

**Forum:** The Economic and Social Council (ECOSOC I)

**Issue:** Measures to Effectively Distribute Microloans to Women in the Developing World

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## Introduction

Microloans, by definition, is a small loan around \$50,000 made to be accessible to extremely unfortunate people. These loans are often provided by nonprofit organizations to help unfortunate people start a small, local business. This alternative allows people to easily get access to these loans seeing as banks would be less willing to pull out a loan for those who have little to no credit.

Microloans are provided by nonprofit organizations or government agencies. There are restrictions often time with microloans provided by the US Small Business Administration (SBA) can be used for inventory purchase but not be used to refinance existing debt

To qualify for a microloan, it varies for the nonprofit organization. But for Small Business Administration, or SBA, the ability to repay loans and an appropriate business plan is needed to pull out a loan. Microloans are very different depending on country or organizations, but many of them offer up to \$50,000, have interest rates from 5% to 20%, and have loan term from 3 months- 7 years. Getting microloans depends on the organization, organizations like SBA want to see borrowers have good credit for a loan. Other organizations such as Kiva don't rely on borrower's credit but look at the interesting business story. Some of the borrowers need to describe the type of business they wish to start, how it will operate, and present a business plan.

As the Economic and Social Council (ECOSOC), the committee should be aware that girls and women have the right to gain microloans and that they are inadequate access. Indeed,

ensuring adequate access to microloans is urgent, and must be solved by the ECOSOC as soon as possible. Indeed, women need special care as they are dealing with many issues in society such as access to education, gender pay gap, gender-based violence, and child marriage among women. Microloans have grown exponentially over the years that it serves more and more people, and that there are diverse financial services offered.

## Definition of Key Terms

### **Adequate Access**

Sufficient need for a specific need or requirement, and of good or acceptable quality. Access means to obtain or retrieve. Therefore, adequate access means having the sufficient ability to obtain or retrieve something.

### **Microloans**

Microloans are small business loans issued by nonprofit organizations to help small start-up businesses.

### **Peer-to-peer microloans**

Each loan is funded by multiple individual or institutional investors through a lending platform, and borrowers will usually need to provide a compelling personal or business story to secure the interest of investors.

### **Developing world**

The developing world often referred to nations with a low development index and low to middle living conditions.

### **Access to education among women**

Women in many countries are found to not be in school. One out of every four young women in LEDC countries did not graduate from elementary school. There are currently many feminist movements to promote the seriousness and importance, however, there is still a long way to go. Women's education is very essential as the education level impacts health and status

in the future. Graduating from high school and university lead women, in LEDCs to have professional careers with better salaries.

### **Gender pay gap**

The gender pay gap is the income difference between men and women working. Men generally earn more as they tend to work in higher-paid industries and as a full-time worker, whereas women in a lot of cases work part-time or in lower-paid industries. The gender gap is so severe since women with children are discriminated against in jobs. Also, they choose to do lower-paying jobs as those are more flexible and they often leave the workforce to take care of their child. Countries such as Korea have one of the highest gaps with 36.65% in 2014. In America, their gap is 18%.

### **Gender-based violence**

It's violence against a person because of their gender. Many of the women and girls experience it. In Europe, 1 in 3 women has experienced physical or sexual violence, and 1 in 2 women has experienced sexual harassment. Also, 95% of victims trafficked for sexual exploitation in the EU are women.

### **Child marriage among women**

Child marriage is a child under the age of 18 marrying an older boy or man. It's a serious issue and impacts women as they need to leave school, and often experience violence. When young girls are married, they are still physically immature, which makes them at a high risk of dying from pregnancy, leading into babies having a high risk of dying. They are also generally unprepared as they are not physically trained for it. Indeed, many countries in Sub-Saharan Africa have 40% of girls marry before the age of 18, and countries in South Asia have around 30%.

## **Background Information**

### **The need for women to have access to microloans**

This resolution specifically targets women in developing areas seeing as banks will not loan to those with low credit. Women in developing areas are more prone.

