The Impact of Loan Sharking on Victims Financial and Social lives: An online Survey of Victims Experiences in a Ghanaian context

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ABSTRACT

This study intends to contribute to the body of knowledge on loan sharking in Ghana and to provide policymakers, regulators, financial institutions, and community organisations with useful information by examining the impact of loan sharking on victims financial and social lives. The study utilised a survey research design to collect data from loan app victims. Snowball sampling technique was used to collect data from loan app victims who responded to the survey. A total of 82 victims responded to the survey. A structured questionnaire was developed using Google Forms to collect data from participants. A descriptive statistical analysis was conducted to summarise the data collected from the survey. The study revealed that loan apps fulfil diverse needs, including providing quick and accessible funds, meeting basic necessities, circumventing social challenges, responding to familial rejection, capitalising on the influence of loan agents, facilitating entrepreneurial endeavours, and satisfying individual curiosity. The study further revealed a cycle of financial challenges, including difficulties in saving money, repeated borrowing, and significant financial burdens, suggesting a profound negative impact on participants' financial well-being. Furthermore, participants reported severe social consequences, including disgrace, social stigma, and damaged relationships.

Keyword: Loan sharks Loan apps, Victims, Borrowing, Perpetrators

INTRODUCTION

A loan shark is an unauthorised lender who provides loans for very short periods of time at excessively high interest rates. Their lending practices are predatory, and they frequently target clients with poor credit histories, provide poor terms, and resort to threats and physical assault to recover debts. Loan sharks come in a variety of shapes and sizes, including quick cash, peer-to-peer lending, and other unregulated types of borrowing that use various strategies to administer loans with various interest rate structures to their lenders (Tutica, 2023). Transactions involving loan sharks are the result of a number of circumstances, including greed, a pressing need, blind gullibility, or shortsightedness. These traits have existed throughout human history and are not exclusive to contemporary civilization (Nugent, 1941). Those who are in need of finance but have few other options are the main targets of loan sharks. They prey on those who lack assets, credit history, or a steady job, taking advantage of their plight and poor financial knowledge. They frequently offer scant or no documentation, withhold important personal documents like passports, bank cards, or driver's licences as collateral, unilaterally increase the debt, impose penalties, refuse debt settlement, and occasionally resort to threats, intimidation, or even violence (Saunders, 2019).

Recent years have seen an increase in concern about loan shark activities in Ghana, posing serious hazards to both people and the economy as a whole. Loan sharks capitalise on Ghanaians' limited access to reliable financial institutions, weak consumer protection laws, and socioeconomic difficulties by operating beyond the bounds of legal structures and regulations. They offer loans at outrageous interest rates that are much above the limits imposed by regulations and the market. Due to the burden of these large interest payments, borrowers in need of immediate cash frequently find themselves caught in a debt cycle (Aryeetey et al., 2020). According to a report from the Bank of Ghana (BOG), a number of unlicensed entities were engaged in the provision of loans to the Ghanaian public in violation of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). This report from the Bank of Ghana reinforces claims about the proliferation of loan shark activities in Ghana. In their report, they emphasised that these illegal entities frequently use social media and mobile applications in their operations and, to a greater extent, that their actions violate consumer protection laws and regulations governing customer data and privacy. Their report outlined loan applications such as SikaPurse Quick Online Loan, 4Cedi Instant Mobile Loan Application, Zidisha Online Loans, GhanaLending Application, ChasteLoan Application, LoanClub-Ghana Instant Loan,AdamfoPa Loan, MetaLending-Instant Cash Loan, Wohiasika Loan (Ghanaloan.net), Boseafie-Bosea Micro-Credit, SikaKasa Online Lending, LoanPro-digital and instant loan, SikaWura Loan Application, BegyeBosea Loan, LendingPapa-Online Loans, CrestCash Loan, Credxter-Loans and Hire-purchase, MobiLoan Application, and Cedi Now-Cash Loans Application (BOG, 2022).

There have, however, been numerous calls to the public to refrain from transacting with the above loan sharks (Cyber Security Authority, 2023). Notwithstanding these calls, there continues to be a growing concern among a section of the Ghanaian population who identify as victims of loan shark bullying and threats. This study intends to contribute to the body of knowledge on loan sharking in Ghana and to provide policymakers, regulators, financial institutions, and community organisations with useful information by examining the impact of loan sharking on victims financial and social lives. The primary objective of this current study is to.

i) Identify the factors that drive victims to borrow from loan sharks.
ii) Explore the socio-economic impact of borrowing from loan sharks on victims.

