

Why how we borrow matters

BORROWING BETTY NDAGIRE

As technology reshapes economies and societies, women remain largely absent from the spaces where digital systems are designed, built and governed.

Globally, for decades, access to credit has been treated as a shorthand for economic progress. The assumption is that when households and businesses can borrow, they can smooth consumption, invest, and grow.

Across Uganda, from small traders and salaried workers to entrepreneurs, the lived experience of borrowing tells a more complicated story.

Loans meant to unlock opportunity often become sources of stress. The challenge is not always the absence of credit, but how borrowing decisions are made once money becomes available.

As banks compete on speed, digital access, and product variety, a harder question is emerging: are borrowers equipped to make sound choices after credit is approved?

The shift underway is less about lending and more about lending and borrowing, better.

It is this gap that Absa says it is deliberately targeting. Speaking at the launch of a customer campaign, Moses Rutahigwa, the Absa director of retail and business banking, said: "Most times, when we borrow, we take loans without understanding what the loan is for."

"We borrow short-term money to finance long-term needs. We mix business money with personal expenses. Before we know it, the loan moves very fast, and the purpose it was meant for is not achieved."

His point highlights a systemic pattern, where loans intended for growth are diverted to emergencies.

Working capital is absorbed by household pressures. Borrowers begin optimistically. They borrow well, smiling, but the recovery process becomes painful for both customers and banks.

In this framing, the problem is not credit itself, but credit without clarity.

Industry data reflects both progress and fragility. According to Bank of Uganda, non-performing loans declined to about 3.66 percent as of September last year, reflecting tighter underwriting and stronger recovery processes.

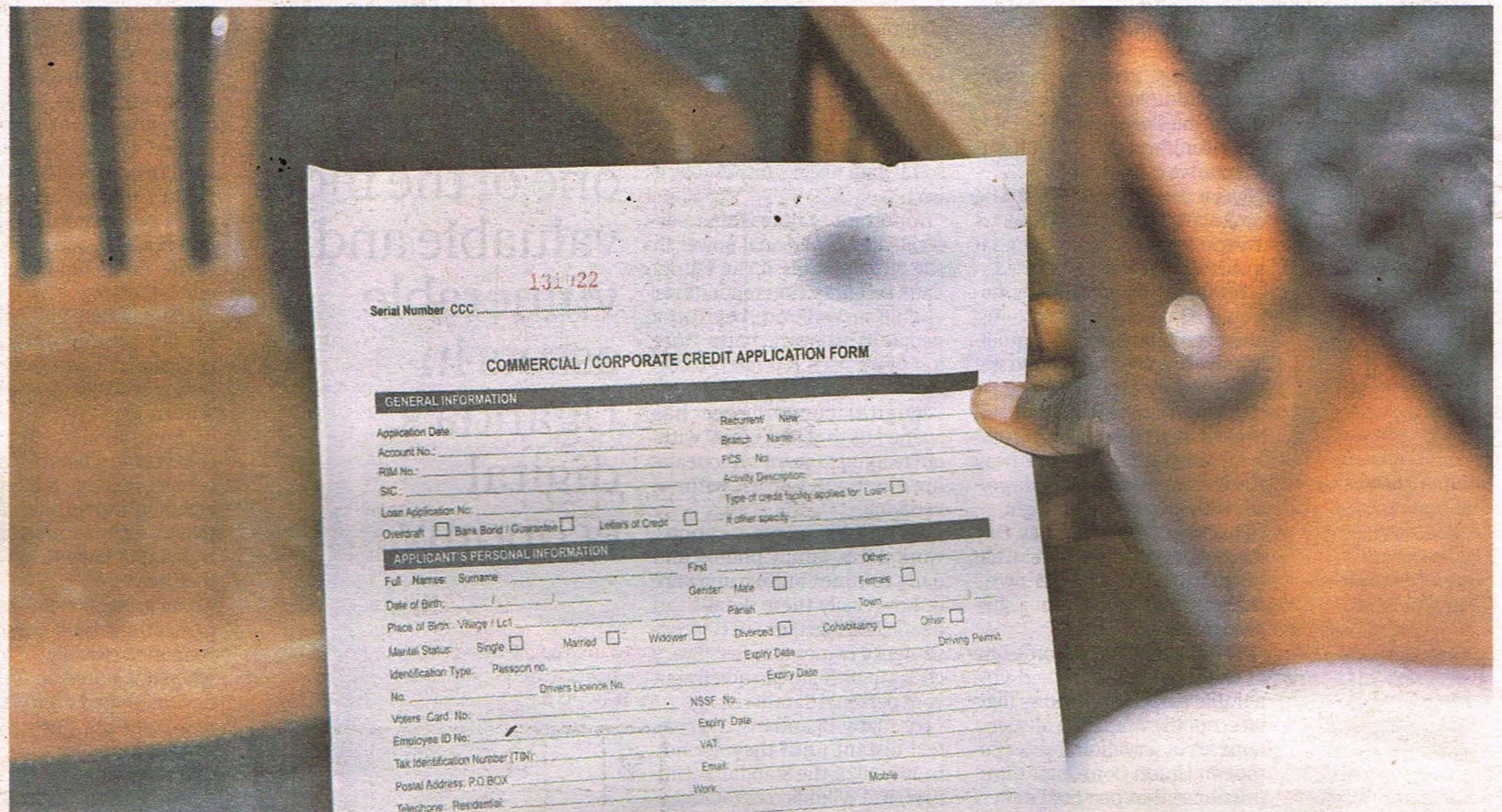
Beneath that improvement, banks still observe weak planning, blurred boundaries between personal and business finances, and loans applied to purposes they were never designed to serve. The result is a persistent drag on productivity and household stability.

