

The cancer of debt in Ugandan homesteads

Individual debt in Uganda has reached crisis levels. It is increasingly described as a "cancer" or a "trap" because of how quickly it accumulates, how costly it becomes, and how aggressively it consumes household incomes.

Personal borrowing is rising alongside a rapidly expanding national debt. Uganda's current public debt stood at Shs116 trillion (\$32.3 billion) as of June 2025, placing significant pressure on the broader economy. While much attention focuses on national debt, its effects are deeply personal. Rising public debt contributes to higher taxes, reduced public services, and limited access to affordable credit as government borrowing crowds out the private sector.

As of 2024: Approximately three in every 10 households in Uganda are indebted, about two in every 10 individuals carry personal debt, more than 70 percent of adults rely on loans or financial assistance to manage daily expenses.

Most borrowing is not for investment or asset-building but for immediate consumption needs — paying school fees, covering medical bills, bridging income gaps, and managing daily household expenses. Many turn to high-interest fintech lenders, mobile money platforms, and informal money lenders.

According to the Bank of Uganda (BoU) Integrated Annual Report for the year ended June 30, loan repayment transactions increased by 248.7 percent, rising from 56.8 million transactions worth Shs1.6 trillion to 198.2 million transactions valued at Shs3.6 trillion.

Borrowing via mobile phones surged nearly three-fold, reaching Shs3.5 trillion, up from Shs1.66 trillion the previous year.

These figures highlight how digital lending has dramatically expanded access to credit — but also intensified exposure to high-cost borrowing.

Debt becomes harmful when individuals borrow without a clear repayment strategy. Many take loans without: A defined repayment plan, understanding the full cost of credit, clarity on interest, rate fluctuations, awareness of additional fees and penalties.

Digital and internet-based lending, in particular, often lacks transparency regarding total loan costs, access fees, and borrower rights. Over time, interest rates and price changes can significantly increase repayment burdens.

Without financial literacy and planning, debt quickly shifts from being a short-term solution to a long-term burden.

Although government has acknowledged the need to manage public debt — including plans to reduce domestic debt issuance in the 2026/27 financial year to limit crowding out of private sector borrowing — pressure on households is likely to persist in the short to medium term.

There is an urgent need to: Strengthen consumer protection regulations, improve transparency in digital lending, harmonize messaging standards for financial products, establish stronger grievance and recourse mechanisms and promote borrower awareness and financial literacy.

Financial sector players must advocate for policy reforms that balance innovation with protection. As digital finance expands, regulatory frameworks must evolve to prevent abusive lending practices and safeguard consumers.

Managing household debt is an ongoing process. However, with disciplined strategies, families can regain control of their finances.

Practical steps include: Creating a clear repayment plan, prioritizing high-interest debts, cutting unnecessary expenses, building an emergency fund and seeking financial advice when necessary.

Every small, consistent action moves a household closer to financial stability and independence. By staying organized, making informed borrowing decisions, and reducing reliance on high-cost credit, Ugandan families can reduce financial stress and build a more secure future.

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