

**Economic and Financial Committee**



**Topic 1: Enhancing Women's Economic Empowerment  
through Microfinance in the Small Business Sector**

*-Committee Guide-*

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# 1.INTRODUCTION

## 1.1 INTRODUCTION TO THE COMMITTEE

The Economic and Financial Committee, also known as the Second Committee of the United Nations General Assembly, holds primary responsibility for issues regarding international economic cooperation and financial matters. It deals with topics such as macroeconomic policy, international trade, development financing and debt sustainability. The Committee also considers reports from international institutions like the International Monetary Fund and the World Bank and works closely with UN bodies focused on development.

ECOFIN does not have the authority to adopt binding resolutions, but its recommendations influence the global economic agenda and provide guidance on long-term strategies for financial stability and inclusive growth. The Committee meets every year at the United Nations Headquarters in New York during the General Assembly session. Through negotiation, cooperation, and consensus-building, it aims to promote sustainable development and strengthen international economic relations.

## 1.2 INTRODUCTION TO THE TOPIC

Despite global progress on gender equality, women in many parts of the world continue to face significant obstacles to full economic participation. Especially in regions such as South Asia, Sub-Saharan Africa and parts of Latin America and the Middle East, structural inequalities persist in the form of legal restrictions, limited access to capital, lack of financial literacy and traditional gender norms.

Historically, women have been excluded from owning property, making financial decisions or accessing formal financial systems, such as banks, credit unions, insurance companies or the stock market. This exclusion has often led to economic dependence and limited their ability to contribute to local and national development. Since the late 20th century, microfinance has emerged as a tool to address this inequality. Initiatives such as the Grameen Bank in Bangladesh have shown that small-scale loans, which usually range between \$50 to \$5000, especially to women, can increase household income, promote entrepreneurship and improve community well-being, **particularly in the small business sector.**

However, the effectiveness of microfinance remains contested. Critics argue that without proper education, legal reforms and structural support, women may remain

trapped in low-income activities and face repayment pressures. Furthermore, many microfinance programs fail to address broader systemic barriers such as gender-based discrimination, lack of infrastructure or access to markets.

This committee will examine how microfinance can be improved and integrated into broader efforts to achieve women's economic empowerment. Delegates are encouraged to consider both success stories and limitations of current models and to propose actionable policies that address the root causes of inequality while promoting sustainable development **through stronger support for women-led micro and small enterprises.**



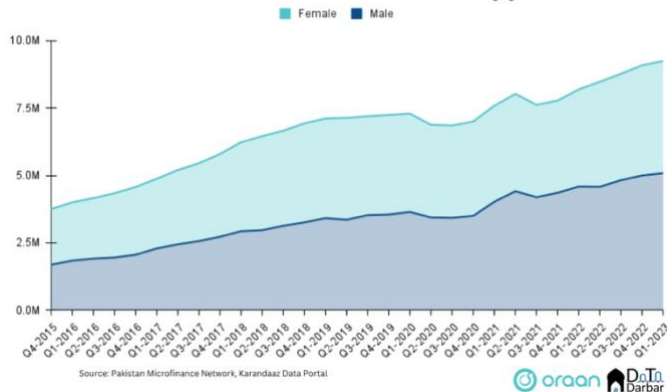
## 2. FACTS AND CURRENT SITUATION

### 2.1 FACTS

- Global female labor force participation: In 2022, 47.2% of women participated in the labor force compared to 72.3% of men
- Financial inclusion gap: Women are 7% less likely than men to have a bank account globally (2021)
- Access to credit: Only 27% of women in developing countries have access to formal credit services
- Microfinance impact: 80% of microfinance clients worldwide are women (2023)
- Loan repayment rates: Women show higher repayment rates than men in microfinance programs (avg. 95–98%)
- Gender gap in entrepreneurship: Women own only 30% of formal SMEs (Small and Medium-sized Enterprises) globally (2022)
- Countries with strong microfinance initiatives for women: Bangladesh, India, Kenya, Peru, Philippines