Thus, Absa seeks to reposition financial knowledge as a core growth input rather than a soft add-on.

"Access alone is not enough," Rutahigwa says. "Credit, if not well understood and without the right purpose, is not good credit."

In practice, this means shifting the conversation upstream, before a loan is taken, toward planning, structure, and informed decision-making.

That philosophy is shaping how products are framed. The campaign spans unsecured personal loans, home loans, digital lending, asset finance, and tailored solutions for entrepreneurs and schools.



But the emphasis is deliberately broader than price and speed. The stated objective is to ensure borrowing "brings more joy and progress, but not the pressure that sometimes comes with it."

A central tension in modern banking is speed versus structure. Digital lending has trained customers to expect instant decisions, yet fast money can amplify poor choices.

Rutahigwa argues the two do not have to be mutually exclusive. Delays can carry real costs, missed business cycles, unpaid school fees, or stalled trade.

But speed without purpose only compounds risk. "We are not saying just come and borrow," Rutahigwa says. "Borrow with an informed point of view."

This thinking aligns with broader regulatory efforts. Bank of Uganda and the Uganda Bankers Association have stepped up financial capability initiatives, from integrating financial education into schools to reaching underserved communities through public platforms.

The recognition is growing that sustainable credit expansion depends as much on borrower behaviour as on lender balance sheets.

For the wider economy, the implications are significant. As more capital flows into households and small businesses, the quality of borrowing decisions will increasingly determine whether credit fuels productive investment or entrenches cycles of distress.

Financial literacy, often treated as peripheral, is emerging as a central driver of resilience.

Coffee entrepreneur Robert Kabushenga pushes the debate further, arguing that responsible borrowing cannot be separated from how well banks understand the people behind loan applications.

He questions whether the industry's approach to Know Your Customer

Access to credit is no longer enough. As Uganda's borrowing culture evolves, how loans are planned, understood, and used is proving more critical than how fast money is accessed. PHOTO/FILE

(KYC) genuinely reflects borrowers' economic realities.

"Banks talk about KYC all the time," Kabushenga says, "but in practice, it is mostly paperwork. Opening an account captures identity, not context. It does not tell you how many enterprises a customer runs or the obligations shaping their financial decisions."

He notes that weak customer understanding leads to a mismatch between credit products and real needs, particularly for entrepreneurs and farmers. Lenders, he says, often prioritise collateral over cash flows.

"A farmer comes to borrow to sell coffee, but the bank is more interested in a house in Muyenga," he says.

"That tells you the business itself has not been understood. We keep saying agriculture is not bankable, but have we invested in understanding how agricultural businesses actually operate?"

Kabushenga argues that stronger customer profiling should begin long before a loan is requested. Banks should actively collect and update customer data, track financial behaviour over time, and engage clients early about future financing needs.

"Call me before I need money and say, if one day you wanted to borrow, this is the information we would require," he says. "So when the time comes, the bank already understands my business."

Beyond data, he believes banks should play a clearer advisory role. Lending decisions driven primarily by loan book growth, he warns, risk undermining customer sustainability.

"The priority should not be how much money you have lent," he says. "It should be whether you have a quality customer who understands credit and applies it well."

Financial expert Newton Buteraba locates the borrowing problem at the intersection of risk, timing, and human behaviour.

"A loan is built around certainty,"

Buteraba, the House of Wealth chief executive officer says.

"Repayments are fixed and predictable. But a young business operates on probability. You are still testing the product, the market, and the supply chain. When certainty meets uncertainty, the result is pressure."

He argues this mismatch explains why borrowing too early can destabilise startups and small enterprises. At the point a loan is approved, the bank has already defined the repayment path, while the entrepreneur is still figuring out whether revenue will be consistent.

Buteraba also highlights the psychological dimension of borrowing.

"Most loans are taken under emotional pressure," he says. "School fees, rent, emergencies, and social obligations create urgency. Short-term relief often crowds out future repayment capacity."

The imbalance is widened by unequal preparation. Banks approach lending with teams of lawyers, valuers, and risk managers.

Individuals often arrive alone and unadvised. "Without guidance, customers negotiate from a position of weakness," he says, concluding that sustainable borrowing requires planning before money changes hands.

"Debt should follow clarity, not urgency. When borrowers understand risk, timing, and obligations upfront, credit stops being a trap and starts enabling growth," Buteraba says.

Key takeaways

- Most times, when people borrow, they take loans without understanding what the loan is for. The borrow short-term money to finance long-term needs and mix business money with personal expenses. Thus loans move very fast, without servicing the purpose it was meant for.

- When borrowers understand risk, timing, and obligations upfront, credit stops being a trap and starts enabling growth.

Right use
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