



**Private Housing Initiatives and & its Role in Enhancing Access to Finance: A
Case of Nepal**

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Private Housing Initiatives and & its Role in Enhancing Access to Finance: A Case of Nepal

Namita Poudel^{1*}, Bibhu Parsad Aryal², Rita Lamsal³

Abstract

This paper is prepared to explore the Government of Nepal's private housing initiatives as an effort to cope with the post Gorkha-earthquake 2015 and its role in enhancing access to finance through the housing reconstruction policy of the National Reconstruction Authority. The study has used both primary as well as secondary data to analyse the result. Nine different local units (urban/rural municipalities) of three highly earthquake affected districts namely Dhading, Gorkha and Okhaldhunga were chosen to capture the primary data from 152 sample out of which 137 are earthquake housing beneficiaries and 15 are local representatives of concerned local units. Considering present situation of COVID-19 pandemic, telephonic contact was established with most of the respondents. A judgmental sampling technique was used to select municipalities and random sampling was used to select the respondents and data were analysed using MS Excel software. Regarding the government grant, research data has shown that 6% of surveyed beneficiaries are able to save money whereas 28% have established practice of accessing financial services. So, government's private housing policy has been very much successful to bank the unbanked segment of the society. Similarly, on Concessional Loan front, out of surveyed beneficiaries, 38% of beneficiaries have received loan facility. These activities have proved enhance access to finance especially in remote rural regions of Nepal.

Keywords: *Earthquake, private housing reconstruction, retrofitting of houses, earthquake beneficiaries, government grant, tranche-based payment, concessional loan, Access to Finance, Financial Literacy.*

CHAPTER:1 INTRODUCTION

Nepal suffered a significant loss of lives and properties due the devastation caused by the magnitude of 7.6 earthquake on 25th April 2015 and thereafter subsequent aftershocks, also known as **“Gorkha Earthquake 2015”**. Having severe consequences of such an unexpected and merciless disaster, Government of Nepal (GoN) came up with various policies and programs. One of the major policies comprises of Grant Disbursement Mechanism to Earthquake Beneficiaries through Banks & Financial Institutions (BFIs). In addition to this, National Reconstruction Authority's (NRA) further policy provisions for providing concessional loans to the disaster-prone victims has also contributed immensely in expanding access to finance, especially to unbanked segments of the marginalized population. The NRA has been involved to rebuild and rehabilitate all Earthquake (EQ) affected structures however, this article will concentrate only on individual housing reconstruction activities.

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1.1 Background

According to the Post-Disaster Need Assessment (PDNA, 2015) the “**Gorkha Earthquake 2015**” disaster caused the fatalities of 8,790 people and more than 22,300 injured. Apart from the colossal loss of lives and destruction of 498,852 private houses 2,656 government buildings, furthermore 256,697 private houses and 3,622 government buildings were partially damaged, 19000 classrooms of schools were destroyed and 11,000 damaged. The total economic value of the disaster effects (damages and losses) caused by the earthquake was NPR 706 billion (US\$7billion), which was almost one-third of Nepal’s annual GDP. For its recovery, financial need was estimated about US\$6.7billion. As per PDNA the largest single need was identified for housing and human settlements, about 755,000 houses in Nepal were found destroyed or significantly damaged accounting for US\$3.27 billion or almost half of the total reconstruction needs. Due to the earthquake 32 districts (out of the total 77) were affected, of which 14 districts (Okhaldhunga, Dolakha, Ramechhap, Sindhupalchok, Kavrepalanchok, Sindhuli, Bhaktapur, Gorkha, Kathmandu, Lalitpur, Rasuwa, Nuwakot, Dhading, Makwanpur) were declared as “severely affected” and further 18 neighbouring districts (Tanahu, Lamjung, Sankhuwasabha, Bhojpur, Dhankuta, Khotang, Solukhumbu, Chitwan, Kaski, Parbat, Baglung, Myagdi, Syangja, Palpa, Gulmi, Arghakhachi, East-Nawalparasi, West-Nawalparasi) were “partially affected”.

The NRA, was established as an independent agency on 25th December 2015 for a period of five years with possibility of extension of one year more to manage multi-sector recovery and reconstruction program. With the given objectives of rapid reconstruction of the physical damages caused by the massive earthquakes and their subsequent aftershocks, in a sustainable, resilient and planned manner to promote national interest and provide social justice by making resettlement and relocation of the persons and families displaced by the earthquake. The goals and objectives of the NRA is to support in reconstruction of private houses, retrofitting of houses, reconstruction of public schools, reconstruction of archaeological and historical heritage sites, reconstruction/retrofitting of health institution buildings, reconstruction/retrofitting of government buildings, and the security sector buildings.

1.1.1 Organizational structure of NRA

The apex body of the NRA is chaired by the Rt.Hon’ble Prime Minister that advises its Steering Committee on the formulation of reconstruction policies and plans. For the program implementation process, there are three dedicated sectoral Implementing Agencies which are (i) CLPIU-Building under which District level project implementation unit (DLPIUs) stationed in 23 earthquake affected districts, (ii) The Central Level Project Implementation Unit (CLPIU)-Grant Management & Local Infrastructure under which District level project implementation unit (DLPIUs) stationed in all 32 districts, (iii) The Central Level Project Implementation Unit (CLPIU)-Education under which District level project implementation unit (DLPIUs) stationed in 20 districts, and finally all CLPIUs are Kathmandu based and discharging their respective responsibilities through their respective District Level Project Implementation Units (DLPIUs) at the project districts.

