

# Payday lending

[Literature](#), [Russian Literature](#)



Payday Lending should be illegal Payday lending, a practice slowly developing into a culture, negatively affects the borrowers and the economy. A number of reasons necessitate payday lending. People having financial problems at the beginning of the month, or those with projects and anticipate the need for money during the coming month engage in payday lending. With time, people have adopted this as a culture, oblivious of the exploitation by these moneylenders. It creates a culture of borrowing, and creates a vicious cycle of debt where people cannot save but have to rely on credit. With interests charged on these funds going as high as over 100%, coupled with the disadvantages of this practice, there is every reason to criminalize payday lending.

Although high interest rate is one of the reasons for rendering payday lending illegal, the practice negatively affects economic growth and development. Most of the economies rely on the private sector and private investors. While the government and the financial industry provide individual investors with credit to start up small and medium scale enterprises, individual investors rely on their savings to raise income for investments. By promoting the culture of saving among the people, it positively contributes to the growth and development of individual investments, subsequently increasing the growth of the private sector. This contributes to the economic growth and development by providing employment opportunities, creating innovation, and creativity among the people. However, payday lending hinders this development. The fact that most of the people rely on this as a source of income to run their lives during the month is discourages saving among the people. Moreover, this practice promotes a culture of

consumerism, which leads to poverty in the subsequent years of employment. With people having liquid money with them, this increases the rate of inflation as they spend on most of their money on consumer goods. Lending at over 100% is also unreasonable and unethical, and as such, ought to be illegal.

By choosing to criminalize the practice, a number of people are likely to suffer from such a development. Whenever people face emergencies, and others have financial constraints, they cannot access financial support and assistance through payday lending. Thus, people have to find other sources of satisfying this need. Making the practice illegal can further lead to loss of jobs for the moneylenders, thus increasing the rate of jobless people in the economy.