

THE CONTRIBUTION OF MICROFINANCE INSTITUTIONS TO POVERTY ERADICATION IN UGANDA

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Uganda has one of the fastest population growth rates in the world, and second highest in Sub-Saharan Africa. The literacy level was recorded at 70% with an average life expectancy at 49.7 in the years 2006. The total percentage of people surviving below one US\$ per day fell dramatically from over 60% in the 1980s to 31.3% by the end of 2006. Uganda has also attained a per capita income of around \$335 per annum. Agriculture provided more than 57% of total employment to the labor force recorded in the year 2006. The country is today endowed with one of the strongest and most dynamic microfinance industry in Africa. This paper discusses the impact of microfinance industry to poverty alleviation in Uganda, variation in their locations, gender trends and involvement, challenges, mechanism of their funding, in addition to their rate of growth in the entire country.

Both Qualitative and Quantitative Secondary data sources from Bank of Uganda, Capital Markets Authority and from the Ministry of Finance were closely used to study the performance of Microfinance Institutions in Uganda. Data was later managed with the use of Ms Excel computer package. It was found out that the reason for the rise in inflation was mainly due to the high global food and oil prices. Using the “mutually exclusive principle”, the report among other aspects indicated that: Only 38% of Uganda’s population access financial services of any sort. More rural people (65%) than urban people (52%) are un-served, and of those who borrow; most (54%) of them do so from friends and relatives. Limited branch network of the formal monetary sector largely affected general performance, inaccessibility of villages due to poor infrastructure, low self esteem and self exclusion by the extremely rural poor, in addition to the reasons which greatly lied to their lending methodologies.

Uganda remains one of the poorest countries in the world despite its impressive decline in poverty indicators. Agriculture still forms the main source of livelihood. 62% of the population are still un-served by any form of financial services in Uganda to date. Therefore to improve access to financial services, government and its development partners in the making, now need to focus their support on initiatives that promote outreach to remote and rural people.

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