1.1.2 Earthquake Beneficiaries Identification & Housing Grant Disbursement Process

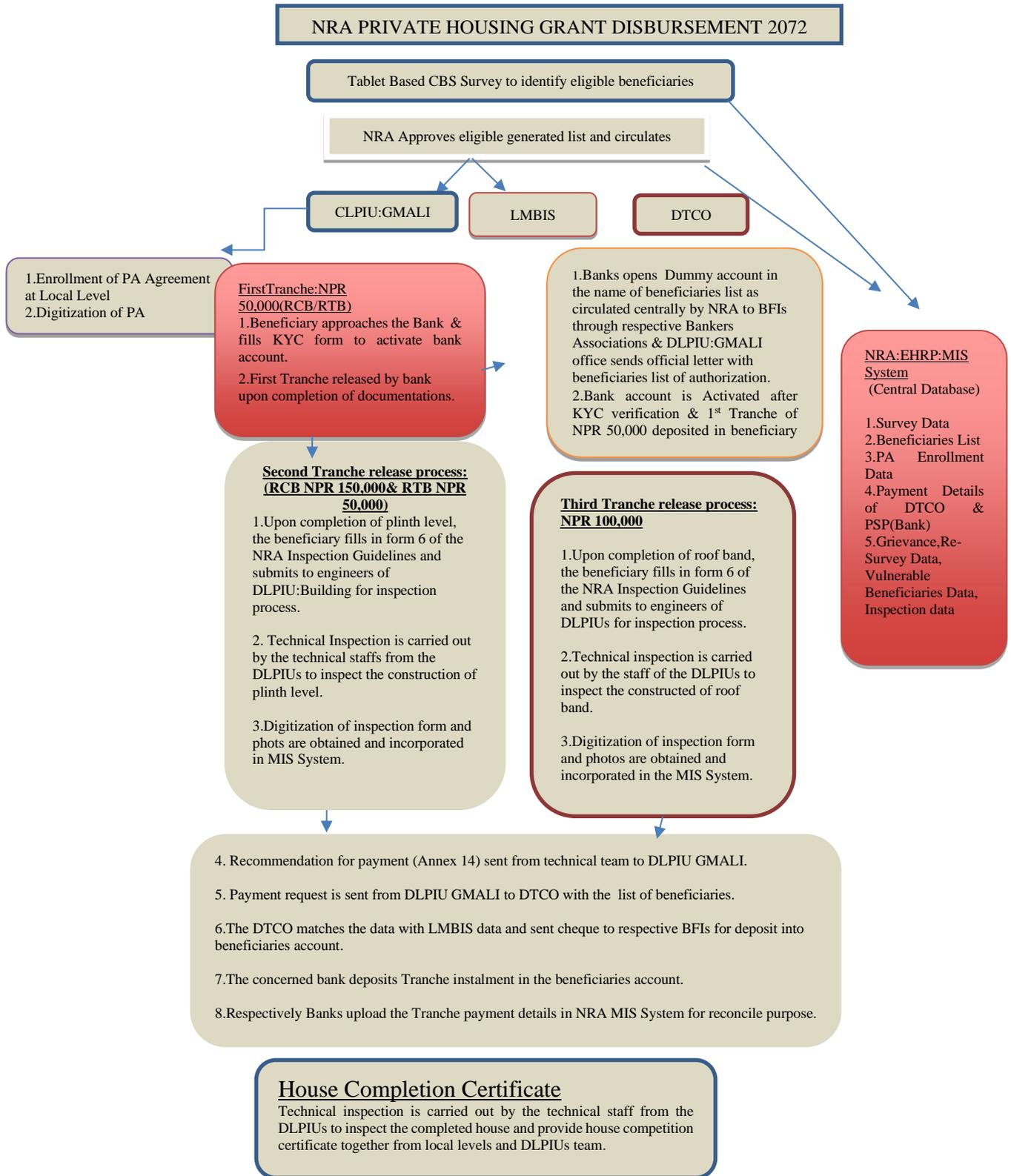
As per the “Grant Disbursement Procedures for Private Houses” 2072 (2015), financial grant is provided for the reconstruction and/or retrofitting. The procedure calls for the damaged grade assessment is conducted through the door to door CBS (Central Bureau of Statistics) Tablet based survey and finalized list of the eligible households are published by the NRA Executive Committee. This is also maintained in the NRA MIS database with the grading of the damage category as following.

- Non-beneficiary: Damage grade level 1 & 2 minor (structurally safe to live in)
- Retrofitting-beneficiary: Damage grade level 2 major & 3 minor (retrofitting is needed to live in)
- Reconstruction-beneficiary: Damage grade level 3 major, 4 &5 (mandatory to reconstruct)

Grant payment mechanism for the earthquake beneficiaries is one of the core functions of the NRA. Other operational and procedural guidelines, policies were also formulated to disburse the grant to the large number of identified beneficiaries and accordingly the responsibilities were elongated among different agencies from Federal to Local Government agencies including a good number Banks and Financial Institutions (BFIs). A uniform subsidy of total cash grant of NPR 300,000 (US\$ 3,000) is provided for housing reconstruction for the eligible beneficiaries in three tranches based on verifying against compliance of various stages of construction linked to owner-driven reconstruction aligned with the Reconstruction Guidelines issued by the NRA.

Once the Participation Agreement(PA) is signed, the individual beneficiary’s details are forwarded to the nearest bank depositing the first tranche. Series of procedures are prescribed to be followed in the process of grant payment mechanism(See Figure 1).

Figure 1: Grant Payment Mechanism



Source: National Reconstruction Authority

The first tranche of NPR 50,000 grant amount is received by the beneficiary after the agreement with the Ward unit of Rural/Urban Municipality (RM/UM) to build a safe house,i.e. multi-hazard resilient. After the necessary verification by the designated technicians, the beneficiaries get the remainder grant amount in second tranche of NPR 150,000.Finally,on the verge of roof they get the last or third tranche NPR 100,000.The retrofitting beneficiary can obtain a maximum of NPR 100,000 in two tranches. The financial assistance is disbursed to the individual beneficiary through banks by the District Treasury Control Office, after the appropriate recommendations and approval from concerned DLPIU-GMALI, the funds are deposited in instalments direct in the bank accounts of the identified earthquake beneficiary(See: Table 1)

Table 1: Multi-Tranche Based Grant Disbursements to the Earthquake Beneficiaries (RTB/RCB)

S.N	Grant Payment Categories	Financial Assistance In Tranche Payment	Amount in NPR	Payment Triggers	Operational Procedures
1	Reconstruction Beneficiaries(RCB): Fully Damaged/Destroyed Households	First Installment	50,000	Damage Grade level 3 major,4& 5. Eligibility criteria as per the guideline & PA agreement signed.	Damage assessment & beneficiary eligibility assessment as per the guideline from the survey & signing of the PA agreement with beneficiaries at local level tagged with the unique ID to each HH.
		Second Installment	150,000	Completion of plinth level	Technical inspection -1
		Third Installment	100,000	Completion of roof - band/lintel band.	Technical inspection -2 Completion Certificate
S.N	Grant Payment Categories	Financial Assistance In Tranche Payment	Amount in NPR	Payment Triggers	Operational Procedures
2	Retrofitting Beneficiaries(RTB): Partial damaged/Destroyed Households	First Installment	50,000	Damage Grade level 2 major & 3 minor. Eligibility criteria fulfilled and PA agreement signed.	Damage assessment and eligibility verified as per the norms by survey team and signing of agreement with beneficiaries at local level with assignment of unique ID to each HH.
		Second Installment	50,000	Full maintenance completion	Technical inspection -1