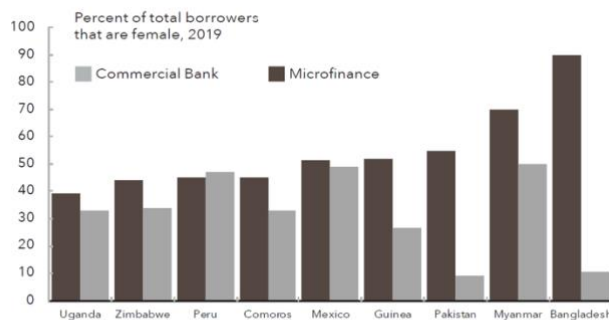
- Relevance to the UN Sustainable Development Goals : SDG 5 (Gender Equality) & SDG 8 (Decent Work and Economic Growth)

#### Active female microfinance borrowers approach 4.2M



The number of active female microfinance borrowers in Pakistan has grown steadily since 2015, approaching 4.2 million by 2023. This demonstrates a positive trend in women's participation in microfinance programs and signals progress in economic empowerment through small-scale lending.

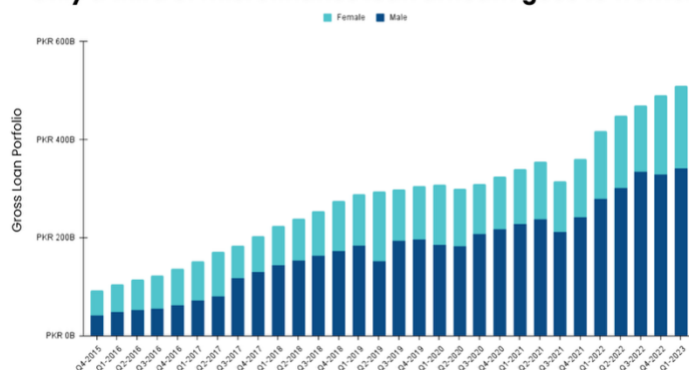
Figure 3. Microfinance institutions have gained ground among women



Sources: Financial Access Survey and IMF staff calculations.  
Note: Microfinance institutions include both deposit taking and non-deposit taking microfinance institutions.

In countries like Bangladesh and Myanmar, over 80% of microfinance clients are women, while the share of female borrowers from commercial banks remains significantly lower. This underlines the crucial role microfinance plays in reaching women, who are often excluded from traditional banking services.

#### Only a third of microfinance loan amount goes to women



Although women make up a large share of microfinance borrowers, they receive only about one third of the total loan volume. This reflects persistent gender disparities in access to financial resources and highlights the need for fair lending policies.

## **2.2 CURRENT SITUATION**

In many low- and middle-income countries, women continue to face significant structural barriers that limit their access to financial resources, especially in the micro and small business sectors. Despite growing global awareness of gender inequality, women-led enterprises often struggle with underfunding, market exclusion, and restrictive social norms.

Women in rural areas and informal economies are particularly affected. They are less likely to own property, have limited financial literacy and often lack access to digital financial services, all essential for sustainable entrepreneurship.

Microfinance programs have emerged as promising tools to address some of these challenges. By providing small loans, often without requiring property or assets as security, millions of women have been able to start or expand income-generating activities such as street vending, small-scale farming, and tailoring. The Grameen Bank model in Bangladesh shows how women's participation in microfinance can improve household welfare and community resilience.

Nevertheless, significant challenges remain. Many women's enterprises are confined to low-profit sectors with limited growth potential. A large share of microloans is only used for short-term household needs rather than business expansion. Furthermore, microfinance programs often lack complementary support such as financial education, access to supply chains, mentorship or legal assistance, which are vital for long-term success.

Cultural norms and gender-based discrimination further hinder progress. In many regions, women require male relatives' permission to register businesses, sign contracts or engage in trade. This restricts their economic autonomy. Additionally, women-led enterprises receive less investment and are underrepresented in formal entrepreneurship networks.

Therefore, ECOFIN must explore how microfinance can be made more inclusive, effective and sustainable for women-led small businesses. Financial systems, legal frameworks and development strategies need to be designed to dismantle structural

gender inequalities while also promoting economic resilience. This will support the achievement of SDG 5 (Gender Equality) and SDG 8 (Decent Work and Economic Growth) and foster broader economic development.

