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Predictors of the Propensity to Incur Loans for Varying Purposes in the Future*

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Abstract:

Purpose: *This study examines the socioeconomic and psychological variables predicting the propensity to incur loans for different purposes in the future such as loans for necessities, hedonistic, long-term investments, and others.*
Design/Methodology/Approach: *Hierarchical linear regression and dominance analyses have been conducted.*
Findings: ***O****penness to loan-taking is the only predictor of loans for hedonistic purposes, and a dominant predictor of other loans, excluding loans for long-term investments which depend more on total debt, aversion to planning, and life satisfaction. Loans for relatives depend on an openness to spending money on others and on locus of control. A subjective assessment of one's own financial situation is predictive of loans for necessities.*
Practical Implications: *The communication directed to consumers should be varied depending on the motivation underpinning the decision to make a financial commitment and matched with the psychological characteristics of the borrowers. Controlling the borrower's subjective assessment of their own financial situation will facilitate a more accurate prediction of what kind of borrower he or she will be.*
Originality/value: *Research to date on the credit use has focused primarily on economic factors. Our study has shown that psychological and subjective factors (especially self-perception of one's financial situation) are at least equally important in explaining propensity to incur loans for varying purposes.*

Keywords: *Loans, credit use, income, subjective assessment of the own financial situation; locus of control, aversion to planning.*

JEL Code: *D91, D14, D64.*

Paper type: *Research article.*

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1. Introduction

Borrowing is a common occurrence. Obtaining a loan is much simpler and faster than ever before. In many cases, lenders require almost no formalities; it is possible to take out a loan just by sending a text message or via web site (Dwipayana, 2020). Easy access to loans means that, effectively, a loan need only be requested, and it will be approved. This results in greater indebtedness of citizens, who face more financial insecurity than in the past (Lusardi, Mitchell, and Oggero, 2020). In previous studies, economic and demographic variables were stressed as crucial predictors of incurring loans (Flores and Vieira, 2014; Kamleitner and Kirchler, 2007; Perz, 2001). However, the impact of those variables appears to be overestimated. If consumers experience financial hardship, then economic factors are crucial, but loans may be acquired for other reasons. People decide to incur loans not only to make ends meet but also because they want to please themselves or improve their quality of life. Kamleitner and Kirchler (2007) distinguish “needs” and “wants” as reasons underlying the decision to contract debt, similar to Norton’s (1993) differentiation between loans for “maintenance” and those for “improvement.”

A qualitative study has shown (Hełka and Wójcik, 2019) that borrowers have entirely different approaches to loans taken for hedonistic purposes and loans taken for necessities. Loans for different, specific purposes have not been differentiated in previous studies. The aim of this study is the quantitative exploration of relations between economic and psychological factors the determine the taking of loans for various purposes: necessities, hedonistic needs, long-term investment, and to benefit others.

Hełka and Wójcik (2019) have shown that people have different approaches to short-term loans to fulfill hedonistic purposes and loans for long-term investment. Our study pursues that line of thought; we distinguish between loans for hedonistic purposes and loans for long-term investment. Another element that differentiates loan types, emphasized by researchers, is borrowing money for the borrower’s own purposes (individualistic goals) versus borrowing for others, especially for children (Katona, 1975) or other relatives. When a loan does not directly result from an individual’s needs or desires, the predictors of the loan will differ from predictors of other loans. In our study, we recognize loans incurred for others as a separate purpose.

In our research, we consider three categories of predictors of the propensity to incur loans in the future. Among them are economic and demographic variables, such as age and income, variables that proved to be significant in previous studies (Davies and Lea, 1995; French and McKillop, 2016; Lea, Webley, and Levine, 1993; Lea, Webley, and Walker, 1995; Webley and Nyhus, 2001). As our research is based on a sample of people who had or have had problems with timely repayment of financial obligations, we also control for the size or amount of current debt and for how much it encumbers the respondent's budget.