Source: Grant Disbursement Procedures for Private Houses, 2072 (2015)

According to the NRA’s press release “Five years of April 2015 earthquake dated 22nd April 2020, there has been 88 percent progress in the reconstruction of private houses which is the primary focus of NRA.Out of the surveyed households of 1,036,568, the eligible beneficiaries for housing grants were 826,765,out of which 781,176 (94%) beneficiaries have already signed the grant agreement. Furthermore, 776,953 enrolled beneficiaries(99%) have received the First Tranche, 642,026 have received the Second Tranche(82%) and 550,590 beneficiaries have received the Third Tranches (70%) of housing grant.

Since the establishment of the NRA, the government has spent NPR 381 billion in the post-earthquake reconstruction until now, including NPR 309 billion from the government and donor agencies and

NPR72 million through various non-government organizations. Furthermore, total vulnerable households(HHs) of 18,505 affected by earthquake were identified on the basis of four criteria such as elderly aged people over 70, single women, persons with disability (holding red and blue cards) and minor-person below 16 years of age. These vulnerable persons also are entitled to obtain additional financial assistance of NPR 50,000 on top of the eligible grant amount.

1.2 Access to Financial Services to the Earthquake Beneficiaries:

The Government & Central Bank's policy provision of providing access to financial services for all has always been one of the top priorities. The Government of Nepal (GoN) has accentuated the prerequisite of an inclusive financial system, which is reflected in the Nepal's Financial Sector Development Strategy Paper 2017. The strategy paper aims at developing an inclusive financial system to make access to finance easy and comfortable for those with low income and from rural areas. As per the Government of Nepal's declaration for an inclusive financial system, the NRB Act 2020 Section 4(b) provides for increasing the access to financial service and increase the public confidence towards banking and financial system. Moreover, the NRB *Financial Literacy Framework 2020* intends to support the GoN's objective to achieve an inclusive financial system. NRB has also launched its Strategic Plan 2017-2021 for enhancing financial literacy and financial education. NRB's Financial Inclusion Roadmap 2012-2022, for financial literacy as an intervention to achieve its implementation priority in the area of strengthening consumer empowerment, protection and education. As per the GoN's target for an inclusive financial system, NRB has published a formal structure of the Financial Literacy Framework (FLF), 2020 to help increase financial access as well as to facilitate in attaining financial stability.

In order to support GoN's envisioned goal and objectives of providing inclusive finance endeavours, NRA entered into a Memorandum of Understanding (MoU) with the Standard Operating Procedures with the various Banks & Financial Institutions & respective Bankers Associations to disburse cash grants directly in the bank account of the eligible beneficiaries. Housing grants are directly deposited into the individual beneficiary bank accounts in the Multi-Tranche based systems as linked to the owner-driver construction or through the Branchless Banking (BLB)/BLB Agent services in the absence of bank branch to assist with the financial access outreach services.

NRA's initiatives in Private Housing Reconstruction in particular of disbursing the cash grant payment through Banking channel has supported in enriching and enhancing the access to the financial services to large number of earthquake beneficiaries residing in the rural and remote areas with limited or no formal access to financial services, the momentum of transferring funds direct to the bank account provided the BFIs great opportunities to tap the unbanked segment of the population. At the initial stages of grant disbursement process in earthquake affected districts in absence of physical bank branches, the provision of providing the funds through BLB Agent was also introduced to further support the EQ beneficiaries with on time cash grant payment. The NRA's private housing reconstruction initiatives in enhancing access to finance service with the addition of over 826,765 eligible beneficiaries in track to receive the formal access to finance has greatly contributed in the

substantial growth of the new customers to the BFIs, creating awareness and financial literacy financial services. In addition to this several NRA led awareness programs were held on Grant payment and concessional loans in various EQ affected districts in coordination with the NRA district offices and participation from various stakeholders such as beneficiaries, development partners, Partner organizations(I/NGOs), BFIs, local representatives among others. As per the news coverage as published in NRA, Rebuilding Nepal, July 2019 stating Awareness program held on subsidized loan in Dhading and furthermore the news published in Sakchyam: Access to Finance, July 2019, Awareness Program on Concessional Loan for Earthquake 2015 Victims Held in Gorkha.

A series of data report are extracted from NRB, to further provide insights of NRA's private housing reconstruction initiatives contributing in enhancing access to the financial services to the earthquake beneficiaries through BFIs. To support the earthquake beneficiaries NRA also managed for a dedicated Toll-free helpline services, that facilitated over 25,000 beneficiaries and individuals as per the NRA published News letter dated December 2018.

1.2.1 Access to the Financial Services to the Earthquake Beneficiaries

To ascertain the access to financial services prior to the earthquake and till date, as per NRB data illustrates that there has been a significant increase in the Bank's branch network and services expansion nationwide although there has been cases of Mergers & Acquisition, compared to the bank's network before and after earthquake (See Table 2& 3). The NRB Current Macroeconomic & Financial situation of Nepal, based on eight months data 2019/2020 states that after the NRB's introduction of merger and acquisition policy, the number of BFIs involved in this process reached to 187. Out of which, the license of 142 BFIs was revoked thereby forming 45 BFIs. As per NRB data Table 2, exemplifies that here has been significant expansion of BFIs branches network compared to the pre-earthquake scenario as of Poush 2071 there were 3,625 branches in all the districts whereas the data report as of Falgun 2076 illustrates number of branches increased to 9,640 with total increment of 6,015 of overall BFIs branch networks.

