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KAMUN'26

The Economic and Social Council

PRESIDENT RESEARCH PACKET

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**The Role of Microfinance in Women's Economic
Empowerment in Kenya**



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President's Letter:

Dear Delegates of the Economic and Social Council,

It is with great honour that I welcome you to the prestigious KAMUN'26 conference.

I am Salma Dajani, and I will have the pleasure of serving as your President. I am currently a junior at King's Academy, and have been participating in MUN since the eighth grade. I'm looking forward to addressing these pressing global issues and working together to find innovative solutions that help build a better future for our world.

As part of the Economic and Social Council, we will have the privilege of discussing international economic and social issues and finding impactful solutions to them.

During this session, we will discuss two topics. Firstly, The Economic and Social Implications of the New BRICS Currency Initiative. International financial systems are constantly shifting, changing, and developing. Thus, it is our committee's collective responsibility to address how evolving currency structures can affect essential sectors.

Next, we will address The Role of Microfinance in women's economic empowerment in Kenya. This issue is especially important in recognising the powerful role that financial inclusivity can hold. It plays a crucial role in transforming the lives of societies and exemplifies how empowering women can lead to monumental economic and social development.

I urge you all to approach these debates with a shared sense of curiosity, determination, excitement, and collaboration. Let us work together to overcome obstacles by turning them into opportunities to improve our world.

Best regards,

Salma Dajani

President of The Social and Economic Council

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Introduction:

In recent decades, microfinance has emerged as a vital mechanism for advancing economic and social development across the Global South. In Kenya, it plays an especially crucial role in addressing poverty, promoting entrepreneurship, and empowering women through financial inclusion. By offering small loans, savings options, and financial literacy programs, microfinance enables individuals, particularly women who lack access to formal banking systems, to participate in economic activities and contribute to their communities' growth.

The development of microfinance in Kenya has evolved from informal saving groups to well-established institutions that form an essential part of the national financial system. With the support of both governmental and non-governmental organisations, microfinance has become an important tool for achieving sustainable development and reducing gender-based inequalities. However, challenges such as weak regulation, high interest rates, and over-indebtedness continue to threaten its long-term impact.

As part of this topic, it is essential to examine how microfinance contributes to women's economic empowerment in Kenya, while also evaluating its limitations and risks. Furthermore, it is crucial to explore how inclusive financial systems can be strengthened to ensure that empowerment and equality are achieved in alignment with ECOSOC's broader goals of poverty reduction, gender equality, and sustainable economic growth.

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Definition of Key Terms:

Microfinance:

Providing small investments and loans to individuals of low income. Specifically, women in Kenya who lack access to professional banks. Microfinance developments help contribute to sustainable development goals such as no poverty, gender equality, and decent work and economic growth.

Women's Economic Empowerment:

Supporting women's long-term access to financial resources, involvement in economic development opportunities, and major financial decisions. This is critical in achieving the goals of social inclusion and reducing poverty.

Group Lending:

A loan system which highlights community-based developments, where women create a loaning group that guarantees loan repayment. This can ultimately decrease risks for big investors and lenders who give loans to such women.

Financial Literacy:

The skill of balancing and managing one's personal finances, such as budgeting, saving, and on-time loan repayments. Global financial literacy is essential to working towards equal and sustainable financial, economic participation.

Mobile Banking:

Platforms such as M-Pesa have begun to gain popularity and help microfinance expand into widespread regions. Such platforms provide a basis for mobile phone banking services, an innovation which supports inclusive economic development.

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Major Parties Involved:

Kenya Women Microfinance Bank :

A major microfinance institution, advocating for inclusion by providing personal credit, savings, and insurance for low-income women. Aid in reducing financial exclusion and supporting Kenyan women's entrepreneurship.

Kenyan Government:

The Kenyan government actively regulates institutions and supports the development of an environment for financial social inclusion, especially through recently established policies such as the Microfinance Act, which ensures equitable financial practices and reduces unethical interest rates.

Non-Governmental Organisations:

Non-governmental organisations such as Care International and Oxfam, by integrating microfinance and mentorship and training in aim to provide support. These programs contribute to the evolution of social development and women's empowerment.

Equity Bank and Safaricom:

Private sectors (M-Pesa) have reformed widespread access to financial services. M-Pesa, in speciparticular been advocating and encouraging microfinance institutions to start catering for rural women, underscoring technology-driven inclusivity.

Grassroots Women's Groups:

Community groups with objectives of saving and lending to entice women to combine and take full advantage of resources. It represents an excellent framework for empowerment and emphasis on sustainable local initiatives.

Timeline:

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Kenya has only recently begun to revolutionise and develop their microfinance sector. While it initially started as informal community loaning and saving groups, it has now evolved to be an essential integrated sector of the national financial system. However, microfinance in the past has been male-dominated; thus, the emphasis on women's empowerment is especially important to financial inclusion.

1981:

Kenya Women Finance Trust establishment. A non-profit organisation that supports the empowerment of women in financial and economic fields. Specialised in providing both financial and non-financial services to exclusively women entrepreneurs.