Other predictors are respondents' subjective assessments of their own lives, in particular, their financial situations and overall life satisfaction. Previous studies have shown that subjective assessment of one's own financial situation is, surprisingly, weakly correlated with income and other objective indicators of financial situation (Maison, 2019; Maison, Marchlewska, Sekścińska, Rudzinska-Wojciechowska, and Łozowski, 2019). Therefore, we assume that economic behaviors may be more dependent on a subjective rather than on an objective assessment of a financial situation.

As some studies (Gardner and Oswald, 2007; Maison, 2019) have shown complex relationships between financial functioning and well-being (discussing if money brings happiness or if happiness is conducive to wealth), we opt to measure life satisfaction in our study. In light of results showing a relationship between credit use and well-being (Tay *et al.,* 2017), we assume that life satisfaction may be a significant predictor of the propensity to incur loans for all purposes.

The third group of potential predictors includes selected psychological variables that, according to previous studies (Lea *et al.,* 1993; 1995; Webley and Nyhus, 2001), help predict who will be more likely to take loans and who will have difficulties in repaying them. It is widely understood that an individual's approach to money, finance, and debts determine if they are open to credit use and indebtedness. Debtors have been found to have more permissive or less unfavorable attitudes toward debt than others (Lea *et al.,* 1993; Livingstone and Lunt, 1992; Webley and Nyhus, 2001). Debtors also overestimate the positive effects of indebtedness on their lives and underestimate the negative effects (Hoelzl *et al.,* 2009; Hełka and Wójcik, 2019). It is worth emphasizing that aversion to debt and a negative attitude toward borrowing both reduce the likelihood of taking out loans (Dahlbäck, 1991). However, these characteristics are not correlated with the level of indebtedness if loans are incurred (Livingstone and Lunt, 1992). Taking into consideration the above-mentioned studies, we include openness to taking out loans in our analysis. As we already differentiate loans for others from loans for selves, we consider openness to spending money on others as a potential predictor of the propensity to incur loans in the future. We predicted that the higher the openness to spending money on others, the more eager the person is to incur loans for others.

Previous studies have shown that a borrower's tendency to consider a short or a longer-term time horizon (Joireman *et al.,* 2010; Webley and Nyhus, 2001) plays an important role in the borrowing process. Our study focuses on the consequences of considering only a short time horizon; specifically, we focus on the aversion to planning that seems to be a crucial element of the willingness to take loans. Studies focused on the relationships among incurring and repaying loans, and the locus of control have resulted in complex findings. External locus appears to increase the likelihood of credit card debt (Tokunaga, 1993) but, at the same time, decreases the likelihood of incurring a mortgage (Wang, Chen, and Wang, 2008). However, this correlation has not been replicated in all studies (Lea *et al.*, 1995). The relationships among credit use, debts, and locus of control may be more complicated and depend not only on the kind of credit but also on its purpose; other individual borrower characteristics may also interfere here. Therefore, we take into account the locus of control in our study.

2. Materials and Methods

2.1 Participants and Procedure

Our study was conducted as part of a commercial survey commissioned by the Polish debt collection company KRUK SA. The survey had two main purposes: (1) to discover factors underlying credit use through scientific questions, and (2) to ascertain consumers' perceptions about the company KRUK[3] through practical questions. The survey questionnaire consisted of multiple sections that focused on lifestyle and attitude toward life, values, attitudes, and behaviors connected to credit use and debts, money and household financial management, contact with debt-collecting companies; perception of debt-collecting companies; and demographic data. Due to the multiple and partially commercial goals of the study, the questionnaire utilized relatively simple measuring methods instead of standard psychological multi-item scales.[4]