Table 2: Nationwide Bank/BFI Branches Network as of (Poush, 2071: Mid-Jan 2015) & Falgun, 2076 (Mid-March 2020)

No. of Bank/BFI & Bank Branches Network (Mid-Jan 2015)			No. of Bank/BFI & Bank Branches Network (Mid-March 2020)			Increase/Decrease of Bank/BFI Branches
Bank/BFI Class	No. of BFIs	No. of Branches	Bank/BFI Class	No. of BFIs	No. of Branches	
Commercial Bank (Class A)	30	1638	Commercial Bank (Class A)	*27	4219	2,581
Development Bank (Class B)	81	829	Development Bank (Class B)	23	1213	384
Finance Company (Class C)	51	239	Finance Company (Class C)	22	239	0
Micro Finance Financial Institutions (Class D)	35	919	Micro Finance Financial Institutions (Class D)	89	3969	3050
-	-	-	Infrastructure Development Bank (Class E)	1	-	-
Total	197	3625		162	9640	6015

Source: NRB Banking and Financial Statistics Poush 2071 (Mid-Jan 2015) / NRB Banking and Financial Statistics Falgun 2076 (Mid-March 2020) Note: *Merger & Acquisition / Licenses revoked* Detailed information is available at <http://emap.nrb.org.np/>

Table 3: No. of BFIs & Bank Branches Network Status in 32 Earthquake Affected Districts as of Poush 2071, (Mid-Jan 2015) & Falgun 2076 (Mid-March 2020)

No. of Bank/BFI & Branches Network (Mid-Jan 2015)			No. of Bank/BFI & Bank Branches Network (Mid-March 2020)			Increase/Decrease of Bank/BFI Branches
Bank/BFI Class	No. of BFIs	No. of Branches	Bank/BFI Class	No. of BFIs	No. of Branches	
Commercial Bank (Class A)	30	909	Commercial Bank (Class A)	27	2251	1342
Development Bank (Class B)	81	491	Development Bank (Class B)	23	629	138
Finance Company (Class C)	51	173	Finance Company (Class C)	22	125	*-48
Total	162	1573		72	3005	1432

Source: NRB Banking and Financial Statistics Poush 2071 (Mid-Jan 2015) / NRB Banking and Financial Statistics Falgun 2076 (Mid-March 2020) Note: *Merger & Acquisition / Licenses revoked* Detailed information is available at <http://emap.nrb.org.np/>

The data analysis of the Number of Bank/BFI branches has been assessed to ascertain the trend of BFIs outreach in 32 EQ districts with comparisons pre-earthquake scenario as per the Table 3 portrays there were total 1,573 number of BFIs branches, however post-earthquake scenario there has been an augmentation to total 3,005 number of BFIs branches, as a result substantial increment overall 1,432 number of Bank/BFIs branches networks. This might also draw out the result that the NRA's private housing initiatives of transferring the cash grant through BFIs, also contributed in enhancing access to financial services as per the GoN and NRB's envisioned strategies to expand financial inclusion in Nepal and in particular to the deprived rural population.

1.2.2: Policy & Provision of Concessional Loans for the Earthquake Beneficiaries

The role of BFIs was substantial in the time of the disaster and emergencies in providing the access to the financial services. Banking sectors has played a major role in transferring cash grants for the eligible victims through the banking channel mitigating various financial risks. The NRB issued the refinance policies in the aftermath of the devastating earthquake of April 2015 to facilitate the reconstruction of privately owned houses. At the initial stage, the amount of loans were fixed as NPR 2.5 and NPR 1.5 million in Kathmandu valley and outside the valley respectively. The beneficiaries could borrow money from BFIs at two percent interest per year and no other charges. That financial assistance loan provisions for private housing reconstruction were discontinued and superseded with the new policy, as the GoN launched new Act “The Unified Procedure of Interest Grant for Concessional Loans, 2075 (2018)” targeting to support the disaster-prone victims in accessing the loan in subsidized rate from the BFIs. Under this provision, maximum amount of the loan NPR 300,000 is to be offered to the earthquake beneficiaries for completing the private housing reconstruction endeavours. According to the NRB, Current Macroeconomic and Financial Situation of Nepal (based on Eight Months as of FY 2019/20) the outstanding refinance extended to BFIs for providing concessional housing loan(1.5 million & 2.5 million) to 1,592 earthquake victims stances at Rs.1.53 billion. Whereas, 172 earthquake beneficiaries utilized the loan for NPR 300,000 under the Loan extended under " The Unified Procedure of Interest Grant for Concessional Loans, 2075 (2018)".

1.2.3: Eligibility Criteria for Concessional Loan

The identified eligible beneficiaries, who have signed an agreement with the local bodies to avail government’s grant to reconstruct private houses, but have not received or applied for the second tranche of the grant and been unable to start reconstruction due to lack of adequate funds, can apply for subsidized credit worth NPR 300,000. The loan will have a payback period of five years and five percent interest rate subsidy on the interest rate charged by the BFIs. However, the BFIs can charge two percent premium on their base rate as an interest. Likewise, the Guideline has also clarified the collateral provision required for providing such loan to the earthquake beneficiaries. BFIs are supposed to provide loan against the collateral of their houses without considering the present housing structure.

In order to facilitate and extend required support to the most vulnerable earthquake beneficiaries, NRA approved “Housing Reconstruction Project” Sakchyam Access to Finance an UK aid- funded program (DFID) in partnership with local and international institutions through the piloted project rolled out in six local units of Dhading and Gorkha, which were among the severely affected districts for supporting the beneficiaries to uptake concessional housing loans.

CHAPTER 2: Review of Literature:

In order to achieve the set objectives of the study and to be able to carry out the proper analysis of the possible impacts of **Private Housing Reconstruction Initiatives** and its Role in Enhancing **Access to Finance in Nepal**, related literature was reviewed of various articles and publications.

Kamal, Mostafa and Safayat, Al (2016) have conducted study on “**Housing Finance: A Study on Public and Private Housing Finance Institutions in Bangladesh**” focusing on Bangladesh’s gradual transition from a system of directed credit in a highly segmented market toward an integrated market-driven housing finance system. According to the authors, this transition has included an increased role of private and public-sector banks in the immediate term and a functioning secondary mortgage market in the long term. The authors further believe that, in order to nurture home mortgage markets, the country would require a stable macro economy, low inflation, and careful fiscal policies. The study mentions that an active system of housing finance provides real economic benefits and positively affects savings, investment, and household wealth. Housing finance enables households to accumulate assets that can provide the collateral for their investment needs, thus stimulating small business. In addition to this, the authors have found that housing finance development boosts equitable economic growth and reduces poverty by improving living conditions, empowering the middle and lower-income population, and strengthening communities. The authors believe that present housing finance system in Bangladesh is extremely small and highly segmented. Government subsidized housing finance has been designed through the Bangladesh Bank through few MFIs in rural area. The private sector specialized banks were playing vital role for the growth of housing sector. Finally, we can conclude that this paper highlights on the contribution made in the field of financial institutions’ role towards public and private sector housing reconstruction and economic development in Bangladesh.