LITERATURE REVIEW

FACTORS THAT DRIVE VICTIMS TO BORROW FROM LOAN SHARKS

A study by Saunders (2019) revealed that victims, although aware of the bad nature of loan sharks, deliberately chose to engage them to cater for their routine needs such as paying bills and mundane domestic events and responsibilities such as household expenses and Christmas presents that society considers to be among the hallmarks of a minimum acceptable standard of living. Aryeetey et al. (2020) also found that one of the primary reasons individuals turn to loan sharks is their limited access to formal financial services. Many borrowers, particularly those from low-income backgrounds or without a credit history, are unable to meet the stringent requirements of traditional banks and financial institutions. The lack of collateral, proper documentation, or a stable income often leads individuals to seek alternative sources of credit, including loan sharks.

Owusu et al., (2022) also revealed in their study that emergencies, unexpected expenses, or sudden income shocks can push individuals to borrow from loan sharks. Traditional lending institutions often have lengthy application processes and approval times, making it challenging for borrowers to obtain funds quickly in times of urgent need. Loan sharks capitalise on these situations by offering quick and easily accessible loans, exploiting borrowers' vulnerabilities. Likewise, Boakye-Yiadom (2016) also adds that, a significant contributing factor to borrowing from loan sharks is the lack of financial literacy among individuals. Limited understanding of interest rates, loan terms, and financial management often leads borrowers to make uninformed decisions, unaware of the consequences of borrowing from loan sharks. Improved financial education and awareness programmes can empower individuals to make better financial choices and avoid predatory lending practices.

In certain cases, individuals borrow from loan sharks due to social pressures and stigma associated with formal borrowing. Borrowers may fear judgement, exclusion, or loss of reputation if they approach traditional financial institutions for loans. Loan sharks exploit this fear by offering discreet lending services that allow borrowers to maintain privacy. Addressing the social stigma surrounding borrowing and promoting inclusive financial practices can mitigate the reliance on loan sharks (Ofori-Sasu et al., 2021). A significant number of individuals borrow from loan sharks due to a lack of savings and financial cushion. Without adequate savings to cover unforeseen expenses or economic downturns, individuals become vulnerable to financial shocks, leaving them with limited options other than seeking loans from loan sharks (GI-TOC, 2020). Promoting a savings culture and access to safe and affordable savings mechanisms can help individuals build financial resilience and reduce their reliance on loan sharks.In some cases, individuals turn to loan sharks due to the influence of informal social networks. These networks, such as friends, family members, or community associations, may refer borrowers to loan sharks as a quick and accessible source of credit (Akpabli et al., 2018). Breaking the reliance on informal social networks for financial support and strengthening formal financial channels can reduce the demand for loan sharks.

Socio-Economic Impact of Borrowing from Loan Sharks

Borrowing from loan sharks perpetuates a cycle of financial instability and indebtedness. The exorbitant interest rates, hidden fees, and unfair terms imposed by loan sharks make it difficult for borrowers to repay their loans (Mayer,2012). This leads to a continuous struggle to meet repayment obligations, pushing borrowers further into debt and exacerbating their financial distress. Loan shark activities contribute to the perpetuation of poverty among borrowers. The exploitative lending practices of loan sharks target vulnerable individuals and communities who are already struggling financially (Akpabli et al., 2018). Borrowers are trapped in a cycle of borrowing to meet basic needs, leading to diminished financial resources and limited opportunities for upward mobility. As a result, borrowers become disempowered and unable to escape the grip of poverty.

Borrowing from loan sharks often leads to the erosion of assets and wealth. Borrowers may resort to selling valuable possessions or property to repay their debts, further impoverishing themselves and their families (Owusu et al., 2022). The loss of assets and wealth diminishes economic security and reduces the ability to invest in education, health, or income-generating activities, perpetuating a cycle of generational poverty. Borrowers who rely on loan sharks for credit often face socio-economic marginalization. The high interest rates and exploitative terms imposed by loan sharks push borrowers to the fringes of the formal financial system, depriving them of opportunities for financial inclusion and upward mobility (Aryeetey et al., 2020). Socio-economic marginalisation leads to limited access to resources, reduced social capital, and exclusion from mainstream economic activities.