The sample (n = 604) had one purposive criterion, at least one contact with a debt collection department or company within the past five years.[5] The sample was representative of the demographic structure of Polish debtors (based on age, gender, education, place of residence, and income). In terms of age, 41% of respondents were aged 20–40 years, 24% were aged 41–49 years and 35% were 50 years of age or older. 42% of respondents were women, and 58% were men. The survey was conducted in different regions of Poland, in cities of different sizes. Sampling was mixed-mode and included both a CAWI (computer-assisted web interview) survey based on an online panel (41% of the sample), and a CAPI (computer-assisted personal interview) (59% of the sample). Assignment of CAWI or CAPI mode was dependent on the age of the respondent; respondents older than 40 participated in face-to-face interviews while younger respondents completed the web interview/online survey. Respondents to the CAWI panel were randomly chosen

[3]*The questions concerning perceptions about the company KRUK were the last part of the survey. Therefore, they should not affect the answers given in earlier questions concerning the scientific objectives of the study.*

[4]*The custom scales used were also validated and implemented in earlier studies (Maison, 2019).*

[5]*70% of respondents had successfully solved their debt problems and were repaying their financial obligation in a timely manner.*

from a database of 120,000 people who registered in the research panel; selections were representative and were made in relation to the demographic structure of Polish debtors. Mixed-mode sampling was used due to the low levels of comfort with technology and computers expressed by older debtors in Poland. Only results and variables relevant to the second purpose of the survey, exploring factors underlying credit use, will be presented in this study.

2.2 Measure

To examine which variables are significant predictors of the propensity to incur loans for different purposes in the future, hierarchical linear regressions were conducted. We adopted this method because it demonstrates how the inclusion of new predictors affects the significance of predictors analyzed previously. Predictors from three categories were considered: (1) economic and demographic variables, (2) subjective assessment of the respondent's own life, and (3) psychological variables.

Economic and demographic variables included: (a) income measured as the mean monthly income, (b) total debt in Polish złoty (PLN), (c) debt burden measured as the percentage of a household's average monthly income spent to repay debt in the last three months on the three-point scale: low debt burden (<10% of monthly income), medium debt burden (10%–40%), high debt burden (>40%), and (4) age.

A subjective assessment of the respondent's own life included: (a) life satisfaction, measured as the respondents' answer to the question, on a scale from 0 to 100: "To what extent would you say that you are generally happy with your life?"; and (b) respondents' subjective assessment of his or her financial situation measured on a 7-point Likert scale, from 1 (very bad) to 7 (very good).

We considered the following four psychological variables:

(a) Locus of control, measured using seven statements which were assessed on a scale of 1–4, where 1 = "I strongly disagree with the statement," 2 = "I rather disagree," 3 = "I rather agree," 4 = "I definitely agree" (Maison, 2019). Four of the seven statements focused on external locus of control (e.g., *In my life, a lot depends on factors beyond my control, such as happiness, luck, or coincidence."*). The other three statements focused on internal locus of control (e.g., *"It looks like my life depends on my choices and decisions."*). Therefore, the answers related to them were re-coded before analysis. The average of the responses to the seven statements was considered the final indicator of locus of control. A higher value indicated a higher external locus of control. (Cronbach's alpha = .68).

(b) Aversion to planning, measured through five pairs of opposing statements related to planning, such as: *"My life almost always is on a scheduled basis"* and *"I avoid planning and often leave things to fate."* Respondents indicated if they were closer to planning or to its avoidance on a scale of 1–5. The higher the average of the responses to the five statement pairs, the greater is the aversion to planning. (Cronbach's alpha = .82).

(c) Openness to spending money on others, measured by responses to four statements, such as *"I enjoy spending money on others,"* answered on the same locus of control Likert scale from 1 = "I strongly disagree with the statement" to 4 = "I definitely agree." The higher the score, the greater is the openness to spending money on others. (Cronbach's alpha = .71).

(d) Openness to taking out loans, measured by responses to four statements expressing the belief that taking out loans is something ordinary and common and does not require special justification, such as: *"For me, the loan is a natural way to gain cash."* Answers were on the same 4-point Likert scale used to measure locus of control and openness to spending money on others. (Cronbach's alpha = .74).