1990's:

Informal collaborative groups begin emerging (chamas). Collective savings, loans, and investment groups that primarily consisted of women.

2006:

The Microfinance Act of 2006 established a legal framework for microfinance institutions, providing guidance and structure. This enabled microfinance institutions to apply for licenses from the Central Bank of Kenya, ultimately allowing them to expand services.

2007:

M-Pesa launched in Kenya, providing a mobile money platform that revolutionised access to financial services. Authorised instant and affordable payments through mobile phones, enabling institutions to give and collect loans digitally, and widening horizons for individuals in remote areas.

2010-2014:

Huge increase in registered microfinance institutions. Ensured millions of Kenyans, specifically women, were gaining access to small loans, savings accounts, and other essential financial services.

2015:

Kenya officially incorporated financial inclusion into the national development goals, "Vision 2030". Acknowledging microfinance's large role in reducing poverty and increasing economic growth.

2020:

The COVID-19 pandemic caused economic shocks, a rise in loans, and major risks of increased indebtedness. Women-led businesses showed resilience and adaptability, but were still affected by the pandemic.

2022-2024:

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After the pandemic, the microfinance sector began shifting to digital transformation. Mobile platforms have developed and evolved to directly deliver loans, savings, and insurance to women. This led to greater efficacy, widespread targets, and improved risks.

Implications:

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Microfinance has the potential to be a transformative force in promoting economic stability, alleviating poverty, and advancing women's inclusion in the workforce. Supporting entrepreneurship and expanding participation in formal markets can widen the tax base and stimulate national growth. However, in Kenya, weak regulatory frameworks have led to over-indebtedness and financial instability, threatening to undermine ECOSOC's broader poverty-reduction objectives and potentially spreading risks across regional markets.

Microfinance also offers a powerful means of empowering women and challenging systemic inequalities by enabling greater economic independence and decision-making power. Yet, these benefits are not guaranteed. In patriarchal settings, men may seize control of women's loans or earnings, reproducing the very inequalities microfinance aims to dismantle.

The growing financialization of Kenyan microfinance institutions illustrates both promise and peril. While increased global investment and digital innovation have expanded access to financial services, prioritising profit over empowerment risks trapping women in cycles of debt and exposing the global economy to wider financial vulnerabilities.

Microfinance contributes directly to several Sustainable Development Goals, notably SDG 1 (No Poverty), SDG 5 (Gender Equality), and SDG 8 (Decent Work and Economic Growth). Nonetheless, over-reliance on microfinance as a development tool can divert attention and resources from other foundational sectors such as education, healthcare, and infrastructure areas ECOSOC identifies as essential to inclusive, sustainable growth.

When poorly managed, microfinance initiatives can cause harm beyond financial loss. Women seeking stability may instead face debt burdens, while donor mistrust grows and future funding declines. Such outcomes risk leaving vulnerable communities worse off and eroding confidence in development programs, thereby hindering long-term progress.

Proposed Solutions:

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1. Urges the Government of Kenya, NGOs, and microfinance institutions to improve regulations on interest rates, ensuring that women are not subjected to predatory lending practices;
 - a. Ensuring protection for women without compromising institutional sustainability,
 - i. Establishing A national limit on microfinance interest rates
 - ii. balance fair access with the operational needs of lending institutions
 - iii. Loan agreements are made transparent and written in accessible terms
 - b. Expansion of financial literacy programs, particularly for rural women, to strengthen long-term economic participation,
 - i. Local schools and NGOs are to partner in providing workshops on budgeting, saving, and loan management.
 - ii. Peer-to-peer mentoring networks among women entrepreneurs are to be fostered, allowing knowledge exchange and community support.
 - c. Calls for stronger integration of mobile banking platforms to widen access in underserved communities
 - i. Partnerships between microfinance institutions and mobile operators such as Safaricom's M-Pesa are to be promoted,
 - ii. Mobile-based monitoring systems are to be created to track repayments, reduce fraud, and strengthen borrower confidence.
 - d. Member states, institutions, and implementing bodies that fail to comply with these reforms or transparency measures will be susceptible to, but not limited to:
 - i. Withdrawal of donor support or funding streams,
 - ii. Suspension from microfinance partnerships and future development initiatives,

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“Food for Thought”:

- How does lowering interest rates aid women in enhancing and developing their businesses and families?
- What potential challenges could rural Kenyan women face while understanding and establishing loan agreements? Is it possible to make financial information easier to access?
- What role does mobile banking play in accessing women who are unable to visit major centres?
- How can group lending influence not only business growth, but also build supportive financial communities amongst women?
- Other than financial inclusion, what other complementary factors can play a large role in achieving gender equality?
- How can we assure/ encourage women to reinvest microloans for long-term income, rather than meeting short-term household needs?

Citations:

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Appendix:

Figure1. Trends in Net Advances, Performing Loans, and Non-Performing Loan

(NPL) Ratios among Kenya's Microfinance Banks (2014–2024). The figure shows a sharp rise in NPL ratios from 6.0% in 2014 to 38.1% in 2024, alongside fluctuating total loan volume