Arshad and Athar (2013) conducted study on **Rural housing reconstruction program post-2005 earthquake: learning from the Pakistan experience**. The financial assistance was provided for the reconstruction of the destroyed houses with new seismic-resistant core units and repair of damaged house to seismically acceptable standards. The beneficiaries were identified after a detailed damage assessment and eligibility verification Survey and accordingly Grant disbursements were channelled through commercial banks directly into beneficiary bank accounts.

The Post-disaster Grant Payment Mechanism as implemented during Pakistan earthquake 2005 established under the Rural Housing Reconstruction Program was further developed and used in another natural disaster of 2010/2011 floods. The beneficiaries received compensation grants through a centralized system of debit/ATM cards, linked with the national level citizen identification database.

According to above study, the key lesson learned from implementing the Grant Payment Mechanism in the “Pakistan Earthquake 2005” the outreach of the financial access to the unbanked segments by initiating the direct bank transfer approaches was a crucial factor, due to the low rate of bank accounts in the affected area prior the disaster, the rural dispersed and isolated settlement patterns and low level of literacy was accounted in not having any formal access to financial services Due to the direct transfer

of cash grants in the bank account, over 611,000 accounts(including 300,000 new ones)were successfully used for direct transfers of grants with the invaluable support from the commercial banks to tie up in National database and to link the access to the financial services. The method of associating the financial assistance with the grievance redressal mechanisms is a crucial factor to trace, monitor, expedite the funds after the necessary eligibility assessments.

CHAPTER 3: Research Methodology

This chapter presents the research methodology applied in this study. The research methodology consists of design of the study, sampling module, sources of data, process of data collection as applied. The study attempts to examine two major components of the “Private Housing Reconstruction Initiatives and its roles in enhancing the access to the financial services through;(i) NRA’s Grant Payment Mechanism,(ii)Outreach of financial access through BFIs for use of banking related facilities and obtaining concessional loans to support to the earthquake beneficiaries.

3.1 Data Collection:

This is a case study using Primary and secondary data which we recollected to complete the research studies. The study was carried out in three different districts, Okhaldhunga, Dhading and Gorkha which are among the highly Earthquake affected (EQ) districts as categorized by the NRA. Judgmental sampling method is applied to select district and municipalities whereas the random sampling method was used to select beneficiaries to fulfil the questionnaire. Because of COVID-19 effect and lockdown situation in Nepal, telephone conversation was applied to collect the primary data.

Data have been explored in two steps, foremost, this research has critically analysed existing policy documents and articles regarding reconstruction and rehabilitation after earthquake in Nepal. In the second stage, primary data has been collected through the telephone interviews with the Earthquake Reconstruction Beneficiaries (RCB) & Retrofitting Beneficiaries (RTB) including the Municipality Chief and Ward Chair person in nine municipalities of three districts. In order to identify the real scenario and challenges faced to obtain cash grant and concessional loans from the Banks & Financial Institutions, all the participants were given sufficient time to respond.

The research team had developed different questionnaire sets for individual beneficiaries and local representatives. The research had analysed the results to find out what actual impact has perceived regarding the grant administration and loan distributions process and procedures through the BFIs.

In total 152 people were selected as a random sample to collect the primary data, out of these 137 were beneficiaries and 15 were local representatives from which hundred percent responses were collected. Similarly, in Local Representative Category out of 15 representatives, 5 from each district were interviewed and all 15 responses had been recorded. Further, the ethnicity and marginalized group of the society were also included in the sample. The further details of respondents are presented as in Table 4 below.

The total sample size for this research is 137 Earthquake beneficiaries (Reconstruction-120 and Retrofitting-17) out of which 27% are female respondents. Similarly, out of 15 Local representatives respondents:13 were male, 2 female participated in the survey and data was collected from them.

Table 4: Summary of Respondents

Districts	GP/NP	No. of Respondents		Remarks
		Beneficiaries	Local Representatives	
Okhaldhunga	Siddicharan Municipality	15	5	Male 36
	Champadevi Rural Municipality	15		Female 9
	Sunkoshi Municipality	15		(RTB-9)
Dhading	Nilkhantha Municipality	17	5	Male 29
	Dhunibesi Municipality	15		Female 8
	Jwalamukhi Rural Municipality	15		(RTB-7)
Gorkha	Gorkha Municipality	15	5	Male 25
	Palungtar Municipality	15		Female 20
	Sahid Lakhan Rural Municipality	15		(RTB-1)
Total		137	15	Male 100 Female 37 RTB-17