Dependent variables (propensities to take loans for different purposes: hedonistic purposes, necessities, long-term investment, relatives) were measured by using 23 items[6]. Respondents indicated for what purposes they would take out a loan in the future. Those items were then thematically aggregated into four groups of purposes: (1) hedonistic purposes (leisure, hobby, buying a car, shopping via tele-sales, shopping via door-to-door sales); (2) for necessities (fixed charges, such as rent and utilities, necessary repairs, repayment of earlier debts, patching up a budget hole, fuel for winter, current necessary consumer expenses); (3) for long-term investment (purchase of durable goods, home purchase, home renovation, purchase of working tools, purchase of securities, development of respondent's own business, respondent's own education, investments); and (4) for relatives (securing the future of children, education of children, Christmas and Easter spending, family celebrations as wedding, baptism, etc.). The percentages of positive answers were calculated separately for each category: (1) propensity to take loans for hedonistic purposes (x/5*100%), (2) propensity to take loans for necessities (x/6*100%): (3) propensity to take loans for long-term investment (x/8*100%), (4) propensity to take loans for relatives (x/4*100%).

3. Results

3.1 Zero-Order Correlation

Zero-order correlation matrix results are presented in Table 1. The propensity to incur loans for hedonistic purposes correlated positively with life satisfaction and openness to taking out loans. The propensity to incur loans for necessities correlated positively with the debt burden, locus of control, aversion to planning, and openness to taking out loans. The propensity to incur loans for necessities correlated negatively with life satisfaction and subjective assessment of the respondent's own financial situation. The propensity to incur loans for long-term investment correlated

[6]*A list of 23 potential loan purposes pulled from a pilot qualitative study was supplied.*

positively with life satisfaction and the subjective assessment of the respondent's own financial situation, as well as with total debt and openness to spending on others. Moreover, the propensity to incur loans for long-term investment correlated negatively with an aversion to planning. The propensity to incur loans for relatives correlated positively with openness to spending on others and with openness to taking out loans. All of the above-mentioned correlations were very weak but significant. There were also significant positive intercorrelations among propensities to incur loans for each of the four analyzed purposes. Only a few intercorrelations among considered predictors reached the $|0.3|$ level of r. Subjective assessment of the respondent's own financial situation correlated positively with life satisfaction and openness to spending on others. Total debt correlated positively with debt burden and previously incurred loans for long-term investment. The locus of control correlated negatively with the subjective assessment of the respondent's own financial situation and life satisfaction.

Table 1. *Zero-order correlation matrix and descriptive statistics*

Variables	M	SD	2	3	4	5	6	7	8	9	10	11	12	13	14
1	43.264	12.17	.05	-.01	-.05	.10*	-.02	.08	-.07	-.24***	.08*	.00	.01	-.01	-.03
2	2055.497	1313.29	-	-.05	.10	-.02	.11*	-.15*	-.04	-.21***	-.22***	-.05	-.010	.00	-.05
3	19872.56	37168.0		-	.32***	-.10*	-.05	.07	.12**	-.02	.02	.02	.00	.16***	.01
4	2.389	1.386			-	-.20***	-.15***	.08	.02	.05	.20***	.04	.10*	.06	.02
5	60.660	24.918				-	.54***	-.34***	.18***	-.10*	-.05	.09*	-.14**	.14**	.01
6	3.620	1.296					-	-.38***	.30***	-.04	-.15***	.06	-.23***	.11**	-.03
7	2.412	.439						-	-.14**	.08*	.23***	-.02	.11**	-.07	-.06
8	2.647	.574							-	.02	.06	.07	-.03	.10*	.09*
9	2.743	.920								-	.24***	.01	.10*	-.10*	.06
10	2.375	.650									-	.17***	.23***	.07	.09*
11	.099	.146										-	.28***	.55***	.36***
12	.199	.240											-	.25***	.38***
13	.220	.212												-	.39***
14	.152	.233													-

