovery agents on women, due to which many women fall victims of domestic violence.
 4. In its most ugly form, financial institutions and micro-credit programmes have fractured the very notion of women's social cohesion and solidarity.
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Abstract

Social and gender norms influence, if not shape, women's economic sufficiency and empowerment. Ignoring social and gender norms have resulted in conflict in households and communities, often leading to changes in the intra-household and community dynamics. This has led to negative implications, especially for women, the poor and the marginalised. Importantly, this has resulted in the failure of well-intended efforts towards sustainable management of natural resources, women's economic empowerment and in addressing the adverse impacts of changing climatic conditions. Financial institutions, despite their good intent, have played an integral role in perpetuating such consequences. The paper highlights that women's easy access to financial institutions at the local level have had adverse impacts on their time, well-being, solidarity and the sustainable management of natural resources. It explores the uneasy negotiations at households, and between financial institutions and women's groups for loan repayments, how women and men use financial services, and their impacts on the notion of women's solidarity and sufficiency. The study takes the support of examples of impacts on women's condition and position from women-led financial circuits, gathered from secondary literature and empirical evidence from Nibuwa-

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Tankhuwa Watershed Management Plan in Dhankuta, Nepal. It highlights lessons on whether these institutions can synergise the adaptation measures of the local communities, suggesting areas of opportunity for gender mainstreaming within institutions to increase women's positions through women-led financial circuits.

Keywords: climate change, Dhankuta, financial institutions, micro finance, well-being, women's solidarity

1. Introduction

Financial institutions² have been playing a significant role in the development field for decades. The role of these institutions expanded further into the realm of equality and empowerment, particularly with the advent of microfinance. Microfinance³ began as a grassroots movement in the 1970s (Pomeranz, 2014). With the main aim of reducing poverty, they provide small loans to the poor people, enabling them to pursue self-employment projects that generate income to support themselves and their families (Suprabha, 2014; Kumar, 2017; Saeed et al., 2018, p. 247; Khan et al., 2023). Microfinance programs have evolved over the decades to include aspects of empowerment, in addition to their initial goals of reducing poverty and income inequality. The evolution was spearheaded by the Grameen Bank micro finance schemes, initiated by Dr. Muhammad Yunus, Founder of the Grameen Bank, Bangladesh, with the main objective of empowering the poor (Saeed et al., 2018). The Grameen Bank in Bangladesh initiated group-lending without collateral to the poor, "where the loans were guaranteed through joint liability, creating less oversight and lower monitoring costs for lending institutions" (Alam et al., 2021, p. 3).

Microfinance quickly gained popularity since it offered solutions to income inequality and poverty, while creating a "win-win situation for both borrowers and lenders" (Pomeranz, 2014, p. 7). The approach ensured borrowers' access to loans to generate income, eventually lifting them out of poverty. Simultaneously, lending organisations benefited with high returns "since the market was largely undeserved, and borrowers were willing to pay high rates of interest", eventually piquing the interest of the financial market (Pomeranz, 2014, p. 7). In alignment with the approach introduced by Grameen Bank, Bangladesh, soon other financial institutions (e.g., banks, non-governmental organisations [NGOs], and rural support programs, etc.) started micro-financing programs, where the majority of the microfinance credit schemes were targeted to women, who in general, had less access to financial services and credit. Thus, as most studies show, access to credit would empower women in two ways: firstly, by helping them generate income to attain economic independence in the household, eventually increasing their bargaining power, and secondly, by increasing their self-esteem and confidence, leading to their overall empowerment. The concept of empowerment extends beyond the economic realm to include social aspects such as engagement in decision-

² Financial institutions (FI) are entities that deal with finances and offer a range of financial services to individuals and businesses. There are various types of FIs: banks; non-banking FIs such as non-governmental organisations, support programs; thrift institutions also known as saving and loan associations, like the saving and credit groups; insurance companies.

