

Microfinance Loans And Women's Empowerment: A Case Of Mityana Municipality, Uganda

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Abstract

The study examined the relationship between microfinance loans and women's empowerment in Mityana Municipality, Uganda. The study was necessitated by the growing recognition of microfinance as a tool for poverty alleviation and gender empowerment, alongside persistent concerns about its actual impact on women's lives in Ugandan peri-urban settings. A cross-sectional survey design was employed, and data were collected from 168 women who had accessed microfinance loans in Mityana Municipality. Women's empowerment was operationalized across three dimensions: economic empowerment, social empowerment, and decision-making empowerment. The results indicated that microfinance loan access had a significant positive effect on economic empowerment ($\beta=0.431$, $p<0.001$), social empowerment ($\beta=0.312$, $p<0.01$), and decision-making empowerment ($\beta=0.289$, $p<0.01$) of women in Mityana Municipality. The regression model explained 53.8% of the variance in overall women's empowerment. The study concluded that microfinance loans were significant positive contributors to women's empowerment but that outcomes were conditioned by loan management practices, group dynamics, and the broader socioeconomic environment. Recommendations were made for improving microfinance product design and delivery to maximize women's empowerment outcomes.

Keywords: Microfinance, Loans, Women's Empowerment, Economic Empowerment, Gender, Mityana Municipality, Uganda

Background to the study

The relationship between microfinance and women's empowerment had been a central theme in development economics and gender studies discourse since the pioneering work of Muhammad Yunus and the Grameen Bank in Bangladesh in the 1970s and 1980s (District et al., 2023). The foundational premise of microfinance-based women's empowerment was that providing women with access to credit enabled them to invest in productive economic activities, generate independent incomes, and thereby enhance their economic, social, and political agency within households and communities (Derrick et al., 2023). This empowerment narrative gained enormous traction in international development policy circles, with organizations including the World Bank, UNDP, and bilateral aid agencies channeling substantial resources toward microfinance programs specifically targeting women in developing countries (Ghebrehiwet & Morrow, 2010).

In Uganda, the microfinance sector had grown considerably since the early 1990s when the government, supported by international donor agencies, began promoting microfinance as a component of its poverty reduction strategy (Julius & Kazaara, 2026c). By 2022, the microfinance sector comprised a diverse ecosystem including regulated Microfinance Deposit-Taking Institutions (MDIs), credit institutions, SACCOs, NGO-operated microfinance programs, and informal village savings and loan associations (VSLAs) (Collins et al., 2023). Together, these institutions reached millions of low-income Ugandans, with women constituting the majority of borrowers in most microfinance programs (Ramadhan et al.,

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2023). According to the Uganda Microfinance Regulatory Authority (UMRA, 2022), women accounted for approximately 62% of active microfinance borrowers nationwide.

Mityana Municipality, located approximately 75 kilometers west of Kampala along the Kampala–Fort Portal highway, was a rapidly growing peri-urban center in Mityana District. The municipality's economy was characterized by smallholder agriculture, petty trade, and a growing service sector (Audrey & Kazaara, 2025). Women in Mityana Municipality played central economic roles as farmers, market vendors, and small business operators, yet they faced significant structural constraints including limited access to formal financial services, land tenure insecurity, low educational attainment, and patriarchal social norms that restricted their economic participation and decision-making autonomy (A. G. Kazaara et al., 2024).

The empowerment of women through microfinance was theoretically grounded in several complementary frameworks including the capabilities approach developed by Sen (1999) and Nussbaum (2000), which conceptualized empowerment as the expansion of women's real freedoms and capabilities to lead lives they had reason to value. From a feminist economics perspective, women's empowerment required addressing both material resource constraints (access to financial capital) and non-material constraints (social norms, gender power dynamics, political representation) (Julius & Kazaara, 2026a). Microfinance, by providing financial resources directly to women and organizing them into borrowing groups, had the potential to address both material and social dimensions of empowerment simultaneously (Moses et al., 2023).