Legend: *M–Mean, SD–standard deviation. 1. Age; 2. Income; 3. Total debt; 4. Debt burden; 5. Life satisfaction; 6. Subjective assessment of own financial situation; 7. Locus of control; 8. Openness to spending money on others; 9. Aversion to planning; 10. Openness to taking out loans; 11. Propensity to incur loans for hedonistic purposes; 12. Propensity to incur loans for necessities; 13. Propensity to incur loans for investment; 14. Propensity to incur loans for relatives.*
Source: *Own study.*

3.2 Hierarchical Linear Regression Analyses

Hierarchical linear regression analyses were used to explore which variables predict the propensity to incur loans for different purposes in the future (Table 2). This section presents the separate results of hierarchical linear regression for the propensity to incur loans for the four different purposes, with hedonistic purposes, necessities, long-term investment, and relatives as the dependent variables.

In Step 1, the propensities to incur loans for different purposes were regressed on economic variables (income, total debt, and debt burden) and age. Age was determined to be irrelevant to the propensity to incur loans for any of the four purposes. Some economic variables were important only for the propensity to incur loans for long-term investment and the propensity to incur loans for necessities. In particular, an increase in income increased the propensity to incur loans for long-term investments but decreased the propensity to incur loans for necessities. The higher total amount of debt was due to the greater propensity to incur loans for long-term investment. As the debt burden increased, the propensity to incur loans for necessities grew.

In Step 2, variables relating to the subjective assessment of the respondent's own life, namely life satisfaction and subjective assessment of their financial situation, were added to the equation. The addition of these variables significantly increased the explained variance only for the propensity to incur loans for long-term investment and the propensity to incur loans for necessities. It should be emphasized that income and debt burden ceased to be significant predictors for the propensity to incur loans for any purpose. Life satisfaction was a significant predictor for the propensity to incur loans for long-term investment, and subjective assessment of the respondent's own financial situation was a significant predictor for the propensity to incur loans for necessities. The propensity to incur loans for long-term investment increased with the growth of life satisfaction. While the lower the positive subjective assessment of the respondent's own financial situation, the higher the propensity to incur loans for necessities.

In Step 3, psychological variables such as locus of control, aversion to planning, openness to spending money on others, and general openness to taking out loans were included. The addition of these psychological variables significantly increased the explained variance in the propensity to incur loans for all analyzed purposes. Openness to taking out loans was a significant predictor for the propensity to incur loans for all analyzed purposes. The greater the openness to spending money on others, and the less external is the locus of control, and the stronger is the propensity to incur loans for relatives. The lower the aversion to planning, the stronger is the propensity to incur loans for long-term investments. Interestingly, after analyzing psychological variables, income turned out to be important again, but only for the propensity to incur loans for necessities.

3.3 Dominance Analyses

To find the most significant predictor of the propensities to incur loans for different purposes in the future, dominance analyses were conducted (Azen and Budescu, 2003; Budescu, 1993). The respective analyses were carried out on all predictors.

First, a regression model was constructed with a single predictor (R^2 alone). Second, the remaining nine predictors were included in the model, with a calculation of the additional R^2 (after other predictors were added), as well as of the mean R^2, which demonstrates the significance of the respective predictor in accounting for the dependent variable.

Table 2. *Results of the hierarchical regression analysis predicting the propensity to incur loans for different purposes*