The socio-economic impact of borrowing from loan sharks extends beyond financial consequences. Borrowers often experience psychological stress, anxiety, and depression due to the burden of debt and the fear of loan shark intimidation and harassment (GI-TOC 2020). The mental health implications of borrowing from loan sharks further compound the socio-economic challenges faced by borrowers and their families. Loan shark activities not only affect individuals but also have wider social consequences. In communities where loan sharks operate, trust is eroded, social cohesion is weakened, and social inequalities are reinforced (Boakye-Yiadom, 2016). The prevalence of loan shark activities contributes to the normalisation of exploitative lending practices, perpetuating a culture of financial exploitation and reinforcing social divisions.

Theoretical framework

This current study is underpinned by the Social-Ecological Model (SEM). The Social-Ecological Model (SEM) is a theoretical framework that examines the complex interactions between individuals and their social environments. It recognizes that human behavior is influenced by multiple levels of influence, ranging from individual factors to broader societal and environmental factors. When applied to the study of loan sharking, the SEM helps to understand the various factors that contribute to the impact of loan sharking on victims' financial and social lives. The SEM consists of multiple interconnected levels, which consist of individual levels, interpersonal levels, community levels, societal levels, and time dimensions.

At the individual level, the focus is on the personal characteristics, experiences, and behaviours of the victims. This includes factors such as their financial literacy, income level, decision-making abilities, and psychological well-being. Individual factors shape the vulnerability of individuals to loan sharking and influence their responses to predatory lending practices. The interpersonal level examines the influence of relationships and social networks on victims' experiences. Family dynamics, social support systems, and access to trusted advice and guidance play a significant role in shaping the impact of loan sharking. The presence or absence of support networks, strained relationships resulting from victimisation, and stigma associated with borrowing can influence victims' ability to cope with and recover from the negative consequences of loan sharking. The community level considers the broader social context in which victims live. It encompasses community norms, attitudes, and perceptions regarding borrowing, financial support systems, and the prevalence of loan sharking. The presence of community organisations, local initiatives, and available resources for financial assistance can either alleviate or exacerbate the impact of loan sharking on victims. Communities that actively address loan sharking and promote financial education and support networks can help victims recover and mitigate the social consequences. At the societal level, the focus is on the larger structural factors and policies that influence the prevalence and impact of loan sharking. This includes economic inequalities, a lack of financial inclusion, regulatory gaps, and the availability of affordable and accessible financial services. Societal factors shape victims' choices and options for addressing their financial needs, and the policies and legislation in place determine the extent to which loan sharking is regulated and controlled. The SEM also incorporates the time dimension, recognising that the impact of loan sharking evolves over time. This includes both short-term and long-term consequences. Short-term effects may include immediate financial strain, emotional distress, and social disruption. Long-term effects encompass persistent debt burden, inter-generational transmission of disadvantages, and limited economic mobility.

METHODOLOGY

RESEARCH DESIGN

The study utilized a survey research design to collect data from loan app victims. This design allows for the systematic collection of information about the financial and social impact experienced by victims.

Sampling

A snowball sampling technique was used to collect data from loan app victims. Initial participants were identified through recommendations and were asked to refer other victims who might be interested in participating in the survey. This method helped to reach a wider network of loan app victims. A total of 82 victims responded to the survey.

Questionnaire Design

A structured questionnaire was developed using Google Forms to collect data from participants. The questionnaire consisted of multiple sections, including demographic information, borrowing patterns, loan terms, repayment challenges, and the perceived financial and social impact of loan app borrowing. The questionnaire included multiple-choice questions. Before distributing the survey, a pilot test was conducted with a small group of individuals who had similar characteristics to the target population. This ensured the clarity and comprehensibility of the survey questions and allowed for necessary adjustments to be made.

Data Collection

After obtaining ethical consent, a survey link was shared with the 82 identified victims. The survey was accessible via a Google Form, which participants could complete at their convenience. The survey remained open for a specific period to allow sufficient time for responses. Periodic reminders were sent to encourage participation and increase response rates, including follow-up posts on the loan app victim platforms and direct referrals from initial participants.

Data Analysis

Descriptive statistical analysis was conducted to summarize the data collected from the survey. It involved calculating frequencies and percentages to provide an overview of the demographic characteristics of participants, factors that led them to borrow from loan sharks reported financial and social consequences.

