Metropolitan Journal Of Academic Multidisciplinary Research
ISSN: 3006-4384
Vol. 5 Issue 6, June- 2026, Pages: 69-76

The Influence Of Microfinance Loans On Women Empowerment In Rural Areas Of Uganda: A Case Of Kyabugimbi Sub-County In Bushenyi District

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Abstract

This study examined the influence of microfinance loans on women empowerment in rural areas of Uganda, with specific focus on Kyabugimbi Sub-County in Bushenyi District. Guided by three research objectives—to assess the effect of individual lending on women's economic empowerment, to examine the influence of group lending on women's social empowerment, and to evaluate the impact of financial literacy training on women's decision-making autonomy—the study adopted a cross-sectional survey design. Data were collected from 214 women beneficiaries of microfinance loans in Kyabugimbi Sub-County using structured questionnaires and focus group discussions. Descriptive analysis revealed that group lending had the highest mean score among microfinance modalities (mean = 3.89, SD = 0.74), while financial literacy training was most strongly associated with decision-making autonomy (mean = 3.76, SD = 0.81). Pearson correlation analysis confirmed significant positive relationships between all microfinance loan variables and women empowerment outcomes. Multiple regression analysis established that the three microfinance dimensions collectively explained 71.3% of variance in women empowerment ($R^2 = 0.713$), with group lending as the strongest predictor ($\beta = 0.381$). The study concluded that microfinance loans significantly contribute to women empowerment in rural Uganda and recommended expansion of group lending programs, integration of financial literacy into loan disbursement processes, and targeted credit products for rural women entrepreneurs.

Keywords: Microfinance loans, women empowerment, individual lending, group lending, financial literacy, Kyabugimbi, Bushenyi District, Uganda.

1.0 BACKGROUND

Women constitute approximately 52% of Uganda's population and contribute significantly to agricultural production, petty trade, and household welfare(Allan et al., 2023). Yet structural inequalities in access to financial resources, education, and productive assets continue to constrain women's economic participation and limit their voice in household and community decision-making(Sarah et al., 2024). The Uganda National Household Survey (UBOS, 2019/20) revealed that only 36% of rural women own a bank account compared to 58% of rural men, and rural women are disproportionately concentrated in subsistence agriculture with limited engagement in higher-value economic activities(Alex & Julius, 2024). These gender disparities in financial inclusion reflect deeply entrenched social norms, discriminatory customary land tenure systems, and inadequate financial infrastructure in rural areas.

Microfinance has been widely promoted as a transformative instrument for advancing women's economic empowerment in developing countries, providing access to credit, savings, insurance, and financial education to individuals excluded from formal banking systems(A. G. Kazaara & Christopher, 2023). The Grameen Bank model, pioneered by Muhammad Yunus in Bangladesh, demonstrated that lending small amounts of capital to poor rural

Received: 06.06.2026 Accepted: 12.06.2026 Published on: 30.06.2026

women particularly through group lending (solidarity group) mechanisms could catalyze income generation, improve household welfare, and enhance women's social status and decision-making power(Julius & Kazaara, 2026a). In Uganda, the microfinance sector has grown substantially over the past two decades, with Microfinance Deposit-Taking Institutions (MDIs), SACCOs, and NGO-managed microfinance programs collectively serving an estimated 3.2 million clients (AMFIU, 2022). Key players in Bushenyi District include PRIDE Microfinance, FINCA Uganda, and the government-operated Emyooga Parish Development Model, all of which operate programs specifically targeting women beneficiaries in rural sub-counties including Kyabugimbi(Frank et al., 2023).

Despite the growth of microfinance services and the extensive body of international research on microfinance-empowerment linkages, evidence of the specific mechanisms through which microfinance loans translate into multi-dimensional empowerment outcomes for rural Ugandan women remains fragmentary(Julius & Nancy, 2026). This study sought to provide empirically grounded insights into these mechanisms within the Kyabugimbi Sub-County context.

