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Factors Influencing the Uptake of Predatory Loans: A Case of Kausha Damu in Dar es salaam City

Yohana L Mayenga

The Institute of Finance Management (IFM), Tanzania.

yohana.mayenga@ifm.ac.tz

Juma M Parutu

he Institute of Finance Management (IFM), Tanzania.

juma.parutu@ifm.ac.tz

Bupe J Mwakyusa

he Institute of Finance Management (IFM), Tanzania.

bupe.mwakyusa@ifm.ac.tz

This study investigates the factors influencing borrowing from predatory lenders in Dar es Salaam City, utilizing data collected from 300 respondents. Using logistic regression analysis, the study examines the influence of demographic variables, financial knowledge, financial inclusion and borrowing behaviors of borrowers from predatory lenders. The findings indicate that age, gender, education, and financial knowledge negatively influence the uptake of loans from predatory lenders. Specifically, older individuals, males, those with higher levels of education, and individuals who are financial literate are less likely to engage in borrowing from predatory lenders. Conversely, financial inclusion, characterized by ownership of bank accounts and specific borrowing behaviors, is positively associated with the likelihood of borrowing from predatory sources. These results highlight an inconsistency where financial inclusion may inadvertently lead some individuals to borrow from predatory lenders, underscoring the need for targeted financial education to equip borrowers with necessary knowledge to make informed decisions. The paper contributes to the understanding of predatory lending dynamics in emerging urban settings and emphasizes the importance of enhancing financial literacy to mitigate the risks associated with borrowing from predatory lenders.

Keywords: Kausha damu , Predatory lending , Loan sharks , Financial literacy , Financial inclusion , Demographic attributes.