RESULTS AND DISCUSSIONS

Demography Of Study Participants

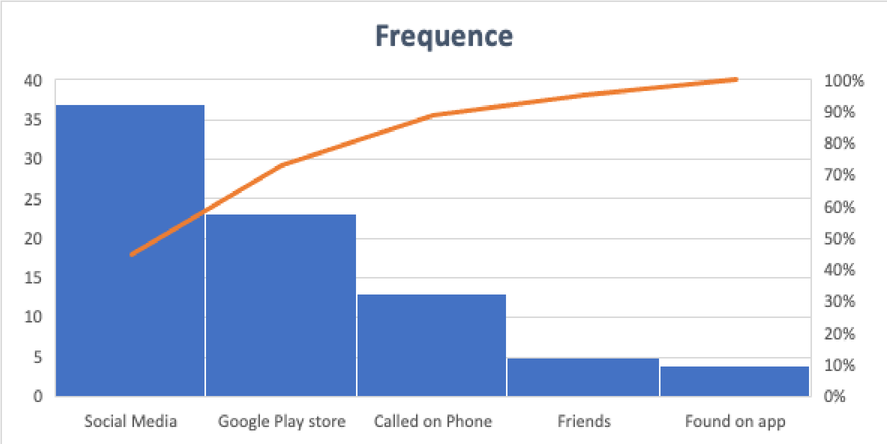
This section focuses on the demographic characteristics of study participants, factors that drive victims to borrow from loan sharks, and the socio-economic impact of borrowing from loan sharks on victims. The study consisted of a total of 82 participants. Out of the total population, there were 47 male participants, accounting for 58.8% of the total, and 33 female participants, representing 41.2% of the total. . In terms of age distribution, the largest age group among the participants consists of 45 participants aged 26–35 years, making up 56.3% of the total. This is followed by the 36–45-year-old group, comprising 25 participants, or 31.3% of the total. Participants aged 16–25 years constitute 11.3% of the total, while participants aged 10-15 years account for 3.8%. The majority of participants fall within the 26–45 age range. Regarding educational levels, the majority of participants, 72.5% of the total, have attained a tertiary level of education. This indicates that a significant proportion of the study participants have completed education beyond high school, such as university, college, or vocational training. The senior high school level comprises 22.5% of the total participants, with 18 participants falling into this category. The basic school level represents 5% of the total participants, with 4 participants falling into this category.

In terms of employment status, 43.8% of the study participants are currently employed. This indicates that a significant portion of the participants are in paid positions, whether full-time or part-time, and are engaged in some form of work. The percentage of participants who are unemployed remains at 32.5%, indicating that a portion of the participants are actively seeking employment but have not yet found a job. The self-employed category constitutes 23.8% of the total participants, indicating individuals who have chosen to start their own businesses or work as freelancers or independent contractors. Considering the marital status of participants, 73.8% of the study participants are single, while 26.3% of the participants are married. This suggests that the study participants have a higher proportion of single individuals compared to those who are married.

Factors that drive individuals to borrow from loan sharks.

Prior to finding responses from participants that seek to identify factors that led them to borrow from loan sharks, participants awareness of loan sharks was required. All study participants who identify as victims responded that they know about the activities of loan sharks in Ghana and have taken a loan from their outfit. Considering participants' sources of awareness of loan sharks, their responses are highlighted below.

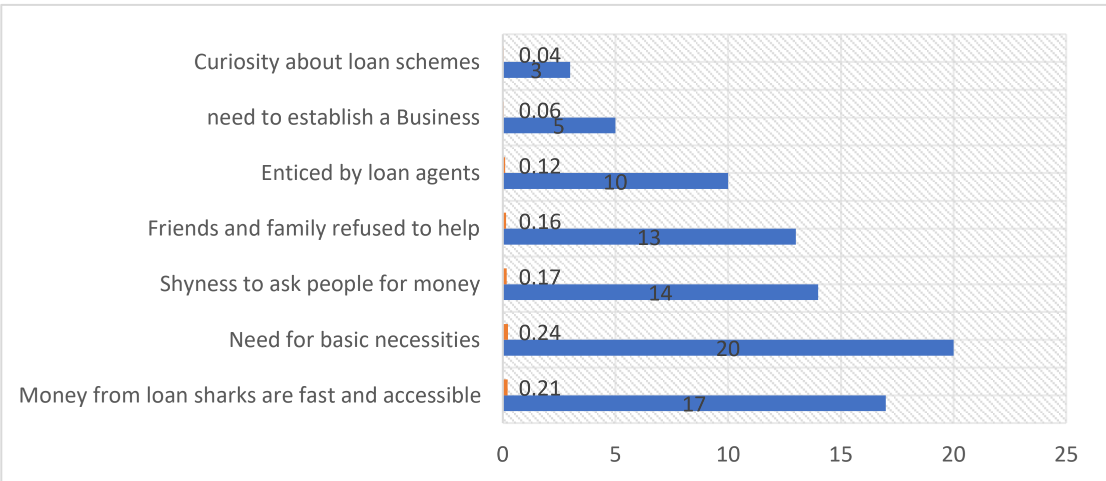
Table 1. Sources of Awareness of Loan Sharks