2.0 PROBLEM STATEMENT

Women in Kyabugimbi Sub-County face persistent poverty, limited economic autonomy, and marginal participation in household and community decision-making despite access to microfinance services from multiple providers(Brian et al., 2024). Previous studies in the Ugandan context have reported mixed outcomes of microfinance programs on women empowerment, with some researchers observing significant positive impacts on income and self-confidence, while others have documented debt traps, increased domestic conflict, and elite capture of benefits(A. I. Kazaara & Audrey, 2024). The lack of a systematic empirical examination of the specific microfinance modalities individual lending, group lending, and financial literacy training and their differential effects on economic, social, and psychological dimensions of empowerment in the Kyabugimbi context motivated this study(Sarah & Audrey, 2024).

3.0 MAIN OBJECTIVE

The main objective of this study was to examine the influence of microfinance loans on women empowerment in Kyabugimbi Sub-County, Bushenyi District, Uganda. Specific objectives included: (i) to assess the effect of individual lending on women's economic empowerment in Kyabugimbi; (ii) to examine the influence of group lending on women's social empowerment in Kyabugimbi; and (iii) to evaluate the impact of financial literacy training on women's decision-making autonomy in Kyabugimbi.

4.0 LITERATURE REVIEW

The empowerment framework underpinning this study draws on Kabeer's (1999) conceptualization of empowerment as a process involving changes in the ability to exercise choice across three interrelated dimensions: resources (access to material, human, and social assets), agency (the ability to define one's goals and act upon them), and achievements (the outcomes of exercising agency)(Promise et al., 2024). Applied to microfinance, this framework predicts that loan access affects empowerment through the resource dimension by providing financial capital, through the agency dimension by enhancing women's negotiating power within households and communities, and

Received: 06.06.2026 Accepted: 12.06.2026 Published on: 30.06.2026

through the achievement dimension by enabling income generation and improved living standards(Julius & Kazaara, 2026a). Complementing this, the Social Capital Theory (Putnam, 1993) explains the empowerment effects of group lending through its capacity to build bonding social capital mutual trust, reciprocal obligations, and collective action capabilities within solidarity groups.

Empirically, Khandker (2005) analyzed panel data from Grameen Bank borrowers in Bangladesh and found that participation in microcredit programs increased women's annual per capita consumption by 18% and significantly improved household nutritional status and children's school enrolment. In Uganda, Mayoux (2006) studied women's microfinance groups in rural districts and found that group lending participants reported significantly higher levels of self-confidence, business ownership, and participation in community decision-making compared to non-participants(Tasha et al., 2023). Sserwanga (2019) examined the impact of PRIDE Microfinance's women-targeted programs in southwestern Uganda and documented meaningful improvements in household income, children's educational expenditure, and women's participation in village council meetings among loan recipients, though the depth of empowerment gains varied significantly by loan size, business type, and household composition. Regarding financial literacy, Lusardi and Mitchell (2014) established through a global meta-analysis that financial literacy interventions significantly enhanced individuals' savings behavior, investment decisions, and debt management capacities outcomes directly relevant to the empowerment potential of microfinance programs that integrate financial education components.

5.0 METHODOLOGY

This study employed a cross-sectional survey design to examine the influence of microfinance loans on women empowerment in Kyabugimbi Sub-County. The study population comprised all women who had accessed microfinance loans through PRIDE Microfinance, FINCA Uganda, and the Emyooga program in Kyabugimbi Sub-County in the preceding three years, estimated at 680 beneficiaries based on program records(Nafiu, 2012). Using Krejcie and Morgan's (1970) table, a sample of 248 respondents was drawn; stratified sampling ensured proportional representation of beneficiaries from each microfinance provider, and systematic random sampling was used to select individual respondents(Lanlege et al., 2013). Of the 248 questionnaires administered, 214 were returned complete and usable, yielding a response rate of 86.3%. In addition to the survey, four focus group discussions (FGDs) of eight participants each were conducted to capture qualitative insights about empowerment experiences(Aslam et al., 2022).