³ Microfinance is financial programs targeting individuals and groups who lack access to conventional banking and credit services. Microfinance services are designed to reach excluded groups who are usually poor, marginalised and/or from geographically isolated areas. It provides them small loans, saving and checking accounts, and microinsurance (Maanen, 2004).

making, especially in regard to access and control over natural resources.⁴

In Nepal, there are several examples where female members of microfinance institutions (MFIs) have gained confidence and made decisions independently. For example: Giulia Daelli (2018), in her study comparing 600 women who were part of MFIs and not a part of MFIs (control group) from the Far-Western region of Nepal, highlighted that microfinance had a positive impact on the women's lives by increasing their confidence and comfort to talk to strangers and officials, and take decisions on family matters such as education, household expenses and acquisition of household assets. Similar experiences are shared across several microfinance institutions in Nepal, where leadership within these MFIs has contributed to self-confidence of women (Karmacharya, 2021; Ranabhat and Dhungana, 2021; Bhandari, 2022; Joshi, 2023).

Thus, targeting women would not only reduce poverty but also advance gender equity. Apart from the above, financial institutions target women for two other reasons: first, women can organise better as a group and second, they are more likely to repay the loan (Pomeranz, 2014, p. 5). This model of group lending by most financial institutions – government, non-governmental and private – has become popular in all the countries in South Asia. In Nepal, the earliest initiatives of microfinance date to the 1960s (Kayastha, 2013), even before the 1970s (Pomeranz, 2014) when the cooperatives were established for agriculture credit (Kayastha, 2013). However, after the 1990s, when the Regional Rural Development Banks were established, the cooperatives became the first vehicle of microfinancing in Nepal, and it was based on the model of Grameen Bank methodology (Kayastha, 2013; Lamichhane and Lama, 2023). Since then, there have been several modalities of microfinance institutions operating in Nepal that range from small farmer's cooperatives (community-based) to savings and credit cooperatives (commercial-based) (Kayastha, 2013).

It has a win-win situation: women can access credit without collateral, while the financial institutions are assured of returns as women are considered to be more diligent in loan repayment. Since the loan is given to the group, there is group pressure on each woman to not default. In this way, the financial institutions did not have to bear additional transactional cost in monitoring, as the women inadvertently did this for them (Chowdhury, 2017). For the women, another significant "win" was group formation or solidarity building. Since the loans were provided to groups, women organised themselves into groups to access them which brought about several advantages, such as, exchange of ideas and practices, reliance on each other for problem solving and decision making (Swain, 2007; Jain, 2020), reduction of their economic and social dependency, improved bargaining power with their employer, and addressing their immediate needs including domestic violence (Jain and Jain, 2012; Adhikari and Shrestha, 2013; Panda, 2014; Dhungana, 2017).

2. Financial institutions and women's solidarity in the region

With the starting of microfinance programs, women's groups have mushroomed in South Asia since the 1980s, particularly with the aim of women's economic empowerment. These women's groups thus formed are commonly termed as Self-Help groups (SHGs). SHG are defined as groups of

⁴ Women's empowerment refers to the process of increasing women's access to control over the strategic life choices that affect them and access to the opportunities that allow them fully to realise their capacities. Women's empowerment as an economic, political, and sociocultural process challenges the system of sexual stratification that has resulted in women's subordination and marginalisation in order to improve women's quality of life (Chen and Tanaka, 2014).

individuals from a community, voluntarily convening with a common purpose (Brody et al., 2015). For this paper, SHGs are understood as “mutual assistance organisations through which individuals undertake collective action with a primary goal of improving their own lives” (Gugerty et al., 2019, p. 3). Most of these SHGs were initiated by development programmes and projects (governmental and non-governmental), with the main objective of providing women with access to credit for their subsistence needs or for income-generating activities. These programs most often added other schemes and activities such as group monitoring to meet saving goals, vocational and skill building training, (adult) educational programs, leadership training, information on government programs, and peer interaction and discussions. However, the core of the SHGs was/is financial component, comprising of regular savings from the group members from which they could borrow, and “as a history of savings and repayments is established, the SHG will link members to formal financial institutions that provide either individual or group-based funds at low interest rates” (Zahra et al., 2022, p. 3).