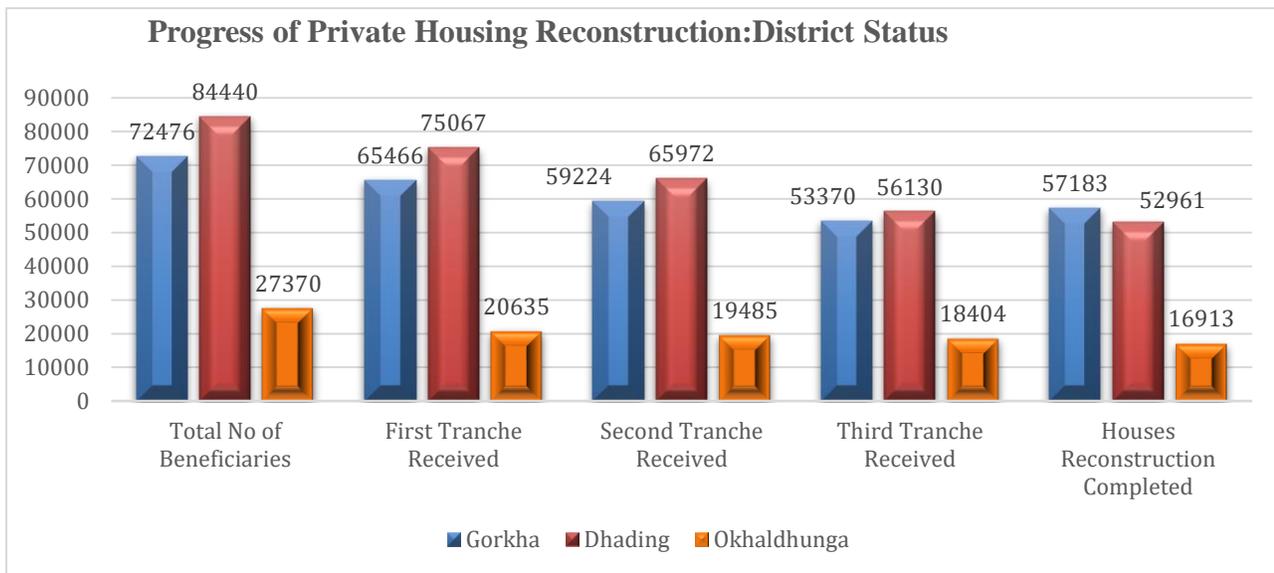
Therefore, this research is based on a case study of selected nine municipalities of three districts in post- earthquake reconstruction and rehabilitation process in Nepal, to assess the housing grant initiatives and the impact of BFIs access to finance services to the earthquake beneficiaries. As the topic of this research is private housing initiatives and its role in enhancing access to finance, this case study has assessed that the grant payment mechanism has been a strong financial support in reconstruction triumphs and it has played an outstanding sustenance in enhancing access to finance services in all 32 earthquake affected districts. Similarly, for the concessional loan part, the study conjectures that concession loan policy measure taken by GoN has been a significant step in enhancing access to finance as well as financial literacy in the all the earthquake affected districts for the government grant recipient beneficiaries.

CHAPTER 4: Data Analysis

The data analyses are based on the results of the survey questionnaire. As mentioned in previous chapter, total of nine local units (Urban Municipality and Rural Municipality), three from each district of Dhading, Gorkha and Okhaldhunga were selected for the research purposes.

Total number of beneficiaries in those three districts are the population for this research which has been presented below in figure 2.

Figure 2: District Wise Progress Status of Private Housing as on 26 April 2020



Source: National Reconstruction Authority

Above figure 2 illustrates the district wise progress status of private housing reconstruction in three districts of Dhading, Gorkha and Okhaldhunga districts. The highest number of beneficiaries are based in Dhading district and lowest in Okhaldhunga district in comparison among three districts. Approximately 79% of beneficiaries in Gorkha have completed private housing reconstruction process, 63% and 62% beneficiaries have completed the reconstruction efforts in Dhading and Okhaldhunga districts respectively.

Table 5: Access to Financial Services in Okhaldhunga, Gorkha, Dhading Districts:

S.N	Bank/BFI Networks as of Poush 2071(Mid-Jan 2015)				Total No. BFIs	Bank/BFI Networks as of Falgun 2076(Mid-March 2020)			Total No. BFIs	BFIs Branch Increased/Decreased
	District	A	B	C		A	B	C		
1	Okhaldhunga	4	1	0	5	20	4	0	24	19
2	Dhading	22	11	2	35	47	25	0	72	37
3	Gorkha	13	9	0	22	40	6	3	49	27
	Total	39	21	2	62	107	35	3	145	83

Source: NRB Banking and Financial Statistics Poush 2071(Mid-Jan 2015)/NRB Banking and Financial Statistics Falgun 2076(Mid-March 2020)

The above Table 5, illustrates that the access to financial services outreach has increased in three sample districts pre-earthquake scenario there were 62 BFIs and after the earthquake BFIs network has increased to 145, with the total of 83 BFIs additions in the districts.

Furthermore, out of the surveyed beneficiaries, only 41 percentage of beneficiaries received all three tranches and same number of beneficiaries already held a bank account. However, 59% of beneficiaries opened new bank account to receive the cash grant (See table no. 6). Moreover, opening of the account is mandatory to receive the government's housing grant.

Table 6: Beneficiaries Responses Analysis

Districts	All Three Tranches received in all districts	Previous bank Account	Easy Access/Services from Bank	Money saved in bank account	Concessional Loan Recipient
Okhaldhunga	32	2	40	0	0
Dhading	13	16	24	0	22
Gorkha	11	38	29	9	30
Total	56	56	93	9	52
Percentage out of total surveyed beneficiaries	41%	41%	68%	7%	38%

The above Table 6, data also depict that the earthquake beneficiaries' access to financial services outreach through the opening of the bank account has been tremendously increased due to the reconstruction momentum. Likewise, out of the random sampling process, 68% of beneficiaries seem to have received appropriate services from the concerned BFIs. Conversely, there seems to be a nominal trend to save money in the bank account, this might be due to the limited government cash grant provided as a result the funds are been utilized towards the private housing reconstruction endeavours. Among those respondents, 38% of beneficiaries received the concessional loan facilities as per the random sampled survey held in the nine municipalities.

Nevertheless, in the context of Okhaldhunga district, none of beneficiary out of the random sampled respondent received the concessional loan. The two district Gorkha and Dhading are found to have higher number of informed beneficiaries through other sources due to the dedicated program as piloted in the two districts from the (DFID supported: Housing Reconstruction Project – one of the projects of “Sakchyam Access to Finance”), but for Okhaldhunga district there was no further interventions or support from the development partners or dedicated support programs extended to create awareness to uptake the concessional loan facilities.

Table 7: Response of Local Representatives

Districts	Beneficiary	Satisfaction	
		Fully	Partially
Okhaldhunga	3	0	5
Dhading	3	0	5
Gorkha	5	3	2
Total	11	3	12
Percentage (total surveyed)		20%	80%

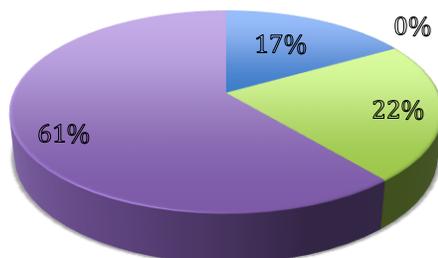
Similarly as per the above depicted Table 7, out of the 15 sampled local level representatives, 73% of local representatives are existing EQ beneficiaries and 20% are fully satisfied and 80% are partially satisfied with respect to the process and procedures of the grant payment and concessional loan policies.