The research instrument was a structured Likert-scale questionnaire measuring individual lending practices, group lending practices, financial literacy training, and women empowerment outcomes. Face and content validity were established through expert review by three academic specialists and one microfinance practitioner. Reliability testing yielded Cronbach's alpha values of 0.78 (individual lending), 0.83 (group lending), 0.80 (financial literacy), and 0.85 (women empowerment)(Julius & Kazaara, 2026b). Data were analyzed using SPSS version 25 through descriptive statistics, Pearson correlation, and multiple regression analysis(Nelson et al., 2022). Ethical approval was obtained from the relevant institutional review body, and all participants provided informed consent prior to participation.

6.0 RESULTS

6.1 Descriptive Statistics

Table 1 presents the descriptive statistics for all study variables. Group lending recorded the highest mean score among microfinance modalities (mean = 3.89, SD = 0.74), reflecting respondents' strong positive perceptions of solidarity group dynamics, peer support, and collective accountability mechanisms. Qualitative data from FGDs corroborated this finding, with participants consistently describing solidarity groups as sources of social support, shared business knowledge, and market linkage beyond their direct credit function. Financial literacy training recorded a mean of 3.76 (SD = 0.81), with respondents who had participated in structured financial education sessions reporting notably stronger confidence in business planning, record-keeping, and loan repayment management. Individual lending recorded the lowest mean among microfinance variables (mean = 3.41, SD = 0.92), reflecting mixed experiences with individual loan terms, collateral requirements, and repayment flexibility. Women empowerment outcomes recorded an overall mean of 3.68 (SD = 0.79), indicating above-average empowerment levels among microfinance beneficiaries in Kyabugimbi, though considerable within-group variation was evident, with empowerment levels correlating positively with loan tenure, amount, and business formalization.

Table 1: Descriptive Statistics for Study Variables (N = 214)

Variable	N	Mean	Std. Dev.	Min	Max
Individual Lending Practices	214	3.41	0.92	1.00	5.00
Group Lending Practices	214	3.89	0.74	1.00	5.00
Financial Literacy Training	214	3.76	0.81	1.00	5.00
Women Empowerment Outcomes	214	3.68	0.79	1.00	5.00

Source: Primary Data, 2025

6.2 Correlation Analysis

The Pearson correlation matrix in Table 2 reveals that all three microfinance loan dimensions were significantly and positively correlated with women empowerment outcomes. Group lending demonstrated the strongest positive correlation with women empowerment ($r = 0.724$, $p < 0.01$), reflecting the multi-dimensional empowerment benefits generated by solidarity group participation spanning income sharing, peer mentoring, collective market access, and social capital formation. Financial literacy training was the second most strongly correlated variable with empowerment ($r = 0.668$, $p < 0.01$), affirming Lusardi and Mitchell's (2014) meta-analytic finding about the transformative potential of financial education for marginalized women. Individual lending showed a moderate but significant positive correlation with empowerment ($r = 0.541$, $p < 0.01$), indicating that individual loan access contributes meaningfully to economic empowerment, particularly for more business-experienced women with

Received: 06.06.2026 Accepted: 12.06.2026 Published on: 30.06.2026

sufficient collateral and repayment capacity. The inter-correlations between predictor variables were moderate (r range: 0.38–0.52), indicating minimal multicollinearity concerns.