### 3. DEFINITION OF KEY TERMS

- **Microfinance:** A financial service that provides small-scale loans, savings and insurance to individuals who typically lack access to traditional banking systems. It is often used as a tool for poverty reduction and financial inclusion. Most small-scale loans range between \$50 and \$5,000.
- **Small Business Sector:** Refers to independently owned and operated businesses with a limited number of employees and relatively low volume of sales. They are vital for local economies.
- **Women's Economic Empowerment:** The ability of women to participate equally in existing markets, access resources and opportunities and control their own economic futures.
- **Financial Inclusion:** Ensuring that individuals and businesses have access to useful and affordable financial products and services that meet their needs.
- **Gender Gap:** The difference between women and men in terms of status, opportunities and rights, especially in areas like income, education, and political representation.

### 4. MAJOR PARTIES INVOLVED

The **United Nations** plays a vital role through entities like UN Women, the UNDP and the World Bank, the UN promotes financial inclusion and gender equality. All member states also share the responsibility to achieve the goals they have jointly developed and endorsed.

**Grameen Bank** a pioneer of microfinance founded by Muhammad Yunus in Bangladesh, widely seen as a successful example of empowering women through small loans.

In addition, the **Government of India** plays a leading role through programs like the Self-Employed Women's Association (SEWA).

**NGOs and MFIs (Microfinance Institutions) like** BRAC (Bangladesh), FINCA, and Women's World Banking exemplify the implementation of microfinance schemes globally.

**Countries with active programs are** Kenya, the Philippines, Peru, Rwanda, and Nigeria. They all have government-backed or NGO-led programs focused on women entrepreneurs.

## **5. EVALUATION OF PREVIOUS ATTEMPTS**

Numerous microfinance programs have shown that small loans to women can lead to increased income, better household living standards, and even community development. The Grameen Bank model in Bangladesh and similar programs in India and Latin America have shown that most borrowers repay their loans and gain greater personal and economic empowerment..

However, not all attempts have been successful. Some programs lack adequate training, monitoring, or market access, leaving women in unstable income situations. In certain cases, microloans have even led to debt cycles, especially when interest rates are high or when repayment is required too early.

There is also criticism that microfinance alone is not enough: it must be combined with education, healthcare, childcare support as well as legal protection. Without tackling underlying issues such as gender discrimination or lack of infrastructure, results remain limited.

## **6. POSSIBLE SOLUTIONS**

One viable solution to strengthening women's economic empowerment through microfinance lies in the development of integrated and inclusive financial systems that prioritize accessibility, education, and long-term sustainability. Many existing programs lack a supportive framework that goes beyond financial transactions. Therefore, UN Member States must actively work on combining microcredit with education, legal support, and entrepreneurial training.

Furthermore, governments and international organizations could establish specialized microfinance institutions (MFIs) focused on women-led businesses in rural and underserved areas. These institutions should be regulated and supported through



international development funds to avoid exploitative lending practices and ensure ethical standards. Successful models such as the Grameen Bank or BRAC could serve as blueprints for such initiatives.

Another promising path involves public-private partnerships that encourage banks and financial technology companies to develop digital microfinance solutions targeted at women. Especially in regions with limited banking infrastructure, digital platforms can reduce costs, improve outreach, and empower women to manage their finances independently.

At the international level, UN agencies such as UN Women or the UNDP should coordinate broader campaigns to remove legal barriers that prevent women from owning property, opening businesses, or securing credit. These structural changes are essential to ensure that microfinance programs are not merely temporary fixes but tools of sustainable transformation.

Finally, states are encouraged to support monitoring mechanisms that assess the real impact of microfinance programs on gender equality. Without regular evaluation, funds may be used poorly or end up increasing inequalities. Therefore, a global framework for measuring progress should be discussed, perhaps under the guidance of the Economic and Social Council (ECOSOC) or relevant subcommittees.

## **7. SOURCES / USEFUL LINKS**

- UN Women – Women’s Economic Empowerment  
<https://www.unwomen.org/en/what-we-do/economic-empowerment>
- World Bank – Gender and Development  
<https://www.worldbank.org/en/topic/gender>
- International Finance Corporation (IFC) – Women and Financial Inclusion  
<https://www.ifc.org>
- UNDP – Gender Equality Strategy  
<https://www.undp.org/gender>
- Global Partnership for Financial Inclusion (GPFI)  
<https://www.gpfi.org/>
- OECD – Financial Education for Women  
<https://www.oecd.org/financial/education/women.htm>
- Microfinance Gateway (by CGAP / World Bank)  
<https://www.cgap.org>
- Women and Microfinances <https://www.ilo.org/media/330621/download>