BANKING ON POTENTIAL

Boosting women's access to finance in Afghanistan

Afghan women's enterprises in the face of exclusion

Afghan women are operating businesses in an increasingly restrictive and fragile economic and legal environment. Since 2021, women's participation in the formal labour market has declined sharply, pushing many into home-based and informal economic activity as the primary means of income.[1] The resulting growth in women-owned businesses (WOBs) reflects necessity as much as resilience.

Predominantly informal and micro[2], these WOBs operate under significant structural constraints. Most function outside formal registration systems, limiting access to credit, savings, insurance, and other financial services essential for business stability and growth. DFA-imposed restrictions affecting asset ownership, documentation, freedom of movement and market access further compound these barriers. As a result, WOBs are 3.5 times more likely than those owned by men to close in response to economic shocks.[3]

Barriers to formal financial access

Despite the central role women-owned businesses play in household survival, access to formal finance remains extremely limited. Only 6.8 per cent of women have access to a personal or joint bank account.[4] Where WOBs access loans, it is primarily through family or friends, with just 5 per cent obtained from formal banks.[5]

This low participation in formal finance is driven by interlocking institutional and socio-economic barriers. Women's ownership of productive assets remains extremely low. Land ownership is in the single digits,[6] shaped in part by discriminatory inheritance practices.[7] Without titled assets, women lack the collateral typically required for formal lending. At the same time, one in four women do not possess national identification cards (*Tazkira*) or the documentation needed to open and maintain bank accounts,[8] while limited formal employment histories restrict the ability to demonstrate creditworthiness. Intra-household finances further constrain engagement: women's earnings are often transferred to male family members, reducing individual financial autonomy and independent interaction with banks.[9]

1 UN Women. 2025. Afghanistan Gender Index 2024.
2 Surveying of WoBs for the United Nations Development Programme (UNDP) in 2024 indicated that 70 per cent of respondents were operating informally. Inan, F. et al. 2024. Listening to Women Entrepreneurs in Afghanistan: Their Struggle and Resilience. UNDP.
3 Microfinance Sector Performance Report, AMA December 2025
4 UN Women (United Nations Programme for Gender Equality and the Empowerment of Women). 2025. *Gender Index 2024: Afghanistan*.
5 Inan, F. et al. 2024. *Listening to Women Entrepreneurs in Afghanistan*.
6 Housing, Land and Property Task Force Afghanistan. 2020. *A Brief Guide to Women's Land Rights in Afghanistan*; Gehrig, M. and C. Williscroft. 2024. *Afghanistan Gender Country Profile 2024*. UN Women.
7 HLP Task Force Afghanistan. 2020. *A Brief Guide to Women's Land Rights*.
8 Approximately 28% of Afghan women do not own a *Tazkira*. GiHA WG. 2022. Afghanistan Inter-Agency Rapid Gender Analysis.
9 SEO (Society Empowerment Organization). 2026 (unpublished). *Women's Access to Finance in Afghanistan: A Legal and Policy Analysis*.

Moreover, adult[10] female literacy stood at 27 per cent in 2023[11] and was below 15 per cent in some provinces.[12] Limited understanding of financial concepts such as credit, interest, and insurance undermines confidence and increases reliance on male family members for economic decision-making.[13]

The combined effect is a financial system that many women engage with only at the margins. Economic transactions remain predominantly cash-based, with income circulating within households and informal networks rather than formal institutions. Where banking services are technically available, additional transaction, travel, and security costs reduce their practicality.[14] The result is persistent exclusion from formal financial infrastructure and limited pathways to build credit, savings, or long-term economic resilience.

Institutional drivers of financial exclusion

Afghan women's limited financial inclusion reflects not only access barriers, but the structure of financial markets themselves. In a fragile economic environment, banks prioritize risk containment and rely on standardized lending models built around formal collateral, documented income streams, and established credit histories. Loan sizes, repayment structures, and documentation requirements are therefore calibrated to larger, formal enterprises.[15] For most micro-scale and home-based businesses, which typically require relatively modest loan amounts, sustaining these thresholds exceeds their operational capacity, effectively limiting access to formal credit.

