

Poverty Versus Interest-Based Loans in East Africa: Can Interest-Free Loans Rescue the Situation?

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Abstract : “Both Socialist as well as the capitalist in the economic systems have proven their failure to ensure economic justice that serves to benefit all in the society, both the rich and the poor. In particular, capitalism is currently causing a terrifying scenario by making the rich richer and the poor poorer” . In this paper, the author looks at the level of exploitation which is taking place to small and middle entrepreneurs (SME’s), government and private employees as well as large investors in East African countries who depends on interest-based loans which undermines their lives every day due to heavy monthly returns. Numbers of families have been evicted from their family premises and SME’s properties have been attached in the courts due to failure to return their loans timely. In fact, there are a lot of issues which have taken place on the ground which badly affected number of families socially and most importantly economically due to engagement in interest-based loans offered by commercial banks in East Africa. This paper looks on the alternative ways of eliminating interest-based loans to better lives of devastated Africans who are almost “dying” of heavy debts generated through higher interest loans. Reaching to that particular root the author has visited various literatures in a bid to deeply investigate and find out the best alternative mode of enabling African SME’s, businessmen and employees to benefit from the interest-free loans. The question is whether interest-free loans can be a long term solution towards poverty alleviation in East Africa generally and Tanzania in particular.

Keywords : interest-free loans, SME’s, financial institutions, poverty, east Africa

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