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Social and Economic Impact of Fondo Minga Microcredit Program: Master Thesis, Facultad de Ciencias Economicas y Administrativas Universidad Austral de Chile, Valdivia (2007)

Summary

The major objective of this study was to gain an understanding of how small loans from Fondo Minga micro credit project have strengthened and improved welfare of its clients and their households' members by assessing its social and economic impact on clients, general community and entire region, and where possible identify ways of improving the programme. Microfinance has proved to be one of the major tools for alleviating poverty among low income households and vulnerable household without stable household income.

Recent developments in anti poverty crusade have considered microfinance as a major tool for poverty alleviation because it has the potential to increase sources of family income, safe guards the family against extreme vulnerability, encourages accumulation of assets, empower marginalized women, and encourages establishment of social networks. Microfinance has played a remarkable role in bridging the financial gap created by traditional commercial banks by providing low income household easy access to small credits. However, for microfinance to succeed in reducing poverty level among its clients, it must be designed to suit the local operational environment conditions which differ from region to region. As microfinance institutions mushroomed across the world, focus on their potential to have sustainable impact on poverty levels and wellbeing of clients is beginning to gain more attention. It can only have sustainable impact on poverty level in low income households by socially and economically empowering them.

This study concludes that credits from Fondo Minga micro credit program have contributed positively towards improvement of quality of life in low income households. The credits have allowed clients to protect and diversify their family sources of income. The credits have also contributed to human capital development through improving education, health and nutritional status in low income households. The credits also helped to protect families against extreme vulnerability like sicknesses in their families. The study recommends that the program should among other things increase credit amount, avoid undesirable delays between successive credit cycles, should consider funding more activities, and should offer non financial services to its clients.