

THE MAGIC KEY? MICROCREDIT FINANCE AND ENVIRONMENTAL SUSTAINABILITY

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ABSTRACT

The main objective of this study is to explore the relationship between microcredit finance and environmental sustainability. To accomplish this purpose, a secondary research methodology has been employed to arrive at the outcomes. The findings suggested that the MFIs (Microfinance Institutions) are significantly impacted by leverage and liquidity problems, emergency loans, capital erosion, government bail-out and high default rates which impact the portfolios of MFIs both directly and indirectly. The clients of MFIs also experience socioeconomic impacts through climate-led conflicts, climate-led migration, livelihoods concerns and food security, and depletion of the MIF clients' health and wealth. In addition to this, the climate change impacts the human and natural systems, specifically, the food and human health, society, settlements, and insurance, agriculture, water resources, and ecosystems. Besides this, the weather events such as flooding and droughts, the rise of sea level, the rise in temperature, and extreme weather events are some of the fundamental examples of climate changes. However, the lack of climate change strategies does not support the cause either. Therefore, it has been recommended that appropriate microcredit practices should be adopted, and effectively complemented by the proximity finance to promote mitigation and adaptation strategies. Through an establishment of trustful and productive relationships with the clients, and by performing supervision and monitoring on a consistent basis during the entire course of the loan, the MFIs would have the ability to assume a strategic position. The MFIs will, therefore, have a crucial role to play in the promotion of environmental sustainability especially because of their capacity to reach out to the poorest of the people.

Keywords: Microcredit finance, environmental sustainability, MFIs, impact, climate change.