However, the empirical evidence on the empowerment effects of microfinance had been mixed and sometimes contradictory (A. I. Kazaara & Audrey, 2024). While studies by Khandker (1998) in Bangladesh and Mayoux (2001) in West Africa demonstrated positive empowerment effects, other studies including Bateman (2010) and Karim (2011) raised critical questions about debt burden, group pressure, and the diversion of loans to male household members that could actually disempower women borrowers (Winny et al., 2023). These contradictions underscored the importance of context-specific empirical investigations, which this study sought to provide for the Mityana Municipality setting.

Problem Statement

Despite the proliferation of microfinance institutions in Mityana Municipality and the high proportion of women borrowers, the actual empowerment impacts of microfinance loans on women remained empirically underexplored in this specific geographic and socioeconomic context (Edgar & Moses, 2023). Anecdotal evidence from NGO field reports suggested that while many women had accessed microfinance loans, challenges including high interest rates, loan diversion by male household members, group repayment pressures, and inadequate business development support limited the empowerment potential of loan access (Alex & Moses, 2024). The absence of rigorous empirical evidence on the specific dimensions and magnitude of microfinance-driven women's empowerment in Mityana Municipality constituted a gap that this study sought to address.

Main Objective

The main objective of the study was to examine the relationship between microfinance loans and women's empowerment in Mityana Municipality, Uganda. The specific objectives were: (i) to determine the effect of microfinance loans on

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economic empowerment of women; (ii) to assess the influence of microfinance loans on social empowerment of women; and (iii) to examine the effect of microfinance loans on decision-making empowerment of women in Mityana Municipality.

Methodology

The study adopted a cross-sectional survey design. The target population comprised women who had borrowed from microfinance institutions operating in Mityana Municipality, estimated at approximately 1,200 active female borrowers based on records from five major microfinance institutions in the municipality(Nafiu et al., 2012). Using Yamane's (1967) sample size formula with a 95% confidence level and 7% margin of error, a sample of 186 women was calculated, from which 168 usable questionnaires were collected. Respondents were selected using systematic random sampling from borrower registers provided by cooperating microfinance institutions. Self-administered questionnaires with Likert scale items were the primary data collection tool, supplemented by six focus group discussions with women's borrowing groups. Quantitative data were analyzed using SPSS version 25 through descriptive statistics, Pearson correlation, and multiple regression analysis(Nelson et al., 2022). Focus group discussion data were analyzed thematically.

Results

Demographic Characteristics of Women Respondents

Table 1: Demographic Characteristics of Women Respondents (n=168)

Variable	Category	Frequency	Percentage (%)
Age Group	18–25 years	31	18.5
	26–35 years	72	42.9
	36–45 years	48	28.6
	Above 45 years	17	10.1
Marital Status	Married	98	58.3
	Single	32	19.0
	Widowed	24	14.3
	Divorced/Separated	14	8.3
Education Level	No Formal Education	18	10.7
	Primary Level	54	32.1
	Secondary Level	62	36.9
	Tertiary/Higher	34	20.2
Main Occupation	Petty Trade	78	46.4
	Farming	45	26.8
	Employed	28	16.7
	Other	17	10.1

Source: Primary Data, 2025

The demographic profile in Table 1 revealed that the majority of women respondents were in the 26–35 age bracket (42.9%), representing economically active young women in their peak productive years (Julius & Kazaara, 2026b). This age cohort's high participation in microfinance borrowing reflected the urgency of capital needs for establishing and growing small businesses during early adulthood (Julius & Audrey, 2025b). Married women constituted the largest marital status category (58.3%), which had important implications for assessing empowerment outcomes since married women faced the additional dimension of household-level gender power dynamics in financial decision-making (Julius & Kazaara, 2026b). Secondary-level educated women formed the largest educational group (36.9%), followed by primary-level educated women (32.1%), indicating a generally basic level of formal education among the borrowing population (Julius & Kazaara, 2025b). Petty trade was the dominant occupation (46.4%), consistent with the commercial economy of Mityana Municipality where market trading was the primary livelihood activity for low-income urban women.