WOB-responsive loan structures are one way of addressing this mismatch. UN Women's partner, the Society Empowerment Organization (SEO), worked with Afghan banks to pilot gender-responsive lending terms tailored to WOB realities, such as:

- Smaller principal amounts (typically USD 100–1000);
- Extended repayment windows (up to 12 months with a 2-month grace period);
- Flexible instalment schedules, aligned with agricultural or home-based income cycles.[16]

These adjustments reduced perceived lending risk, improved repayment performance, and contributed to the enrolment of over 600 women in SEO-facilitated financial products. The experience underscores that **appropriately designed financial instruments can expand inclusion while maintaining portfolio stability.**

Pathways to boosting Afghan women's access to finance

Expanding access requires adjustments on the supply side. Financial products must align with the scale and cash-flow patterns of home-based and informal enterprises, while service delivery must accommodate mobility constraints and prevailing social norms. Importantly, financial inclusion initiatives can be structured in ways that remain consistent with religious principles and regulatory frameworks. Three practical entry points stand out: Islamic finance, microfinance, and digital financial services. Each offers distinct pathways to expand women's access while mitigating risks for financial institutions.

Islamic finance

Islamic finance presents a structurally aligned pathway for expanding women's financial inclusion in Afghanistan. In a context where interest-based lending may be socially contested, *Sharia*-compliant instruments such as ***Ijarah*** (leasing)[17], ***Murabaha*** (cost-plus, instalment-based asset financing)[18] and ***Qard Hasan*** (interest-free lending)[19] offer models that are both religiously legitimate and commercially viable.[20] Murabaha is particularly relevant for WOBs.

10 Aged fifteen years and over. A relatively higher female youth literacy rate (41.6 per cent) contributes significantly to the overall rate, with the literacy rate for women aged 25-64 years and 65+ years 11.7 per cent and 2.3 per cent respectively. UNESCO (United Nations Educational, Scientific and Cultural Organization). 2022. *Afghanistan: Country Profile 2022*. October 2022.
11 UNICEF. 2023. Afghanistan Multiple Indicator Cluster Survey (MICS), 2022-2023.
12 UNICEF & UNESCO. 2025. Afghanistan Education Situation Report.
13 SEO. 2026. *Women's Access to Finance in Afghanistan.*
14 Salma Consulting. 2024 (unpublished). *Understanding Women's Perceptions of Mobile Money*
15 SEO. 2026. *Women's Access to Finance in Afghanistan.*
16 Ibid.
17 *Ijarah*: An Islamic leasing agreement where the bank or financier purchases an asset and leases it to the customer for a fixed period. The customer pays rent, and ownership remains with the financier until the end of the lease term. SEO. 2026. *Women's Access to Finance in Afghanistan.*
18 *Murabaha*: The bank purchases goods and sells them to the client at a pre-agreed markup, payable in installments. Typically used for funding tools. Ibid.
19 *Qard Hasan*: zero-profit loans issued with a flexible repayment period, targeting returnees, widows, female-headed households. Ibid.
20 Ibid.

Since 2021, restrictions on women have pushed many out of the formal labour market and into informal economic activity or entrepreneurship. Access to finance can help women earn an income and sustain their livelihoods. Photo: @UN Women/Sayed Habib Bidell.

As an asset-backed financing mechanism, it allows institutions to purchase goods or inputs on behalf of the client and resell them on agreed instalment terms. This structure aligns well with the working capital needs of micro and home-based enterprises. In theory, it offers a flexible and culturally acceptable vehicle for supporting small-scale trade, agriculture, and home production.

In practice, however, products are often poorly calibrated to the operating realities of WOBs. Many Islamic finance offerings remain calibrated to larger borrowers, with ticket sizes, documentation requirements, and approval processes that exceed the operational scale of most WOBs. *Qard Hasan* schemes face strict vetting procedures and limited liquidity, constraining their scalability. The absence of explicit regulatory incentives or gender-responsive guidance within Afghanistan's Islamic banking framework further reduces institutional momentum to tailor products to women clients. [21]

Evidence indicates that adaptation within *Sharia*-compliant frameworks is both feasible and effective. UN Women's partner SEO's intervention demonstrated that Islamic finance products tailored to women's needs – smaller loan sizes, simplified repayment plans, delivery by female agents – generated significantly higher uptake and client satisfaction.[22]

21 Ibid.
22 Ibid.

Microfinance

Microfinance has historically served as the primary formal credit channel for women in Afghanistan. Following 2021, the sector experienced a severe contraction, with a sharp decline in the number of active institutions, borrowers, and geographic coverage. While there have since been signs of a gradual recovery, the sector remains considerably smaller than it was before 2021. As of December 2025, the Afghanistan Microfinance Association (AMA) reported[23] ten institutions in the broader microfinance sector, including two commercial banks, one microfinance bank, and seven Microfinance Institutions (MFIs).