Although SHGs are formed for savings and credit, they often extend to take up various forms for other kinds of collective activities – from social issues to agriculture, water etc. related issues (Brody et al., 2015; Greaney et al., 2016; Gugert et al. 2019). It is this aspect of SHGs that have strengthened women’s solidarity to quite an extent in the region. Women in the groups found peer support within their groups, leading to the creation of social capital (Putnam et al., 1992) and improved bargaining power in their households (Holvoet, 2005; Reddy and Manak, 2005; Anderson and Moene, 2009; Deininger and Liu, 2009; Bhoj and Kumar, 2013; Desai and Joshi, 2014; Brody et al. 2015; Khan and Khan, 2016; Dhungana, 2017; Deshpande and Khanna, 2021; Kumar et al., 2021) and community (Holvoet, 2005; Deininger and Liu, 2009; Desai and Joshi, 2014; Khan and Khan, 2016; Dhungana, 2017). Further, evidence on women’s ability to pursue topics of interest and benefits to themselves and their peers in higher government is also found (Desai and Joshi, 2014; Dhungana, 2017; Joshi and Rao, 2018). However, on the issue of “sexual, physical, or emotional violence experienced by women at home or in public” Javed et al. (2022, p. 8) in their review of SHGs and women’s participation and empowerment in South Asia report that there is “no consistent evidence across studies” to indicate any impacts – positive or negative – of SHGs’ and women’s solidarity. The study further elaborates that “SHG programs do not significantly affect acceptability or attitudes toward reporting violence against women to local authorities, norms and aspirations, or self-perception”. However, there are some studies that report that SHGs often intervened to restrain domestic violence (Kelkar et al., 2004). There are also numerous anecdotal references from India and Nepal of women’s SHG’s coming together to defend their members from domestic violence particularly from drunk husbands (Jain and Jain, 2012; Panda, 2014).

However, there are strong and compelling critiques of microfinance programmes and financial institutions on women’s solidarity from a feminist perspective. A major critique is that neoliberal agenda is being pushed through these programmes (Iserlees, 2003; Johnson, 2009) and that it has made women into “clients responsible for themselves and their families” (Rankin, 2001, p. 20). Although women’s empowerment was cited as the main objective of these programmes, the financial institutions prefer women as their loan recipients since they are more likely to repay the loans and would be easier to locate for repayment unlike men who move out more, are harder to locate and could also be aggressive (Goetz and Sen Gupta, 1996). Furthermore, using the group lending model meant the use of peer pressure to ensure repayment. As pointed out by Rankin

(2002, pp. 11-12), financial institutions used women's solidarity groups not to raise awareness of gender oppression and social change, but rather to reduce their transaction costs and ensure repayment. In fact, this process weakened women's solidarity as it created a fissure among the women members as each tried to police the other.

3. Background of the study area

The field insights presented in this paper are information that was gathered and validated at different stages in drafting and operationalising the Nibuwa-Tankhuwa (NT) Watershed Management Plan, for Nibuwa-Tankhuwa located in the middle hills of eastern Nepal's Dhankuta District (ICIMOD, 2021). This was a participatory exercise carried out by Dhankuta Municipality, Chattar Jorpati Rural Municipality, and the International Center for Integrated Mountain Development (ICIMOD). It consists of 10 wards distributed across urban and rural pockets of the district within two municipalities – Dhankuta Municipality (eight wards) and Chattar Jorpati Rural Municipality (two wards).

In the context of the changing environment and its impacts on water resources within Dhankuta, the focus group discussions (FGDs) conducted across women and men's groups highlight an overwhelming increase in women's workload to manage home and agriculture productivity. The NT Watershed, as indeed the rest of Nepal, is characterised by unequal power relations between women and men. While women play a crucial role in all the rural livelihood streams, including agriculture and animal husbandry, they have very little decision-making power in institutions created to govern these livelihoods. The participation of women in the functioning of village and watershed level institutions including the Dhankuta Municipality, Forest User Groups and Water User Committees, was low compared to that of men. The shifts in climate, agriculture and land use, and water availability have exacerbated the precarity of the economically poor households in NT Watershed. Many of these households have turned to borrowing as a strategy to adapt to the income and livelihood disruptions caused by these shifts. As such, the micro-finance institutions (MFIs) have emerged as the most common source of credit in this region.