Source: Online Survey (2023)

The above description presents different sources of awareness regarding loan sharks in Ghana. The responses were gathered from participants, and the categories represent the various sources they reported. 45% of the participants indicated that they heard about loan sharks in Ghana through social media. This suggests that social media platforms played a significant role in creating awareness about loan sharks among the participants. 28% of the participants mentioned that they found out about loan sharks through the Google Play Store. This implies that mobile applications or advertisements on the Google Play Store were a source of awareness for them. 16% of the participants reported that they were contacted directly by loan sharks. This suggests that loan sharks reached out to them through phone calls or other means to promote their services. 6% of the participants mentioned that they heard about loan sharks in Ghana through their friends. 5% of the participants discovered information about loan sharks through an app on their phones. This suggests that mobile applications related to loans or finance might have provided information about loan sharks.

After ascertaining the awareness of participants about loan sharks, participants were asked to respond to some factors that led them to borrow money from loan sharks. Participant responses are graphically represented in the figure below.



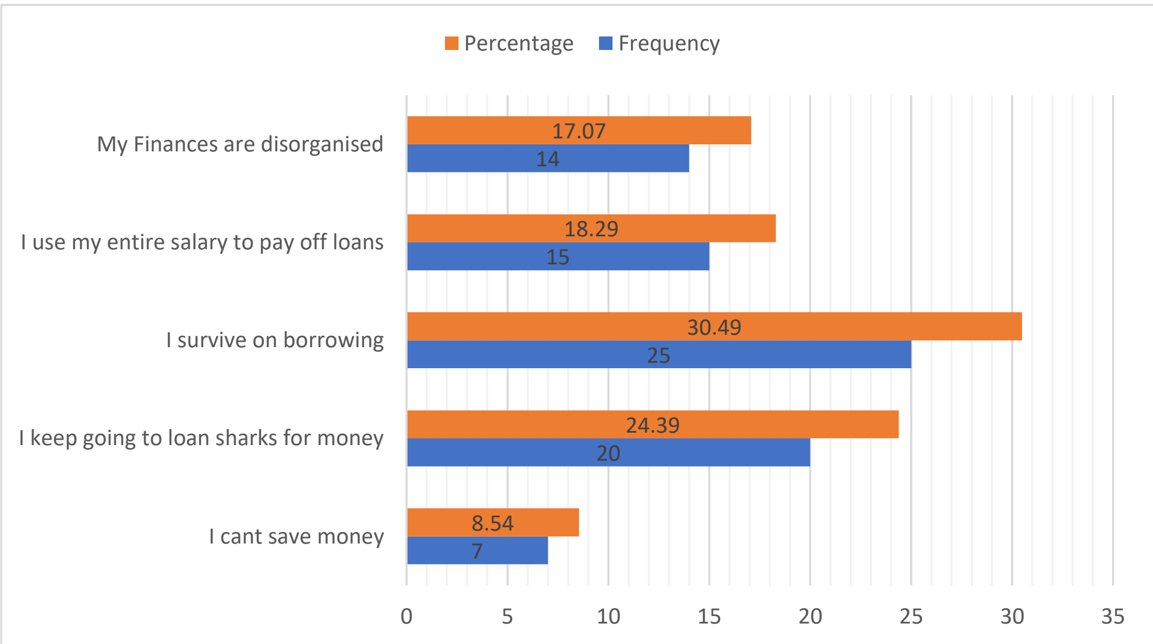
Source: Online Survey (2023)