All of the interviewed local representatives stated that although the individuals are informed about the concessional loan facilities, the implementation is not effective as expected due to less instigation by the BFIs and the perceived notion of arduous and extensive banking procedures to obtain loans.

Furthermore, beneficiaries of Dhading and Gorkha districts are found to have obtained the bank loan with ease, due to the support extended by the development partner’s (DFID) piloted project which was implemented by Sakchyam– Access to Finance as a dedicated program with the focus on two districts, in 6 sampled municipalities of Gorkha and Dhading, which facilitated the EQ beneficiaries to uptake the soft loan from the BFIs. Therefore, most of the beneficiaries are found to be well informed through another source. “Others” indicates piloted **Housing Reconstruction Project** that was implemented in six local units of Dhading and Gorkha districts. Local representatives, official channels and media have also played vital role in providing information regarding the concessional loan facilities (see figure:3).

Figure 3: Information Source About Concessional Loan

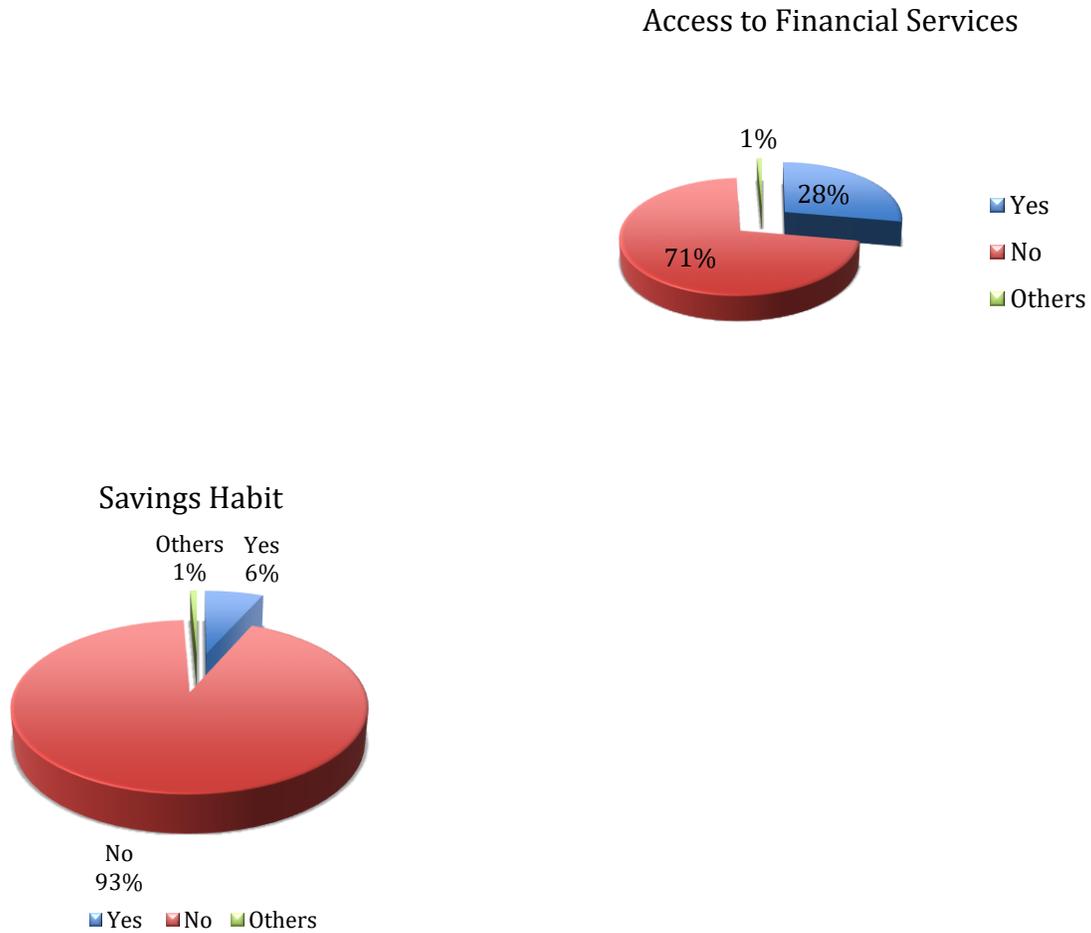
■ Local Representatives ■ BFIs ■ Social Media ■ Others



A few respondents of Okhaldhunga district stated that the government backed concessional loan policy is very helpful for EQ beneficiaries to meet their financial needs. To obtain the concessional loan facilities there is requirement to create awareness regarding the loan procedure and make it more accessible to all, in particular the vulnerable group require further support and assistance in accessing the financial services from BFIs.

The conducted research has also established that 6 % of surveyed beneficiaries are able to save money ,whereas only 28% have established practice of accessing financial services after opening a bank account and receiving cash grant through BFIs , even though the cash grant is utilized towards the reconstruction activities. Hence, it is vital to create awareness through dedicated financial literacy programs and support from the BFIs to retain the existing customer base in increasing the access to financial services as per the individual necessities (Figure 6).

Figure 4: Ability to Save and Increase of Access to Finance



In summary, the access to financial services through BFIs has been found to be increased due to NRA’s private housing initiatives in transferring the cash grants through the Banks. NRA’s private housing initiatives of grant payment mechanism has played a crucial role in enhancing the access to financial services. Likewise, local representatives’ instigations and BFIs contribution in disbursing the housing grant to the large number of beneficiaries has been noteworthy. The conducted case study also established that the beneficiaries have started the trend of saving some money and are also using the banking facilities.

CHAPTER 5: Discussion, Conclusion and Recommendations

5.1 Discussion

This case study exemplifies that the higher number of populace have acquired access to finance services from BFIs through the NRA's private housing reconstruction program. However, yet to receive further financial products and services from BFIs, although there is the nominal trend of saving money and using the bank account often. Similarly, concessional loan policy provision is helpful for the earthquake beneficiaries in the private housing reconstruction endeavours, for the ones who do not have sufficient funds to complete the construction of the private house, because the beneficiaries responded that the grant money is not sufficient to build a complete house.