The data was gathered through FGDs with three women's groups and two mixed groups with representatives from different wards of both Dhankuta Municipality (Ward 1 to 8) and Chattar Jorpati Rural Municipality (Ward 1 and 2). In total 45 participants- 29 male and 16 female attended the FGDs. A total of seven in-depth interviews were conducted with different groups of women and men (including Dalit women, farmers, ward representatives, students). The larger purpose of the survey was to understand the social dynamics of the population, changing socio-cultural gender norms at household and community level related to water management for drinking and agriculture purposes. Several other participatory tools such as Key Informant Interviews (KII), Transect Walk, Crop Calendar, Daily Activity Schedule and Time Trend Analysis were used to capture the gender nuances.

4. Operationalisation of the financial institutions and impacts on women – insights from the field and beyond

Nibuwa - Tankhuwa Watershed

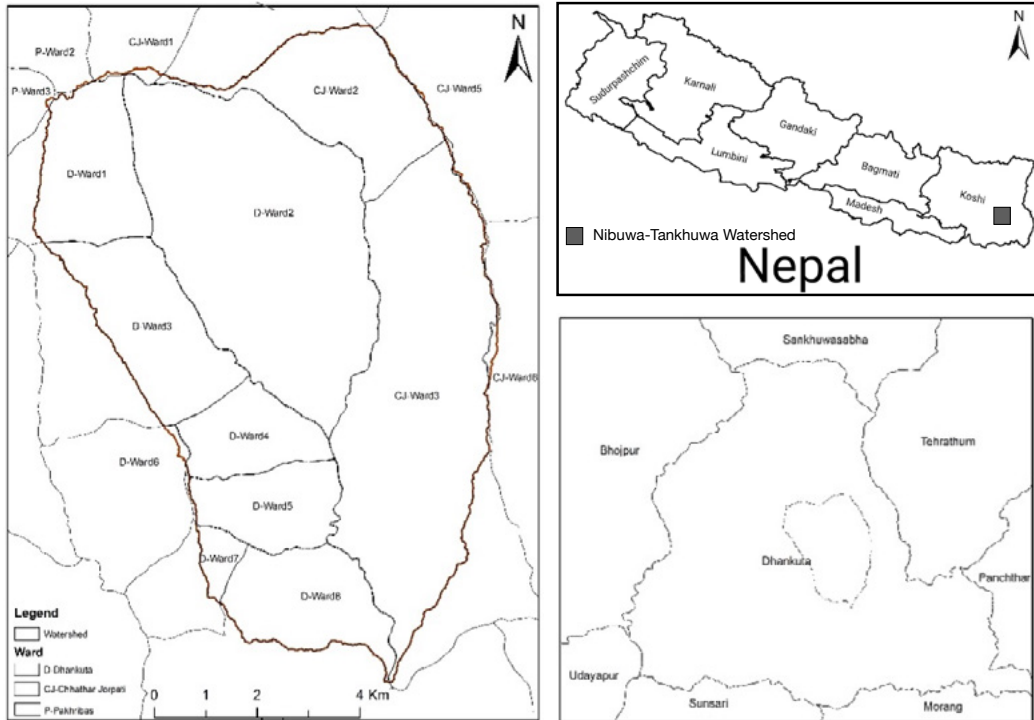


Figure 1: Map of Nibuwa-Tankhuwa Watershed

In Dhankuta Municipality, the increasing engagement of locals in commercial farming of high value crops such as vegetables, orange, avocado and orchids and small entrepreneurial activities such as shops can be attributed to the financial support received from the mushrooming of MFIs.