Importantly, women continue to represent a substantial share of microfinance clients as the sector gradually rebuilds. AMA reports that women account for 43 per cent of active clients across its members, while among MFIs specifically, the proportion rises to 51 per cent[24]—a significantly higher share than among commercial banks.

This underscores microfinance's structural relevance: its low-collateral, community-based, and relationship-driven models are better aligned with the realities of informal and home-based enterprises.

However, existing microfinance product design and institutional capacity limit its impact. Eligibility criteria remain restrictive, loan sizes are often insufficient to support sustainable business growth, and group lending models are not always practical for women in socially constrained or geographically isolated contexts.[25] Staffing imbalances also persist while MFIs employ a higher proportion of women than commercial banks, female staff numbers have grown more slowly than male staff between 2023 and 2025 (2.4 per cent annually compared to 4.5 per cent)[26], despite rising demand among women clients.[27]

If scaled and delivered appropriately, MFIs could meet significant unmet demand among women clients. Models that leverage peer accountability, low collateral requirements, and community-based repayment structures are particularly suited to the current Afghan context. Evidence from UN Women-supported "quick start" initiatives reinforces this potential: within just nine months, 70 women-owned businesses accessed AFN 5.4 million (approximately USD 80,600) in loans through formal banks and MFIs. While this demonstrates strong demand for formal credit among women entrepreneurs, further tailoring loan sizes to the capital needs of micro-scale enterprises would enable even more women-owned businesses to access such products. Complementary community-based mechanisms are also proving effective: 45 Village Savings and Loan Associations (VSLAs) mobilized savings and extended loans to a further 900 women entrepreneurs in rural areas over 2.5 years. 28 With targeted support, microfinance can again serve as a scalable bridge between informal enterprise and formal financial inclusion.

Digital finance

Digital finance represents a critical pathway for expanding women's access to financial services in Afghanistan, particularly in a context of stringent mobility restrictions and limited branch-based banking. Mobile wallets have emerged as an important entry point, with female ownership increasing by 35 per cent between 2022 and 2024.[29]

For WOBs, digital wallets reduce reliance on physical travel and enable transactions to be conducted within the home. Afghan women reported using mobile wallets primarily for small retail and agricultural transactions, remittance receipt, utility payments, and, in some cases, engaging in microfinance.[30]

23 *Afghanistan Microfinance Association (AMA).* Microfinance Sector Performance Report. December 2025.
24 Ibid.
25 SEO. 2026. *Women's Access to Finance in Afghanistan*.
26 MISFA indicates 421, 440, and 441 female staff for 2023, 2024, and 2025, respectively, with male staff of 1,199, 1,262, and 1,308, respectively: MISFA. 2024. *Annual Report March 2024*; MISFA. 2025. *Annual Report March 2025*.
27 MISFA indicates women clients as a share of total clients as climbing from 26 per cent in 2023 to 42.3 per cent and 43.5 per cent in 2024 and 2025, respectively: MISFA. 2024. *Annual Report March 2024*; MISFA. 2025. *Annual Report March 2025*.
28 The 'Strengthening the Resilience and Livelihoods of Afghan Women to Respond to Humanitarian, Socioeconomic and Climate Shocks' project (2025–2026), delivered with the generous support of the Government of Japan, facilitates loans among selected WoBs and builds upon UN Women implementation with CARE International since 2023 to support women to form VSLAs and access microloans via this channel.
29 SEO. 2026. *Women's Access to Finance in Afghanistan.*
30 Ibid.

While the level of internet penetration in Afghanistan remains low[31], most women report owning a basic mobile phone[32], allowing access to core mobile money functions.