The case study was conducted to evaluate the NRA's Private Housing Reconstruction Initiatives & its role in enhancing the access to the financial services through channelling the grant disbursement through the Banking system by providing access to finance to the unbanked segments and extend the support of the Government backed concessional loans targeted toward disaster prone victims, in particular the private housing reconstruction lending policy. In addition to this, it also postulates the perception of beneficiaries regarding the cash grant program and the government's efforts on concessional loans policies for private housing reconstruction.

Among the selected three districts, Gorkha and Dhading districts are been receiving higher interventions and support from the various Development Partners, Partner Organization supported programs than in comparisons to okhaldhunga district. The dedicated program or support from the partner organizations like Housing Reconstruction Project – one of the projects of “Sakchyam – Access to Finance” played a vital role to facilitate government's concessional loan policy by creating awareness and extending support in targeted piloted districts i.e. help uptake Concessional Loan to the earthquake beneficiaries. Published data of NRB has shown that till mid-March 2020, altogether 172 Concessional Loan to earthquake beneficiaries were approved, interestingly, 64 loans out of these 172 were approved in six local units of Dhading and Gorkha. This situation indicates that development partner organizations' role has been crucial in social development as well as in field activities.

Even though there are some difficulties to get concessional loan, the beneficiaries who received the loans are quite happy and appreciate the government policy. Still there are further beneficiaries from the marginalized and vulnerable group who are unable to get such loan facility due to lack of one to one support. Few local representatives from Okhaldunga are aware about the loan facility however no concessional loans has been approved among the random sampled data.

The Central Bank issued several circulars and directives to BFIs to disburse loans to the disaster-prone victims under “The Unified Procedure of Interest Grant for Concessional Loans, 2075 (2018)”. The NRB directs banks to ease concessional loans by the issuance of fresh directives after receiving multiple complaints from the earthquake victims that BFIs across the country are turning down eligible and

interested borrowers or reluctant to process the loan applications and urged the quake victims to apprise them of complaints and suggestions through email and telephone to take stringent measures against the banks that are found flouting the government directive (Kathmandu post 2018 and Republica 2018). Furthermore the report published in “The Guardian, Dec 2018” states that some borrowed from banks; others from informal lenders- neighbours, family members or local business-that have been charging up to 43% and Housing Recovery and Reconstruction Platform Nepal(HRRP) estimates ,the average homeowner is paying 23% interest on loans. Although the disaster prone victims or EQ beneficiary could borrow concessional loans with paying single digit interest rate under the government approved “The Unified Procedure of Interest Grant for Concessional Loans, 2075 (2018)”.

5.2 Conclusion

In the present context, the NRA has successfully accomplished major milestones as majority of beneficiaries have completed the reconstruction efforts, yet there are few remaining beneficiaries who are unable to construct attributing to low or no source of income ,vulnerable groups, lack of awareness, reluctance to approach the BFIs for Loan assistance ,foreign employment or deceased cases etc. Hence, as per NRA’s private housing initiatives, several awareness programs were held in various EQ districts on grant payment and concessional loan process in collaboration with different stakeholders to support towards the GoN strategy for an inclusive financial system.

The post disaster Grant Payment Mechanism initiated by NRA to route the cash grant for the EQ beneficiaries in tranche based system has been one of the major breakthroughs and key achievements in enhancing financial inclusion through transferring the cash grants to the large number of beneficiaries with robust and transparent mechanism through the Banks achieving the GoN target in transferring in digital Nepal and also mitigation of various financial/fiduciary risks. The NRA’s private housing reconstruction initiatives of this magnitude of piloted project accomplishments are extraordinary towards rebuilding Nepal from the rubble after the earthquake. In particular the growth of the large number of unbanked segment in the formal channel within short span of time for the long run by nurturing and providing financial awareness program in rural and remote areas.

The key result after assessing the data in three districts also replicates that the success rate of recipient of the concessional loan facility is much higher is Gorkha and Dhading in comparison with the Okhaldhunga district, due to the higher interventions and presence of development partners, such as dedicated program of “DFID supported **Housing Reconstruction Project** which was implemented by *Sakchyam Access to Finance Program*, rolled out in the district as **pilot project made an impact to create awareness of the financial literacy** services through banks as most of the individuals are not in the formal banking channel, as have notion that the bank’s loan application process is complicated to furnish documents to obtain the loan. Therefore due to the easy access of funds through cooperatives, private lenders or other informal lenders the vulnerable victims are subject to extortion charge of

amount and interest, While one could obtain loan at the single digit as per the Government backed concessional loan policy provision.

5.3 Recommendation:

Based on this study, following policy recommendation are prescribed.

- Banking institutions are found to be reluctant in rendering their help especially to the earthquake beneficiaries in providing the information regarding the Concessional Loans and other product and services. Therefore, Central bank and government should take necessary policy actions to BFIs, so that the earthquake beneficiaries or any disaster prone victims can receive dedicated services and support from the BFIs in the future.
- Development partners' cooperation have been found very effective in mobilizing resources and helping beneficiaries to establish linkages with the banking channels for the purposes of obtaining Concessional Loan and receiving the grant payments. Therefore, team collaboration of development partners or a dedicated program for the effective implementation of the Govt policies are found to be crucial for the accomplishment of targeted goals and objectives, ultimately supporting towards the socio-economic recovery program.
- Government grant and Concessional Loan facilities have been found progressive in mobilizing resources, developing saving habit, and accessing the financial services to meet the financial requirements from the formal banking channels rather than approaching the informal lenders to borrow money and avoid exorbitant amount or rate of interest charges. Therefore, it's been found that Private Housing Initiatives of GoN been one of the successful measures in enhancing Access to Finance in Nepal.
- There is a key requirement of proper system with the formation of the dedicated team in place to support and monitor throughout the implementation of the government endorsed policy provisions to mark it a success along with the appropriate policy level interventions to cater rather than making it a policy failure, taking in consideration the Bottom to Top Approach and Top to Bottom Approach to be synchronized for the formulation of the policy in practice and to make an impact as envisioned. A strong team collaboration between the various stakeholders, Government's implementing agencies, Local levels, Development Partners, Partner Organization(I/NGOs),BFIs are key in realizing the set goals and objectives to continue the momentum towards the socio-economic recovery program, post NRA's private housing initiatives endeavours in reconstruction and rehabilitation.

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