These institutions provide easy access to financial needs of the local communities, particularly to women, based on the assumption that they are more trustworthy clients and invest more on household health, education, and nutrition (Hansen et al., 2021). However, there are studies (Brickell et al., 2020; Hansen et al., 2021; Datta and Sahu, 2022) that highlight the positive impacts of microfinance, while also noting that they can have detrimental impacts on the economic conditions and empowerment especially of women borrowers.

The secondary data from the Dhankuta Municipality Profile 2018 highlight women’s land ownership in Dhankuta is higher compared to national statistics (19%) (Mishra and Sam, 2016). About 38% of women in the watershed area have land ownership. In addition, while the Constitutional Amendments (of 2002 and 2007) have promoted women’s entitlement to land rights, the out-migration of male members for longer duration have also increased the likelihood for women to own land (Chapagain, 2015). Consequently, women are more engaged in commercial farming and

assume better control over land resources, and decision-making on financial and non-financial matters (such as decisions on investment for financial gains and child education). Further, the sex-disaggregated data of Dhankuta Municipality reveal that female-headed households have higher annual income as compared to male-headed households, which is attributed to the high rate of male out-migration. Given the increasing number of women with land ownership, microfinance institutions find it much more secure to provide loans to these women's groups, as the women borrowers have property entitlements that guarantees a stronger security than social collateral (Geleta, 2016). The micro-credit institutions have provided financial assistance to more than 63% of the total households in the study area. A majority of households borrow loans from these micro-finance institutions and use them for multiple purposes such as meeting household expenditure, commercial agriculture, health needs, and sending family members abroad. In our study area, there is a significant proportion of women who use the micro-finance loans for sending their family members abroad for foreign employment and higher education. Thus, such short-term easy access to loan facilities has favourable economic outcomes for both male-headed and female headed households, which also align with the findings of several other studies by Al-Amin and Mamum (2022), Miled et al. (2022), Dhungana et al. (2023).

4.1. Implications on women's health and burden

There are significant literatures in Nepal that state women have multiple borrowing and often use these loans for consumption which is unproductive (Dhungana and Chapagain, 2019). A closer examination at the study area revealed that given the high interest rates from these local financial institutions, many women and their groups are unable to repay their loans on time and are considered defaulters. Eventually, the local financial institutions create enormous pressures on women borrowers by imposing coercive loan recovery tactics such as psychological threats, seizing their safety nets such as domestic assets, and livestock, increasing their mental stress, which is observed both empirically and in literature. Similar findings have been revealed in several studies from Bangladesh that documents how the lending institutions pressured women through various methods such as monitoring their behaviour, group pressure, public shaming, threats, coercion, oppression, etc, to ensure timely payment (Yaron, 1994; Morduch, 1998; Rahman, 1999; Khandker and Pitt, 2003; Parmar, 2003; Karim, 2011; Uddin, 2014). Similarly, citing testimonies from women borrowers from Pakistan, Khan and Khan (2016) and Islam et al. (2018) mention that despite microfinance's positive impacts on women's lives, the method of loan recovery and the misbehaviour of women officials on women borrowers create a negative impact.

The local women in the study area in Dhankuta Municipality reported that due to increasing pressure from the loan recovery agents, many women fall victim to domestic violence, perpetuated by disagreements and conflicts whenever discussions on monetary issues arise at home. Secondary data offer evidence highlighting that 18 cases of domestic violence, 39 cases of Intimate Partner Violence (IPV) against women, and three cases of sexual abuse were reported in the Dhankuta Municipality in 2018/19. The secondary data on IPV and domestic violence is consistent with what women shared about physical violence from their husbands. Some of the women highlighted that despite rising incidences of women's suicide, there is little effort paid to understand how these microfinance institutions create an environment for domestic violence and psychological problems among women. Given the situation of higher proportion of unemployment and poverty within Dhankuta Municipality (46% of households are considered poor) area, men are more indulged

in drinking alcohol, while women as loan borrowers solely shoulder the responsibility of loan repayment, leading to immense burden and stress on them. Unfortunately, in Dhankuta, the health care system does not provide psychological support where women can share their mental agonies of business failures and being a loan defaulter.