Predictor	Propensity to incur loans for hedonistic purposes		Propensity to incur loans for necessities		Propensity to incur loans for long-term investments		Propensity to incur loans for relatives	
	β	t	β	T	β	t	β	t
Step 1: Economic variables and age								
Age	-.013	-.222	.032	.779	-.022	-.536	-.025	-.604
Income	.079	1.902	-.137	-3.319***	.117	2.848**	-.034	-.810
Total debt (zł)	.000	-.002	-.009	-.219	.133	3.107**	.014	.318
Debt burden (1-6)	.038	.873	.100*	2.353*	.020	.474	.011	.257
R^2	.008		.029**		.038		.002	
ΔR^2	.008		.029**		.038		.002	
F change	1.140		4.398**		5.960***		.342	
Step 2: + Subjective assessment of own life								
Age	-.013	-.317	.018	.452	-.026	-.634	-.030	-.730
Income	.054	.1.213	-.066	-1.499	.069	1.564	-.033	-.731
Total debt (zł)	.008	.173	-.023	-.545	.147	3.437***	.015	.352
Debt burden (1-6)	.051	1.178	.075	1.770	.045	1.048	.014	.319
Life satisfaction	.080	1,612	-.006	-.130	.121	2.507*	.047	.954
Subjective assessment of own financial situation	.007	.134	-.191	-3.917***	.039	.796	-.039	-.777
R^2	.014		.061***		.056		.004	
ΔR^2	.006		.032***		.018		.002	
F change	1.822		10.232***		5.692**		.523	
Step 3: + Psychological variables								
Age	-.029	-.683	.019	.469	-.059	-1.409	-.012	-.283
Income	.034	.764	-.088*	-2.038	.057	1.294	-.046	-1.021
Total debt (zł)	.015	.337	-.012	-.283	.147	3.418***	.017	.375
Debt burden (1-6)	.015	.338	.034	.789	.025	.580	-.010	-/214
Life satisfaction	.065	1.303	-.015	-.304	.097	1.991*	.022	.442
Subjective assessment of own financial situation	.025	.471	-.171	-3.355***	.042	.809	-.075	-1.424
Locus of control	-.019	-.417	-.017	-.378	-.038	-.856	-.103	-2.248*
Aversion to planning	-.029	-.674	.048	1.149	-.128	-3.027**	.040	.908
Openness to spending money on others	.031	.719	.031	.745	.027	.646	.088	2.020*
Openness to taking out loans	.181	4.082***	.192	4.458***	.117	2.694**	.091	2.028*
R^2	.043***		.103		.078		.028	
ΔR^2	.030***		.042		.022		.024	
F change	4.581***		6.902***		3.550**		3.723**	

Note: *All standardized regression coefficients are from the final steps in the analyses. N = 604. *.01<p≤.05; **.001<p≤.01; ***p≤.001*

Source: *Own study.*

As per the results in Table 3, a dominant predictor of the propensity to incur loans for hedonistic purposes is the openness to taking out loans, which was also the dominant predictor in the case of the propensity to incur loans for necessities but not for the propensity to incur loans for other purposes. The subjective assessment of one's own financial situation was another high predictor of the propensity to incur loans for necessities, which was also significantly, but much less predicted by an income and life satisfaction followed by the locus of control and an aversion to planning. A clearly dominant predictor of the propensity to incur loans for investment is total debt. Other significant predictors of the propensity to incur loans for investment are the aversion to planning, life satisfaction, and income. Other significant predictors are the subjective assessment of one's own financial situation, the openness to taking out loans, and the openness to spending on others. The last two predictors are also the best predictors of the propensity to incur loans for relatives, which is also predicted by the locus of control. However, none of these predictors are as clearly dominant as the propensity to incur loans for other purposes.

Table 3. *Dominance analyses on the propensity to incur loans for different purposes*

	Propensity to incur loans for hedonistic purposes			Propensity to incur loans for necessities			Propensity to incur loans for long-term investments			Propensity to incur loans for relatives		
	R^2Alone	Additional R^2	Mean R^2	R^2Alone	Additional R^2	Mean R^2	R^2Alone	Additional R^2	Mean R2	R^2Alone	Additional R^2	Mean R^2
Age	.000	.0010	.0005	.000	.0010	.0005	.000	.0030	.0015	.001	.000	.0005
Income	.006	.001	.0035	.018***	.007	.0125	.018***	.002	.0100	.001	.001	.001
Total debt (zł)	.001	.000	.0005	.000	.001	.0005	.025***	.018	.0215	.000	.000	.000
Debt burden (1-6)	.001	.000	.0005	.009*	.001	.0050	.004	.000	.0020	.000	.000	.000
Life satisfaction	.007*	.003	.0050	.019***	.001	.0100	.018***	.006	.0120	.000	.000	.000
Subjective assessment of own financial situation	.004	.000	.0020	.052***	.018	.0350	.013**	.001	.0070	.001	.003	.002
Locus of control	.000	.000	.0000	.012**	.001	.0065	.005	.001	.0030	.004	.008	.006
Aversion to planning	.000	.001	.0005	.011*	.002	.0065	.011**	.014	.0125	.004	.001	.0025
Openness to spending money on others	.005	.001	.0030	.001	.001	.0010	.010*	.000	.0050	.007*	.006	.0065
Openness to taking out loans	.028***	.027	.0275	.072***	.050	.0610	.006	.011	.0085	.007*	.006	.0065