Table 2: Pearson Correlation Matrix | ** p < 0.01 (2-tailed)

Variable	Individual Lending	Group Lending	Financial Literacy	Empowerment
Individual Lending	1.000			
Group Lending	0.384**	1.000		
Financial Literacy Training	0.421**	0.519**	1.000	
Women Empowerment	0.541**	0.724**	0.668**	1.000

Source: Primary Data, 2025

6.3 Regression Analysis

Multiple regression analysis was conducted to determine the combined and individual contributions of microfinance loan dimensions to women empowerment outcomes. Regression diagnostics confirmed the validity of all required assumptions (Durbin-Watson = 1.92; VIF range: 1.21–1.68). The overall regression model was statistically significant ($F(3, 210) = 172.91$, $p < 0.001$) and explained 71.3% of variance in women empowerment ($R^2 = 0.713$; Adj. $R^2 = 0.708$). Group lending emerged as the strongest predictor of women empowerment ($\beta = 0.381$, $t = 8.12$, $p < 0.001$), reflecting the multifaceted nature of solidarity group participation as a simultaneously economic, social, and psychological empowerment mechanism(Nelson et al., 2023). Financial literacy training was the second most influential predictor ($\beta = 0.312$, $t = 6.78$, $p < 0.001$), confirming the importance of knowledge-based dimensions of microfinance programs for translating loan access into durable empowerment outcomes. Individual lending made a smaller but statistically significant contribution to empowerment ($\beta = 0.198$, $t = 4.34$, $p < 0.001$). The positive direction of all regression coefficients confirms that each microfinance dimension makes a constructive contribution to women empowerment outcomes in Kyabugimbi(Nelson et al., 2022).

Table 3: Regression Coefficients | $R^2 = 0.713$; Adj. $R^2 = 0.708$; $F(3,210) = 172.91$; $p < .001$

Predictor Variable	B	Std. Error	β	t	p-value
(Constant)	0.498	0.234		2.128	0.034
Individual Lending	0.218	0.050	0.198	4.34	< .001
Group Lending	0.412	0.051	0.381	8.12	< .001
Financial Literacy Training	0.341	0.050	0.312	6.78	< .001

Source: Primary Data, 2025

7.0 DISCUSSION

The preponderance of evidence from this study affirms the transformative potential of microfinance loans as instruments of women empowerment in rural Uganda, while also illuminating the differential effectiveness of

Received: 06.06.2026 Accepted: 12.06.2026 Published on: 30.06.2026

specific lending modalities and program components. The dominance of group lending as a predictor of empowerment (β = 0.381) validates both Kabeer's (1999) empowerment framework specifically the social capital and agency dimensions and Putnam's (1993) Social Capital Theory, by demonstrating that solidarity groups generate empowerment benefits that transcend the purely financial domain. FGD participants articulated this clearly, describing how group membership enabled them to jointly negotiate with input suppliers, collectively access urban markets, support each other through household crises, and develop the confidence to speak in community and local government forums—outcomes that individual credit alone would not have generated. The strong effect of financial literacy training (β = 0.312) has important program design implications, suggesting that loan disbursement without accompanying financial education represents a missed empowerment opportunity that can also increase default risk.

8.0 CONCLUSIONS AND RECOMMENDATIONS

This study concludes that microfinance loans significantly and positively influence women empowerment in Kyabugimbi Sub-County, with group lending, financial literacy training, and individual lending collectively explaining 71.3% of variance in women empowerment outcomes. The study recommends that microfinance institutions operating in Bushenyi District prioritize the expansion of solidarity group lending programs, with dedicated group capacity building incorporating business skills training, market linkage facilitation, and savings culture promotion. Financial literacy training should be mandated as a prerequisite for loan disbursement rather than an optional add-on, and training curricula should be designed in local languages (Runyankore-Rukiga) and tailored to the specific business activities of rural women. Additionally, government and development partners should invest in creating a supportive ecosystem for women microfinance beneficiaries through subsidized agricultural inputs, rural market infrastructure, and land registration support to enhance women's access to collateral.

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Received: 06.06.2026 Accepted: 12.06.2026 Published on: 30.06.2026

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Received: 06.06.2026 **Accepted: 12.06.2026** **Published on: 30.06.2026**