Studies in other areas of Nepal report on the elevated interest rates resulting in over-indebtedness, loan overdue, and lack of entrepreneurial programs leading to stress and burden for women (Pandey, 2010; Kayastha, 2013; Lamichhane and Lama, 2023). One of the common challenges for MFIs in Nepal is the misappropriation of the loans- the loans are handed over to money lenders, who exploit poor women with high interest rates, thus increasing the rate of defaulters and the stress on women (Lamichhane and Lama, 2023).

Similar experiences have been found in Bangladesh where women had to undergo stress for loan repayments, while managing their domestic chores, leading to double burden of labour and loan repayment (Yount et al., 2021). Thus, the transaction cost for the women is high in terms of their emotional, physical and psychological health. Such negative impact is due to the way the micro credit programmes have been strategised whereby they use various forms of shaming the woman to recover the credit. As Karim (2009, p. 10) writes “honour and shame codes act as the collateral of these loans. It is the honour of the family that is at stake, and which the woman represents. If the woman gets publicly shamed, the family is dishonoured”. In patriarchal societies like Bangladesh and Nepal, honour (of family) is held in the highest regard and considered to be safeguarded at all costs. In such cases when the woman of the family is shamed, it is often an unforgivable sin for the woman as she has brought shame to the family and marred its honour. Consequently, men, and often other women of the family, “punish” her with physical violence.

Additionally, the pressure of repayment has also led to women becoming members of several SHGs and programmes simultaneously so that they can use the credit/loan taken from one to pay for the other to maintain timely payments. This is seen across most countries in the region, such as Bangladesh, India, Nepal and Pakistan. For instance, in the study area in the Dhankuta Municipality, there are members of multiple saving groups, and many women are members of several of these simultaneously. This is a common practice where one loan is taken to pay the other. However, there are rules: a woman cannot hold secretary or president positions in different groups but can have membership status in multiple groups, meaning they can save and borrow from other groups at a single time. The local financial institutions need to monitor how the loan amount is utilised by the group. One of the respondents shared such practices are rampant and has led to failure of financial institutions. In other areas of Nepal too, there is a growing trend of multiple membership of women across different MFIs in Nepal, which poses a significant challenge to drawing women’s solidarity and collective action (Lamichhane and Lama, 2023). Similar cases have been reported from Bangladesh (Parmar, 2003; Karim, 2011; Khan, 2016). Thus, “Women are placed under enormous pressure to maintain existing modes of social relations, on which depend not only the high rates of loan repayments but also the survival of families” (Fernando, 1997, p. 152).

4.2. Implications on women’s solidarity

Women’s solidarity is another major negative implication evidenced and reported. Formation of SHGs for accessing credit from the financial institutions has been often heralded as a major boost

for women's social capital. However, reports from local women and their behaviour negates this. The group model of lending has been a successful strategy for financial institutions to manage risks and maintain financial sustainability by ensuring timely repayments, without necessitating extensive monitoring structures. This has been possible as group pressures help maintain credit discipline. However, this success of the financial institutions is often at the cost of women's solidarity. Women from the study area in Dhankuta Municipality reported how they are monitoring each other to ensure the other do not default the repayment. As a result, the primary motive for women is to join multiple groups to secure loan repayment. This often creates an environment of suspicion and tension amongst the members that then acts as an obstacle to their unity as a group to do any activity in true harmony and solidarity.

