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An imperial analysis of factors that influence people to join pyramid schemes in Tanzania

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Financial pyramid schemes (FPS) are illegal economic activities. Nonetheless, they have been coming out and been offered to the general public. These fraudulent endeavors often collapse within few years of operation resulting into awesome misplays to the individual participants, their families and the nation at large. While the characteristics and/or consequences of FPS have been widely explored in the literature, comparatively little is known as regards to what influences people to join FPS in the environment in which they live and make decisions. This study investigates factors which informs people's decisions to join FPS with attention to the Development Entrepreneurship for Community Initiatives (DECI) in Dar es Salaam. The data for the study was collected using a structured questionnaire and analyzed using mainly the Statistical Package for the Social Science (SPSS) for windows software version 12.0. A logit (logistic regression) model was fitted to estimate the impact of several personal/psychological, economic, social and community factors on the decision whether to join DECI. Sixty respondents were studied and the results show that an individual's level of education is a key determining factor of the decision to join FPS. Relative to individuals with primary education, those with higher or other education were less likely to join the Scheme. Higher education, hence higher income disincentives people to engage in deceptive activities. Accordingly, policies to curb FPS in the country should go together with policies that promote higher education and creation of employment opportunities.