The data provided illustrates the different reasons individuals have for turning to loan sharks when seeking financial assistance. A total of 82 responses were collected from the survey participants, each selecting one or more factors that influenced their decision to borrow from loan sharks. A significant portion of respondents, representing 21% of the total population, acknowledged that they resorted to loan sharks due to the perceived advantage of quick and easy access to funds. The urgency of their financial needs likely led them to consider this high-risk borrowing option. The highest percentage of responses, representing 24% of the total, indicated that individuals sought money from loan sharks to fulfil their basic necessities. This highlights the severity of their financial hardships, as they felt compelled to resort to alternative sources of funding to meet essential expenses such as food, shelter, and healthcare. A notable portion, comprising 17% of respondents, expressed reluctance to approach friends or family for financial help. This suggests that some individuals may prefer the anonymity offered by loan sharks over seeking assistance from their social circle, possibly due to feelings of shame or embarrassment about their financial situation. 16% of respondents reported that their friends and family declined to provide financial support, leading them to consider loan sharks as an alternative solution. The lack of support from their immediate social network may have pushed them towards riskier lending options. Approximately 12% of respondents were influenced by persuasive loan agents who may have presented attractive loan schemes or offers. These individuals might have fallen victim to deceptive marketing tactics, potentially leading them to borrow from loan sharks without fully understanding the associated risks.

Objective 2: Explore the socio-economic impact of borrowing from loan sharks on victims.

Participants were asked to respond to questions relating to the socio-economic impacts of borrowing from loan sharks on victims. Among a series of questions, 79 participants, representing 96.3% of the total population, responded ''Yes'' when asked whether borrowing from loan sharks has affected their financial stability. 3 (3.7%) participants, on the other hand, responded no to the same question. In responding to the extent to which participants finances have been affected by loan victims, participants gave diverse responses. Participants responses are presented below.

Loan Shark activities on Victims' finances

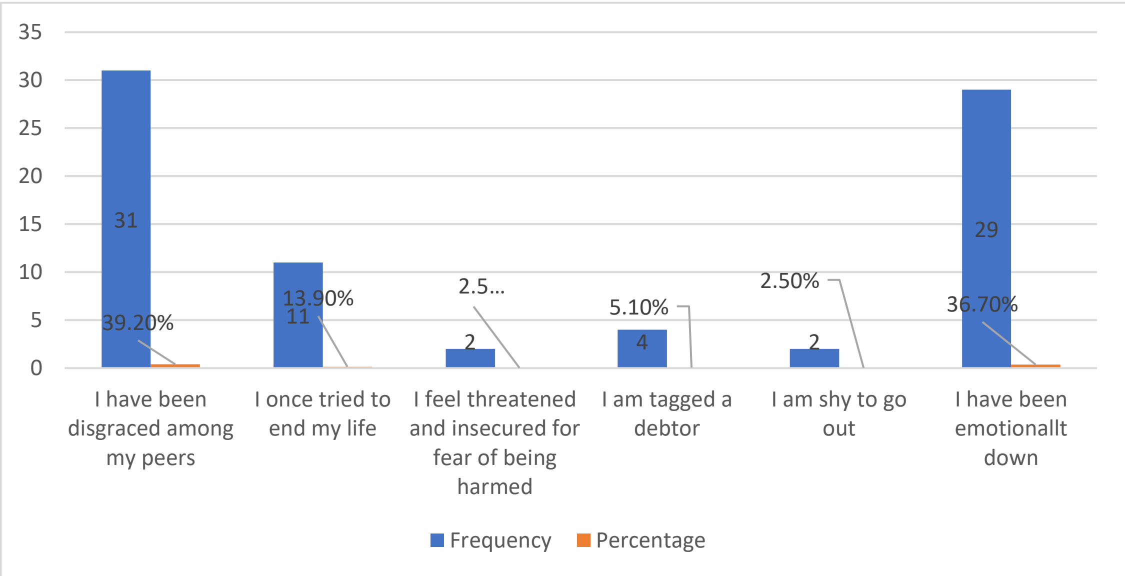


Source: Online Survey (2023)