Moreover, MFIs do not prioritise group liability and building solidarity among women since their profit motives drive them to increase memberships and disburse loans (Sherpa, 2021; Lamichhane and Lama, 2023). This is compounded by Nepal's geographical restrictions and poor access to basic infrastructures in the remote mountainous regions, hence prompting MFIs to be clustered within geographical areas with easy access to roads and other basic facilities such as markets, education, electricity and others. Dhungana et al. (2023) also reiterates the same in his study further highlighting how that puts people with low incomes as soft targets for borrowing loans from privately owned MFIs. Empirical findings (Goetz and Sen Gupta, 1996; Rahman, 1999; 2019; Parmar, 2003; Ahmad, 2007; Karim, 2008; 2011) report similar impacts in Bangladesh, whereby, although microcredit programmes by financial institutions were supposed to build group solidarity, they generated tensions and strife among women members. Group borrowers would be engaged in surveillance and monitoring co-borrowers to ensure the other member does not default, which often led to daily strife amongst them (Karim, 2008, p. 17). Additionally, the families of the borrowers too were connected as the loans were mostly used for the family or often by the menfolk of the family. As such, it was not only the women but also the households and community that had become part of the surveillance mechanism. Consequently, such surveillance even led to mutual interference in households and families (Parmar, 2003). In Bangladesh, there are even evidences of women using women - richer women used poorer women as proxy member to avail credit: the poor woman would be the member of the SHG to take the loan and the rich woman used the loan in return for a fee to the poorer woman; if the rich woman defaulted, it was still the poor proxy member who was held accountable for non-payment (Karim, 2008).

Thus, in its most ugly form, financial institutions and microcredit programmes have fractured the very notion of women's social cohesion. As Rankin (2002) puts it, "Women's solidarity groups were similarly instrumentally used to reduce the transaction costs for the microcredit agencies rather than to raise consciousness of gender oppression and social change." Thus, many cases clearly show that MFIs operationalisation does "not correspond to building social solidarity and goodwill among targeted populations" (Karim, 2008, p. 9).

4.3. Implications on sustainable management of natural resources

At a time of rapid reduction and degradation of natural resources due to climatic and socio-economic changes, many organisations and government agencies resort to microcredit activities and programmes. This is done with dual aims of empowering women and addressing the adverse impacts of changing climatic conditions by providing loans to women's groups for activities related

to sustainable management of resources. At the time of getting loans, women put down on paper various projects that they would undertake with the loans. In Dhankuta Municipality, these projects range from vegetable farming, poultry farming, livestock farming and agriculture purposes such as avocado farming, and paddy farming among others. However, in reality, too often, what mattered more to the credit providing agencies was the maintenance of high recovery rates, and as a result of this pressure, loaning agencies seldom have the time to monitor what the borrowers do with the loans. Therefore, it was found that most of the borrowers use the money for individual purposes such as running small businesses, sending their family member- particularly male members of the family- for foreign employment, for weddings and other social or religious ceremonies, or even to repay other loans. There are similar cases within Nepal and across the region. Wijiesiri and Grimard (2019) highlight a case from Tanahun district of Nepal, where the lending model adopted by the local financial institution had limited empowerment components, rather they were more focused on their sustainability by increasing clients. Similar cases have been reported in Bangladesh by various studies where women take loans for activities related to empowerment, sustainable management of natural resources and to address impacts of climate change, but in reality, most of the money is utilised for other purposes (Ali and Hatta, 2012; Lázár et al., 2015; Banerjee and Jackson, 2017).

Furthermore, with the success and profitability of microcredit programmes to the lending organisations and the financial institutions due to high rate of loan recovery, there is a large number of such organisations and programmes. As a result, women are members of multiple SHGs and other such groups (Karim, 2008). This is evident in the Dhankuta Municipality too – most women were members of several groups. This means that women actually do not have enough time to carry out activities and projects that are beyond their individual interests. As such, the well-intentioned goals towards sustainable management of natural resources, women's economic empowerment and addressing the adverse impacts of changing climatic conditions are only on paper. In fact, these funds are diverted for individual purposes, which neither contribute to changing women's position nor in addressing the adverse impacts of climatic changes.