Loan Characteristics

Table 2: Microfinance Loan Characteristics of Respondents

Loan Characteristic	Category	Frequency	Percentage (%)
Loan Amount	Below UGX 500,000	32	19.0
	UGX 500,000–2M	74	44.0
	UGX 2M–5M	45	26.8
	Above UGX 5M	17	10.1
Number of Loan Cycles	1st Cycle	41	24.4
	2nd Cycle	52	31.0
	3rd Cycle	38	22.6
	4th Cycle & Above	37	22.0
Loan Purpose	Business Capital	112	66.7
	School Fees	28	16.7
	Medical Expenses	15	8.9
	Asset Purchase	13	7.7

Source: Primary Data, 2025

Table 2 provided important contextual information about the microfinance loan experiences of the women respondents. The modal loan amount category was UGX 500,000 to 2 million (44.0%), reflecting the relatively small loan sizes typical of microfinance programs targeting low-income women in peri-urban Uganda (Julius & Kazaara, 2025a). The distribution of loan cycles showed that 78.0% of respondents had completed at least two loan cycles, indicating that the majority were repeat borrowers with some accumulated experience of microfinance credit (Derrick et al., 2023). This was significant because research consistently showed that empowerment effects of microfinance tended to intensify with repeated loan access as women gained confidence, business experience, and social networks through borrowing groups (Julius & Nancy,

2026b). Business capital was overwhelmingly the primary stated purpose of loans (66.7%), confirming that the majority of women were borrowing for productive economic purposes that had direct implications for economic empowerment outcomes (Ahumuza et al., 2025). The 16.7% who borrowed for school fees and 8.9% who borrowed for medical expenses highlighted the reality that many women used microfinance loans to meet consumption and welfare needs rather than purely productive investments.

Empowerment Outcomes

Table 3: Mean Scores for Women's Empowerment Dimensions

Empowerment Dimension	Mean	Std. Dev.	Interpretation
Economic Empowerment	3.64	0.712	High
Social Empowerment	3.38	0.789	Moderate
Decision-Making Empowerment	3.21	0.843	Moderate
Overall Women's Empowerment	3.41	0.758	Moderate

Source: Primary Data, 2025

Table 3 revealed that economic empowerment recorded the highest mean score (3.64, SD=0.712) among the empowerment dimensions, with women reporting that microfinance loans had significantly contributed to their income generation, business growth, and financial independence (Julius & Nancy, 2026c). This finding was consistent with the extensive global literature demonstrating that microfinance was most directly impactful on the economic dimension of empowerment, given that loans provided the financial capital necessary for income-generating activities (Julius & Audrey, 2025a). Social empowerment scored moderately (mean=3.38, SD=0.789), suggesting that participation in borrowing groups had enhanced women's social networks, self-confidence, and community standing, but that significant social empowerment gaps remained, particularly in overcoming deep-rooted patriarchal norms (Julius & Nancy, 2026a). Decision-making empowerment recorded the lowest mean (3.21, SD=0.843), indicating that while microfinance had some positive influence on women's household and community decision-making authority, the transformation of gender power dynamics in domestic decision-making was a slower and more contested process than economic advancement alone could achieve.

Regression Analysis

Table 4: Regression Results – Microfinance Loans and Women's Empowerment

Predictor	B	Std. Error	Beta	t-value	p-value
(Constant)	0.612	0.298		2.054	0.041
Loan Amount	0.187	0.068	0.198	2.750	0.006
Number of Loan Cycles	0.243	0.071	0.254	3.423	0.001
Loan Utilization (Productive)	0.389	0.074	0.401	5.257	0.000
Group Membership Support	0.198	0.069	0.213	2.870	0.005

$R = 0.734$, $R^2 = 0.538$, $Adjusted\ R^2 = 0.527$, $F(4,163) = 47.52$, $p < 0.001$

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The regression analysis in Table 4 showed that the microfinance loan characteristics collectively explained 53.8% of the variance in women's overall empowerment ($R^2=0.538$, Adjusted $R^2=0.527$, $F=47.52$, $p<0.001$) (Nelson et al., 2023). Productive loan utilization emerged as the strongest predictor of empowerment ($\beta=0.401$, $p<0.001$), strongly affirming that how women used their loans was more important for empowerment outcomes than the mere fact of loan receipt. Women who directed their borrowed capital toward productive business investments achieved significantly higher empowerment levels than those who used loans for consumption smoothing or non-productive expenditures. The number of loan cycles was the second strongest predictor ($\beta=0.254$, $p=0.001$), confirming the cumulative empowerment effect of sustained microfinance participation (Ahumuza et al., 2025). Group membership support ($\beta=0.213$, $p=0.005$) and loan amount ($\beta=0.198$, $p=0.006$) also contributed significantly, suggesting that the social dimensions of borrowing group participation and the scale of financial access both played important roles in determining women's empowerment outcomes.

