



Forum: Commission on the Status of Women

Issue: The Question of the Establishment of a Female Microcredit for Women

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“Soon we saw that money going to women brought much more benefit to the family than money going to the men. So we changed our policy and gave a high priority to women. As a result, now 96% of our four million borrowers in Grameen Bank are women”

Muhammad Yunus, awarded by the Nobel Peace Prize for founding the Grameen Bank and pioneering the concepts of microcredit and microfinance

INTRODUCTION

Although the Millennium Development Goals (MDGs) were supposed to be reached in 2015, they have still to be solved. The third goal regarded the promotion of gender equality and the empowerment of women, while the first one was about eradicating extreme poverty and hunger. As women are the great majority of the 1 billion people in the world that today live in conditions of poverty, the first and the third goals of the MDGs are deeply connected. But how can we achieve them? Establishing a female microcredit for women is one of the most efficient way to overcome these correlated problems.

Gender inequalities in employment and earnings, combined with discrimination against women in financial markets, mean that they have lower incomes, making them less able to open accounts in formal financial institutions. Moreover, women frequently do not have the collateral necessary to seek out loans from the formal financial sector. Instead, lending to women can increase their sense of empowerment giving them the chance to set up their own microenterprises or businesses. In this way also the problem of poverty would be resolved, not only for women but also for their families and communities: when women and girls are economically empowered, whole families, communities and societies benefit in equal measure.

Microfinance can also be a great source of empowerment for adolescent girls: this happened, for example, in Uganda, where there are the highest levels of youth unemployment in sub-Saharan Africa. As a matter of fact, in this country were provided financial services that induced girls to save for their education and set up their own enterprises. Furthermore, in South Asia and Latin America microfinance has given millions

of rural women, previously engaged in domestic work, the chance to earn independently and sometimes employ others through the micro-businesses they establish. Moreover, their empowerment has gradually led to more women joining the formal workforce.

KEY-TERMS

- **Microfinance:** it is the provision of financial services such as credit, savings, insurance and other basic financial products involving very small (micro) amounts to poor and low-income people who normally lack access to traditional banking and financial services. Microfinance originated with microcredit.
- **Microcredit:** a small loan offered to a person or group, mainly local businesses, especially in poor and developing countries, in order to make it possible for them to start businesses;
- **United Nations Millennium Declaration:** on 8 September 2000 the General Assembly of the United Nations adopted the Millennium Declaration following a three-day Millennium Summit of world leaders. It has eight chapters and it was adopted by 189 world leaders.
- **Millennium Development Goals (MDGs) and Sustainable Development Goals (SDGs):** they are the eight international development goals for the year 2015, established following the Millennium Summit of the United Nations in 2000, and the new goals for the next future;
- **Self-help groups:** community-based and member-managed associations of poor women who pool resources for financial and social services. Aside from pooling financial resources, self-help groups also serve women and their families through the provision of health-care services, such as polio vaccination and family planning information, literacy training, food-for-work opportunities and midday meal programmes.

ASSOCIATIONS AND ORGANIZATIONS INVOLVED

Grameen Bank (GB): a Nobel Peace Prize-winning microfinance organization and community development bank founded in Bangladesh, started by Professor Muhammad Yunus, a Bangladeshi social entrepreneur, banker, economist and civil society leader. GB makes small loans (known as microcredit or "grameencredit") to the impoverished without requiring collateral. Its successful peer-lending model has been replicated many times worldwide.

National Association of Women Business Owners (NAWBO): it was founded in 1975 by a group of women entrepreneurs in the Washington D.C. At the time, there were no business organizations with membership open to women entrepreneurs, so they created the first one. Moreover, it is the only dues-based organization in the United States that represents women entrepreneurs across all industries. It is also represented in more than 60 countries across the world.

The International Alliance for Women (TIAW): it is a global organization dedicated to the economic empowerment and advancement of women all over the globe. It supports microcredit in both the developed and developing worlds.

Women's Microfinance Initiative (WMI): it helps African women, in particular in Uganda and Kenya, to build assets so they can stabilize their income and raise their standard of living. From April 2011 they issued more than 2500 loans to women in more than 150 villages with a 100% repayment rate.

The Self-Employed Women's Association Bank (SEWA): it is a trade union based in Ahmedabad, India, that promotes the rights of low-income, independently-employed female workers. With over 2 million participating women, SEWA is the largest non-profit in India and is often recognized as the most influential union in the global informal economy.

BACKGROUND INFORMATION

- Microcredit is considered to have been pioneered by Muhammad Yunus in Bangladesh. He noted that poor women had no access to formal financial services because they could not post collateral and were considered to be high credit-risk borrowers. Instead of requiring collateral, he experimented the 'group lending' practice, where credit was extended based on a group liability arrangement, so the loan was individual, but the repayment was a group's responsibility.
- 2005 was the International Year of Microcredit, established in order to build inclusive financial sectors and strengthen the powerful, but often untapped, entrepreneurial spirit existing in communities around the world.
- Microfinance is mostly recognized for its ability to stimulate self-employment through the establishment of microenterprises that reduce reliance on informal, low wage jobs, and stimulate employment opportunities. As microfinance turned millions of poor women into active participants in economic activities, they attained new roles as income earners and managers of household incomes. As a result, these poor women were found to be more confident, assertive and better equipped to overcome cultural inequalities. Their success raises their status in society, turning them into important role models for the population of young girls who are growing up poor and underprivileged. Studies indicate that the success of these women tend to be associated with effective family planning and better treatment of children, in particular young girls, in terms of nutrition, health and schooling.
- The reasons why women are preferred rather than men when talking about microfinance are:
 - 1) they are overrepresented among the poorest of the poor;
 - 2) women clients have high repayments rates on loans;
 - 3) women tend to be more concerned over the health and education of their children.
- Increased incomes from microenterprises run by women are often used on health and education. This has led a number of microfinance services to include the provision of health-awareness programmes as part of their services. As a result, higher rates of immunization of children and of use of family planning have been observed among clients compared to non-client counterparts. Some studies also suggest that children

of microfinance clients are more likely to go to school, stay in school longer and have lower dropout rates.

- In India, self-help groups comprising 10 to 20 poor women each are fast becoming the dominant form of microfinance. As at March 2006, there were an estimated 2.2 million self-help groups that provided financial services to around 33 million members. Studies suggest that well-run groups are financially sustainable and experience high repayment rates of around 95 per cent from their members. They are able to reach very poor and marginalized clients.

POSSIBLE SOLUTIONS

We have now understood that especially in developing countries there is the necessity to create and establish a female microcredit for women that can accommodate them – and in consequence their family and communities – to improve their lifestyle and condition of living, to let their children have the opportunity to study and to start little businesses.

We can do that by improving the social integration and evaluation, therefore sensitizing people and communities, especial the rural ones, on gender equality.

Furthermore, information and communication technologies need to be spread in order to let women know what they rights are and what their life possibilities can be.

And remember, with an expansion of microfinance we can reduce gender inequalities in ways that extend beyond just economic and financial exclusion.

NOTES FROM THE CHAIR

It is true that MDGs were objectives for the year 2015 and now it is 2016, but this doesn't mean that we don't have to work on them anymore. They were purposes made to improve our suffering world, that's why they have been reformulated as Sustainable Development Goals and we should never stop trying to achieve them.

However, remember that you are representing a country whose opinion is different from yours because of its political and economical facts, but not only.

Kind regards,

Margherita

USEFUL WEBSITES

www.yearofmicrocredit.org

www.muhammadyunus.org

www.un.org

www.unwomen.org

www.nawbo.org