Among the participants, 7 participants, representing 8.54%, indicated that they couldn't save money. This suggests that a small portion of respondents faced difficulties in setting aside savings due to their involvement with loan apps. A significant proportion of participants, accounting for 30.9%, reported being forced to borrow from more loan sharks to survive. This response highlights the challenging financial situations faced by individuals who have turned to alternative sources of lending, potentially indicating a cycle of indebtedness and financial vulnerability. The response "I keep going to them for another loan" was chosen by 24.7% of the participants. This suggests that a notable number of individuals found themselves repeatedly seeking loans from loan apps immediately after paying off their previous ones. This indicates a reliance on these apps for ongoing financial support, potentially pointing to a struggle to break free from a borrowing cycle. Approximately 18.5% of the respondents stated that they use their entire salaries to pay off their loans from loan apps. This highlights the burden placed on their monthly income, leaving them with limited financial flexibility for other expenses or savings. Another 17.3% of participants indicated that their finances were disorganised as a result of their transactions with loan apps. This suggests that dealing with these apps has led to financial instability and challenges in managing their overall financial obligations effectively.

Loan Shark activities on Victims' Social Lives

In order to find out how loan shark activities have affected victims' social lives, 75 participants, representing 95.1% of the total population, responded that loan shark activities have affected their social lives. 4 participants, representing 4.9%, however, responded that loan shark activities have not affected their social lives. Participants gave varied views on how loan shark activities have affected their social lives. Responses are presented in the table below.



Source: Online Survey (2023)

A significant number of participants, representing 39.2% of the responses, reported experiencing disgrace among their peers and families. This indicates the detrimental social consequences of being involved with loan sharks, resulting in social stigma and damaged relationships. Shockingly, 13.9% of the respondents admitted to once attempting to end their lives, reflecting the extreme emotional distress and despair caused by loan shark activities. The findings emphasise the urgent need for mental health support and intervention for individuals facing such extreme distress. Additionally, a small percentage of participants, 2.5% of the responses, expressed feeling threatened and insecure due to the fear of potential harm inflicted by loan sharks. This highlights the pervasive impact on victims' sense of personal safety and well-being. Furthermore, victims reported being labelled as debtors (5.1% of the responses), which can lead to social exclusion and discrimination. The survey also revealed that victims felt shy or hesitant to go out (2.5% of the responses), indicating a loss of confidence and withdrawal from social activities. Lastly, a significant proportion, representing 36.7% of the responses, reported feeling emotionally down as a result of loan shark activities, indicating the profound negative impact on victims' emotional well-being.

DISCUSSION OF FINDINGS

The study's findings show how complicated people's financial decisions may be by illuminating the variety of situations that can push someone to turn to loan sharks for funding. Loan applications have developed into immensely practical tools that meet basic needs as well as pressing financial demands. The study found that overcoming social barriers, getting beyond family rejection, using lending agents' influence, encouraging entrepreneurial efforts, and satisfying one's own curiosity are important motivators. These findings demonstrate the complexity of the borrower's motivations and the variety of circumstances influencing their choice of non-traditional loan sources. The study aligns seamlessly with the research conducted by Saunders (2019), emphasizing that victims, despite being cognizant of the unfavorable nature of loan sharks, consciously choose to engage with them to fulfill routine needs. The stress-inducing nature of loans from these sources is acknowledged, yet the urgency of pressing needs, including bills, household expenses, and societal expectations, compels individuals to take these loans. This supports the idea that borrowers are driven by pressing needs rather than being oblivious to hazards. Moreover, the study corroborates the findings of Owusu et al. (2022), highlighting how emergencies, unexpected expenses, or sudden income shocks propel individuals towards loan sharks. The inefficiencies of traditional lending institutions, characterised by prolonged application processes and approval times, create a void that loan sharks exploit by offering quick and easily accessible loans. This particular insight stands out as a profound reason why individuals, constituting a notable 21% of victims in the study, turn to loan sharks. Additionally, the study's alignment with Gockel et al. (2019) is evident in the revelation that a significant number of individuals borrow from loan sharks due to a lack of savings and financial cushion. Without a financial safety net to cover unforeseen expenses or economic downturns, individuals become susceptible to financial shocks, leaving them with limited options other than seeking loans from loan sharks.