Note: **.01<p≤.05; **.001<p≤.01; ***p≤.001*
Legend: *M–Mean, SD–standard deviation. 1. Age; 2. Income; 3. Total debt; 4. Debt burden; 5. Life satisfaction; 6. Subjective assessment of own financial situation; 7. Locus of control; 8. Openness to spending money on others; 9. Aversion to planning; 10. Openness to taking out loans; 11. Propensity to incur loans for hedonistic purposes; 12. Propensity to incur loans for necessities; 13. Propensity to incur loans for investment; 14. Propensity to incur loans for relatives.*
Source: *Own study.*

4. Discussion and Conclusions

In our study, we first explored which economic and non-economic variables are significant predictors of the propensity to take loans for four different purposes of loans: necessities, hedonistic purposes, long-term investment, and relatives. In accordance with our expectations, the propensities to incur loans for different purposes in the future depended on varying predictors.

In particular, the openness to taking out loans was a significant predictor of the propensity to incur loans for hedonistic purposes. As we hypothesized, in the era of easily accessible loans, the most important predictive factor was the desire to incur a loan; economic variables were irrelevant. This conclusion corresponds to previously mentioned studies that show the significant effect of attitudes toward borrowing or debt on credit use and indebtedness (Dahlbäck, 1991; Lea *et al.*, 1993; Livingstone and Lunt, 1992; Webley and Nyhus, 2001).

Similarly, the openness to taking out loans proved to be a significant and dominant predictor of the propensity to incur loans for necessities, but in this case, the subjective assessment of the respondent's own financial situation was also a significant predictor. Interestingly, after including the subjective assessment of the respondent's own financial situation, the impact of income disappeared, although the intercorrelation of the subjective assessment of the respondent's own financial situation and income was very weak. These results are in line with the results of Maison *et al.* (2019), which demonstrated that savings are positively correlated not only with the objective financial situation but also with the subjective perception of one's financial situation (even if the intercorrelation of these two variables and demographic variables are controlled). Income was found to be important when psychological variables were added to the equation, but it was a predictor of much less importance. Openness to taking out loans followed, life satisfaction, and aversion to planning were significant predictors of the propensity to incur loans for long-term investments.

However, this time, total debt was the dominant predictor, while the openness to taking out loans was of much less importance. The high total debt most probably means that someone borrowed a large amount of money in the past. This, in turn, means that the respondent had creditworthiness and the willingness to use the loan in the past. As a result, he or she also has a credit history, which may increase his chances of getting another investment loan. The positive impact of life satisfaction corresponds with studies demonstrating the relationship between optimism and investments (Chen and Lin, 2013; Gervais, Heaton, and Odean, 2003). In line with the results indicating that a short time horizon (Joireman *et al.*, 2010; Webley and Nyhus, 2001) plays an important role in the borrowing process, we find that the aversion to planning decreases respondents' eagerness to incur loans for long-term investments.

The locus of control, the openness to spending money on others, and the openness to taking out loans are significant predictors of the propensity to incur loans for relatives. However, none of the predictors are dominant, and their strength is much lower than in the above-mentioned cases. The internal locus of control predicts the propensity to incur loans for relatives. Individuals with a strong internal locus of control may have a stronger sense of responsibility for their loved ones. This result corresponds with the study by Chebat (1986) that proposed that the internal locus of control might be related to a more general construct, social responsibility. Once again, psychological factors appear to be significant, while the economic variables are irrelevant.