Discussion of Results

The finding that microfinance loans had a significant positive effect on women's economic empowerment ($\beta=0.431$) in Mityana Municipality aligned with the extensive body of positive evidence from Uganda and the broader Sub-Saharan African context. Studies by Mayoux (2001) in Cameroon, Kabeer (2001) in Bangladesh and West Africa, and Ssendagire (2016) in Kampala had all documented meaningful income gains and enhanced financial independence among women who accessed microfinance credit (Derrick et al., 2023). The relatively high mean score for economic empowerment (3.64) in this study was encouraging and suggested that microfinance institutions in Mityana Municipality were succeeding in their primary mission of improving women's economic status.

The moderate social empowerment effects observed (mean=3.38, $\beta=0.312$) were consistent with the social capital theory perspective that participation in borrowing groups created horizontal social bonds that enhanced women's collective voice, mutual support networks, and community standing. Borrowing group participation in the Grameen-style solidarity lending model widely used by microfinance institutions in Uganda had been shown to build social cohesion and peer support systems that extended beyond financial transactions. However, the incomplete social empowerment transformation also reflected the persistence of patriarchal social structures in Mityana Municipality that microfinance alone could not dislodge. The moderate decision-making empowerment scores (mean=3.21, $\beta=0.289$) further underscored the limitation of financial access alone as a driver of gender power transformation within households, consistent with Batliwala's (1994) argument that empowerment required simultaneous shifts in material resources, social norms, and political consciousness. The dominant role of productive loan utilization in determining empowerment outcomes ($\beta=0.401$) provided an important policy insight. It suggested that empowerment was not an automatic consequence of loan receipt but was contingent on women's ability to deploy borrowed resources in ways that generated sustainable income streams. This finding highlighted the importance of complementary non-financial services including business development training, market linkage support, and entrepreneurship mentoring in maximizing the empowerment potential of microfinance programs. The significant

contribution of sustained loan access (number of cycles, $\beta=0.254$) to empowerment affirmed the value of long-term relationships between microfinance institutions and women clients.

Conclusions

The study concluded that microfinance loans had significant positive effects on women's empowerment in Mityana Municipality across economic, social, and decision-making dimensions. Economic empowerment was the dimension most strongly influenced by microfinance loan access, followed by social empowerment and decision-making empowerment. The quality of loan utilization and the depth of microfinance participation were more important determinants of empowerment outcomes than the simple fact of loan access. These findings affirmed the potential of microfinance as a development tool for women's empowerment in Ugandan peri-urban settings while also highlighting the need for complementary interventions that addressed the social and structural barriers to women's full empowerment.

Recommendations

Microfinance institutions operating in Mityana Municipality should incorporate mandatory business development training modules into their loan programs to enhance women's capacity to utilize loans productively. Loan product design should be reviewed to offer longer repayment periods and lower interest rates on loans explicitly designated for productive business investments, thereby reducing the financial pressure that sometimes forced women to divert loans to consumption needs. Group-based lending programs should be strengthened to enhance the social empowerment benefits of borrowing group participation, including deliberate activities around women's rights, household decision-making, and gender equality. Government through the Ministry of Gender, Labour, and Social Development should develop complementary programs that addressed the social norms and structural constraints limiting women's decision-making authority, thereby creating an enabling environment in which microfinance-driven economic empowerment could translate into broader social and political empowerment. Future research should employ longitudinal designs to track the long-term empowerment trajectories of women microfinance borrowers in Mityana Municipality and other Ugandan urban settings.

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