Considering the impact of loan shark activities on the economic and social lives of victims, This current study revealed a cycle of financial challenges, including difficulties in saving money, repeated borrowing, and significant financial burdens, suggesting a profound negative impact on participants' financial well-being. Furthermore, participants reported severe social consequences, including disgrace, social stigma, and damaged relationships. The most alarming revelation is the extreme emotional distress experienced by a notable percentage of respondents, including attempts to end their lives. The study findings align with those of Mayer (2012), whose study reveals that borrowing from loan sharks perpetuates a cycle of financial instability and indebtedness. He further highlights that the exorbitant interest rates, hidden fees, and unfair terms imposed by loan sharks make it difficult for borrowers to repay their loans. This leads to a continuous struggle to meet repayment obligations, pushing borrowers further into debt and exacerbating their financial distress. Akpabli et al. (2018) also highlight that loan shark activities contribute to the perpetuation of poverty among borrowers. The exploitative lending practices of loan sharks target vulnerable individuals and communities who are already struggling financially. Borrowers are trapped in a cycle of borrowing to meet basic needs, leading to diminished financial resources and limited opportunities for upward mobility. As a result, borrowers become disempowered and unable to escape the grip of poverty. Considering social impacts, Gockel et al. (2019) highlight that the socio-economic impact of borrowing from loan sharks extends beyond financial consequences. They stress that borrowers often experience psychological stress, anxiety, and depression due to the burden of debt and the fear of loan shark intimidation and harassment. The mental health implications of borrowing from loan sharks further compound the socio-economic challenges faced by borrowers and their families. Likewise, Boakye-

Yiadom (2016) also reveals that loan shark activities not only affect individuals but also have wider social consequences. In communities where loan sharks operate, trust is eroded, social cohesion is weakened, and social inequalities are reinforced.

Conclusions

In conclusion, this current study provides an in-depth analysis of the complex reasons why people turn to loan sharks for financial support. The results shed light on a wide range of factors that affect borrowers' choices, highlighting the necessity to promptly attend to pressing demands, the inadequacies of conventional lending channels, and the deliberate decision made in spite of being aware of the dangers posed by loan sharks. The study highlights a troubling cycle of financial troubles that include large financial responsibilities, recurring borrowing, and difficulties saving money, all of which have a detrimental effect on participants' financial well-being. The problem is made much worse by the social repercussions, which include shame, social stigma, strained relationships, and even severe emotional pain. The study supports the idea that borrowing money from loan sharks feeds the cycle of debt, insecurity, and poverty, in line with previous research. Vulnerable people are the target of exploitative lending practices, which restrict their chances of upward mobility and deprive them of power when faced with ongoing financial difficulties. Furthermore, the socioeconomic effects go beyond personal situations to have wider societal ramifications, undermining social cohesiveness, destroying trust, and escalating inequality in the areas where loan sharks operate. The psychological effects of debt, such as stress, anxiety, and despair, compound the socioeconomic difficulties that people and their families experience. These results make it clear that immediate legislative changes and action are required to address the underlying reasons for exploitative lending practices, terminate the cycle of financial distress, and lessen the widespread social repercussions. Given the complexity of borrower motivations and the interdependence of economic and social effects, efforts ought to focus on promoting financial literacy, expanding access to reasonable and effective lending options, and establishing a welcoming environment that enables people to make well-informed financial decisions and, in the end, free themselves from the clutches of predatory lending practices.

Recommendations

Considering the study’s findings, the study recommends the following:

i) Given the complexities of borrowers' motivations and the impact of loan shark activities on individuals and communities, there is a critical need for robust financial literacy programmes in the Ghanaian context. These programmes should be designed to educate individuals about the risks associated with loan sharks, the importance of budgeting, saving, and prudent financial management. Empowering individuals with the knowledge to make informed financial decisions will contribute to breaking the cycle of repeated borrowing and financial distress.

ii) To curb the exploitative practices of loan sharks, there is a pressing need to strengthen regulatory frameworks in Ghana. This includes enforcing stringent measures to monitor and penalise illegal lending activities. Regulatory bodies should collaborate with law enforcement agencies to crack down on predatory lending practices and ensure that individuals have access to fair and transparent lending options. Public awareness campaigns can also play a role in educating citizens about their rights and the potential dangers associated with engaging with loan sharks.

iii) Addressing the inefficiencies in traditional lending institutions and promoting inclusive financial services is crucial. This involves improving the accessibility and efficiency of formal lending channels, reducing bureaucratic hurdles in loan application processes, and expediting approval times. Additionally, fostering the development of community-based financial initiatives and credit unions can provide viable alternatives to vulnerable individuals who are currently at risk of falling into the clutches of loan sharks. By expanding access to affordable and transparent financial services, individuals can be empowered to meet their financial needs without resorting to exploitative lenders.

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