However, the overall coverage of mobile money remains extremely low. In 2023, four mobile money operators collectively served fewer than one per cent of the national population, primarily in urban centres.[33] Awareness and digital literacy gaps further constrain uptake. For example, a survey of HesabPAY[34] users found that women with basic literacy navigated the platform with relative ease, while non-literate users required adapted support tools and intermediary assistance.[35]

Practical delivery adaptations demonstrate that these barriers can be addressed. UN Women partner SEO collaborated with the Afghan United Bank to deploy 70 female mobile banking agents in socially conservative districts.[36] These agents provided doorstep onboarding, ID verification, repayment support, and basic financial education using pictorial and audiovisual tools.[37] Targeted districts recorded substantial increases in digital wallet usage following deployment.[38]

Digital finance therefore offers a scalable mechanism to expand women's financial inclusion, provided that rollout strategies incorporate literacy-sensitive design, localized agent networks, and sustained user support for WOBs.

As women face growing barriers to economic participation, innovative approaches are needed to expand their access to finance and create new pathways to income and entrepreneurship. Photo: @UN Women/Sayed Habib Bidell.

31 As of the start of 2025, internet penetration stood at 30.5 per cent, and 51.6 per cent of the population had cellular mobile connections. Kemp, S. 2025. "Digital 2025: Afghanistan." DataReportal.
32 In 2024, reported phone ownership among women stood at 60 per cent overall, with 54.6 per cent of women in rural areas reporting ownership, compared to 77 per cent of women in rural areas: UN Women. 2025. *Gender Index 2024: Afghanistan*.
33 Perdomo, M., Wali, A. S. and S. Haley. 2023. *Interoperability of Financial Service Providers in Afghanistan*. UNCDF (United Nations Capital Development Fund). UNDP. In UN Women. 2025. *Gender Index 2024: Afghanistan*.
34 Hesabpay is a digital finance platform that provides digital cash-based transfers in Afghanistan, enabling individuals have their own digital accounts to cash out directly or do cashless transactions.
35 Ibid.
36 The 70 female mobile banking agents were deployed in highly traditional districts of Bamiyan and Nangarhar provinces, as part of a total cohort of 450 agents across 7 provinces. SEO. 2026. *Women's Access to Finance in Afghanistan.*
37 Ibid.
38 Ibid.

Policy recommendations

Expanding Afghan women's access to finance is both feasible and urgent. It requires coordinated regulatory action, institutional adaptation, and targeted investment. UN Women calls for the following actions:

To the de facto authorities

- **Strengthen the enabling regulatory environment for women's economic participation** by ensuring coherent and predictable measures that allow women to operate businesses, access markets, and engage with financial institutions safely.
- **Promote inclusive financial sector guidance**, including within Islamic banking frameworks, to incentivize product adaptation for women-owned businesses.
- **Remove documentation barriers to formal finance** by expanding mobile *Tazkira* issuance and simplifying and reducing the cost of business and asset registration processes.

To financial institutions

- **Recalibrate financial products to the operating realities of women-owned businesses**, including smaller loan sizes, flexible repayment schedules, and low-collateral models aligned with women-owned businesses cash-flow patterns.
- **Scale gender-responsive Islamic and microfinance products**, ensuring accessibility for informal and home-based enterprises.
- **Expand women-centred service delivery models**, increasing recruitment of female frontline and agent staff, dedicated service kiosks, and extending services beyond urban centres.
- **Invest in inclusive digital finance solutions**, including low-literacy user interfaces, voice-based features, and strengthened female agent networks to support onboarding and troubleshooting.

To development partners and donors

- **Provide catalytic capital and risk-sharing mechanisms** to revitalize the microfinance sector and incentivize lending to women-owned businesses.
- **Fund and scale pilot initiatives in Islamic finance and digital finance** that demonstrate strong uptake and repayment among women clients.
- **Integrate access-to-finance programming with value chain and market access initiatives**, ensuring women-owned businesses can translate credit into sustainable growth.
- **Support financial and digital literacy programming**, particularly in rural and underserved areas, alongside strengthened gender-disaggregated data collection in the financial sector.

UN Women and its partners are supporting women with access to finance and livelihood opportunities, helping them build more secure incomes for themselves, their families and communities. Photo: @UN Women/Sayed Habib Bidell.