WHAT YOU NEED TO KNOW BEFORE GETTING A LOAN ON YOUR CUSTOMARY LAND

1 WHAT IS A LOAN?

A loan is money borrowed from a financial service provider, to be paid back with interest within a specified period of time. A loan can be in the form of physical cash or in the form of assets, such as a motorcycle, solar panels, phones, etc.

Some loans require security/collateral such as land, crops, livestock, vehicles, motorcycles, and other assets. If you have registered your Customary Land and you have a certificate of Customary Ownership (CCO), you can use it to obtain a loan after developing a business plan and seeking the consent of your family members and clan leaders.

2 WHAT IS A GOOD LOAN?

A good loan is one obtained by the borrower after considering a valid reason and developing a clear and secure repayment plan. For customary land, a good loan is one obtained after seeking the consent of all family members and clan leaders, and after developing a good repayment plan.

3 WHAT IS A BAD LOAN?

A bad loan is a loan obtained by the borrower without having a valid reason for borrowing and without developing a clear and secure repayment plan. For customary land, a bad loan is one obtained without seeking the consent of all family members and clan leaders, and without developing a good repayment plan.

4 ADVANTAGES OF A LOAN

- A loan can boost your agricultural activities by giving you access to more money than you have in savings
- With a loan, you can expand and fertilize the area currently under cultivation, hence boosting the productivity of your land
- A loan can help you in value addition to the products of your land, which may earn you more than when you sell them raw
- A loan can help you to take advantage of new investment opportunities, and it can increase the working capital of your existing business
- A loan can give you access to money in case of serious emergencies

5 DISADVANTAGES OF A LOAN

- Loans are expensive because of the interest charged and other related costs
- In most cases, loans require collateral, which borrowers may not readily have
- In cases where the borrower obtains a loan with collateral security such as land, he/she may lose the land to the financial service provider in case they fail to pay back all the money with interest.
- The requirements of group membership in the case of a group loan may be a hindrance

6 WHEN TO GO FOR A LOAN

You can go for a loan when you have a justifiable need for financing, such as boosting your agricultural activities, investing in an existing business, acquiring assets, meeting family needs such as education, home construction, etc.

Prepared by; LEMU - www.land-in-uganda.org

Designed by; Fiti Arts Studio (apittajireh5@gmail.com)

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Making Land Work For Us All