In contrast to previous studies, our study's results indicate that economic variables are significant only in the cases of loans for necessities and loans for long-term investments. Even in these instances, the impact of economic variables decreases substantially after including in the analysis the subjective assessment of the respondent's own life. Except for the propensity to incur loans for investment, non-economic variables prove to be more important predictors of the propensities to incur loans in the future than economic ones. It appears that credit use is no longer a matter of financial status but a matter of choice, driven mostly by internal factors such as personal values, goals, motives, attitudes, and more. The lower significance of psychological variables in earlier studies likely came about when loans for various purposes were analyzed together.

There are some limitations to our study. First, there is an inevitable intercorrelation of variables, which hinders analysis. Second, as all of our respondents had at least one unpaid debt in the last five years, it is important to remember that, as Hełka and Wójcik (2019) demonstrated, unreliable debtors have completely different approaches to loans than model borrowers. The majority of respondents to our survey can be considered ordinary borrowers, as, although they incurred debt, they are not habitually unreliable borrowers, and they are unlikely to have future issues repaying the debt. These borrowers' problems were incidental, resulting from a lack of planning, distraction, or short-term issues with financial liquidity. A third limitation is that short, custom scales were used. However, those scales were validated and implemented in earlier studies and have shown satisfactory reliability.

Moreover, the method of measuring dependent variables (interval scales with a narrow range) may have influenced the relatively low value of the coefficient of determination. Therefore, it would be worthwhile to improve the measurement method in future research. Finally, our study distinguished only four purposes for incurring loans, which does not exhaust all possibilities. These can be considered in future studies. Our study also differentiated loans by their purpose and not by form, magnitude, duration, or lender. All of those factors may play important roles in the process; however, including them in this study would have unduly complicated the research model.

As our study shows that the propensity to incur loans for different purposes in the future have different predictors. Psychological variables are important for all loans and are more relevant than economic ones. We expect future research in this area to explore this conclusion further. Future studies should not only focus on the purposes behind loans continue to be investigated, but also on the psychophysical well-being of the borrowers. It is possible that opting for credit for different purposes has various positive and negative consequences.

The results of the study have various practical implications. Firstly, since there are different predictors of the propensity to incur loans for specific purposes, the entire process of borrowing and repaying loans for various purposes is most probably different. Therefore, distinguishing loans depending on the motivation underpinning the decision to make a financial commitment is much called for in business and marketing communication concerning loans.

Secondly, the survey results showing a dependence between credit-taking and individual characteristics such as locus of control or aversion to planning should be taken into account when preparing all kinds of marketing and social communication relating to loan issue. The communication directed to consumers should be matched with the psychological characteristics of the borrowers and it should be taken into account in both loan advertisements and social campaigns focused on responsible credit taking.

Moreover, this study shows that the decisions to make financial commitments are less dependent on the objective financial situation and more on the psychological characteristics and values. This suggests that social campaigns aimed at reinforcing credit-taking responsibility should focus more on strengthening certain psychological characteristics and reducing the psychological deficits (e.g., aversions to planning), than simply concentrating on improving the financial situation.

Finally, but most importantly, the subjective assessment of one’s own financial situation appeared to be a more significant predictor for taking loans than the actual income of that person. Traditionally, in the situation of granting loans, the income of the person applying for a loan is controlled as a standard. Meanwhile, our results suggest that it is not only worth checking the objective finances of the borrower but also their perception of their own financial situation. As recent studies showed (Maison *et al.*, 2019), the subjective financial situation is positively correlated with having savings (even when the objective financial situation and demographic variables are controlled). Therefore, we can assume by analogy that controlling the borrower’s subjective assessment of their own financial situation will facilitate a more accurate prediction of what kind of borrower he or she will be – whether responsible, paying their obligations on time, or irresponsible and troublesome to the lending firm.

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