5. Conclusion

Financial institutions through the microfinance programs of NGOs and through SHGs have become a significant part of (rural) women's lives in the region. Karim (2008, p. 8) analyses that mushrooming of MFIs is much more evident in countries where there is a "lack of economic sovereignty", "absence or a weakening of progressive social movements" and where "the state has failed or has withdrawn from the welfare of its citizens, shifting that responsibility increasingly to private charities, corporations, and developmental NGOs". This analysis proves true looking at the current scenario in the region where MFIs through NGOs that are backed by international donor funds abound in countries like Bangladesh, Nepal, Pakistan and Sri Lanka. It is also true that MFIs have proven to have positive impacts on women in many cases and there are numerous studies that support this claim (Ackerley, 1995; Amin et al., 1998; Kelkar et al., 2004; Montgomery, 2005; Pitt et al., 2006; Guha-Khasnobis and Hazarika, 2007; Osmani, 2007; Armendáriz and Roome, 2008; Swain and Wallentin, 2009; Li et al., 2011; Adhikari and Shrestha, 2013; Desai and Joshi, 2014; Khandker and Samad, 2014; Dhungana, 2017; Joshi and Rao, 2018; Brickell et al., 2020; Jain, 2020; Hansen et al., 2021; Datta and Sahu, 2022). On the other hand, there are equal number of critiques

with studies showing the detrimental impacts to women's empowerment especially among those women borrowers (Goetz and Sen Gupta, 1996; Mayoux, 1999; Rahman, 1999; Rankin, 2001; Iserlees, 2003; Parmar, 2003; Montgomery, 2005; Charusheela and Danby, 2006; Ahmad, 2007; Garikipati, 2008; Karim, 2008; Johnson, 2009; Chang, 2010; Karim, 2011; Ali and Hatta, 2012; Faraizi et al., 2014; Rahman, 2019).

In Dhankuta Municipality, and other parts of Nepal too with MFI, SHGs and NGOs, microcredit has been beneficial to recipient women and their families in numerous monetary and material ways such as income, money, buying goods, providing money for their socio-cultural ceremonies and rituals, sending family members abroad for employment, etc. However, a closer examination lays bare the ugly scenario that is unfolding. Suspicion and surveillance amongst not just the loan takers in the groups (SHGs) but also extending to their families, households and kin resulting in tensions and strife in the groups and in the community, increasing stress and burden on women. Furthermore, there is evidence of an increasing rise in individual materialistic aspirations and actions at the cost of collectives and natural resources that was very often a tradition of the communities. All these negative impacts go much deeper than the positive material impacts, as these could have significant implications on the very way of life of the people and their relationship with the natural resources. As Karim (2008, p. 10) appropriately puts it "what happens to people in a face-to-face community when they are linked through relations of debt introduced by a modern banking system? What happens to the social position of women when they become the bearers of debt within the patriarchy of the home and the patriarchy of the modern NGO institution?"

Not much studies have been done on these aspects and implications of MFIs. Given the criticality to the times with rapid changes in climate and socio-economic processes, it would not be too off the mark to say that MFIs through NGOs (with donor funds) and even government agencies are not going to be obsolete so soon. With the rising awareness of rights and empowerment – of women, minorities, poor, disadvantaged – MFIs would continue to be a vehicle to attain these particularly in the region. The negative impacts of climate change and degradation of natural resources adds to this as governments and organisations look at rural communities, particularly women, for climate adaptation due to their local knowledge, responsibilities and experience in management of natural resources (Resurrección et al., 2019; Goodrich et al., 2021; 2022). Therefore, it would be critical to examine how micro-credit and financial institutions with the lending models might interface and interact with the changing aspirations and social dynamics but often still bound in patriarchy of various levels in the institutions, structures and processes.

The NGOs, International NGOs, Networks, and Social Groups can immediately focus on promoting women's rights and enhancing their capacities in decision-making within local programs and policies developed by the municipality. This includes addressing the increasing domestic violence and grievances by developing psychological counselling centres and ensuring gender-responsive budgets to promote women's leadership, incubation centres for entrepreneurship development, and strengthening women's agency.

Disclaimer: The views and interpretations in this publication are those of the authors and are not necessarily attributable to the organisations mentioned in the paper.

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