### ***Development of Microloans***

Seeing as women in developing areas have little to no credit, Muhammed Yunus in the 1970s founded Grameen Bank to help the unfortunate start up their own businesses to create a new lifestyle.

### ***Status Quo of Microloans***

After the development of microloans, around 125 million people have gained access to these loans, with 80% of them women. As a result, they have gained access to \$100 billion dollars to change their lifestyle. However, even with microloans, their income has not rapidly increased, but still maintained low.

## **Major Countries and Organizations Involved**

### **Small Business Administration (SBA)**

The Small Business Administration is an organization aimed to provide microloans around \$50,000 to women around developing areas.

### **Kiva**

Kiva is a microloan organization located in San Francisco, California that aims to reduce poverty rates by pulling out loans up to \$10,000 with no interest rates to those that need it.

### **Grameen America**

Muhammad Yunus introduced Grameen America in 2008. This organization gave impoverished women access to financial education of the idea and goals of banking and credit. Those enrolled in this program tend to receive a \$1,500 microloan to start a business.

### **Accion**

Accion provides microloans up to \$50,000 particularly to women who are unable to access bank credit for their businesses.

### **Yunus Social Business**

This organization is also an organization started by Muhammed Yunus that invests in smaller businesses in rural areas so that small start-up businesses can continue without the trouble of limited funds.

### **The Loan Fund**

A private organization that provides loans, training, and business consulting to business owners and nonprofit organizations. They offer up to \$50,000 to small businesses to both male and females. This program limits people living in New Mexico.

### **Dining for Women**

This organization is focused on women living in extreme poverty. They aim to give around \$25,000 a year for 3 years.

### **United States**

In the US, the microloan program is administered by the Small Business Administration (SBA). Since 1992, they provided microloans to start-up, new, or growing small business. This program also supports marketing, management, technical assistance to borrowers.

### **Bangladesh**

Many microloans originated in rural Bangladesh during the mid 1970s. Dr. Muhammad Yunus, a professor of economics, introduced the idea of microloan banking. He travelled around rural villages in Bangladesh and gave money with no interest.

### **Timeline of Events**

<b>Date</b>	<b>Description of event</b>
Early 1970s	ShoreBank Corporation begins providing investment capital to business owners in Chicago who are denied access to credit.
Mid 1970s	Dr. Muhammad Yunus starts microloan businesses to help poor people rely on finance to start their small businesses.

Early 1980s	CFED and Opportunity Finance Network, promoted policies to expand microfinance in the US, which got formed. Many microfinance institutions were created showing that poor people could start a business.
End of 1980s	US microfinance has taken root across the nation and found support from Congress, academic, and the broader philanthropic community.
2008	By the end of 2008, nearly \$15 billion of foreign investment has been invested into micro-finance institutions.
2009	Kiva, a famous microloan company launches its US partnership.
2010	Microfinance USA, a first nation-wide conference with the aim to expand microfinance in the US is held.

## Relevant UN Resolutions and Treaties

- African Parliamentary Union on “Microfinance as a means of fighting poverty and promoting the empowerment of women in Africa”
- The General Assembly on “Role of Microcredit and Microfinance in the Eradication of Poverty”

## Possible Solutions

**To spread microloan nonprofit organizations worldwide.** For instance, some organizations are local, but if they were to be spread worldwide, that would mean that poverty would easily be reduced.

One other possible solution is to **physically deliver loans to women.** Many poor countries and poor women have limited access to organizations in many cases. Giving a few hundred dollars to a poor woman in an LEDC country will help to start a new business, which

will become a profit. This will give positive impacts such as being able to buy nutritious food, pay their child school fees, which will lead them out of poverty.

One other possible solution is to **give more access to women regarding loans**. Currently, many of the poor people do not meet the criteria that some of these lenders require. Poor women do not have any formal credit history which leads many companies not lending them money. This leads them relying on loans from families and friends, who often charge them exorbitant interest rates. Through support from international organizations and individual countries, we could work to improve to give women more access as this is a very important issue. Also, we need to give greater access to microfinance in LEDC countries to people like small farmers so they could increase their agricultural productivity.

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