AN ANALYSIS ON BORROWING FORMS OF FAMILIES ACCORDING TO LIFE CYCLES

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-Abstract-

Family life cycle is a long process from marriage to birth, education of children, their having a profession, leaving home and death of one of spouses.In this process, life period of families affects demands and needs of families and creates differences in spending and borrowing patterns of them. This study aims to determine borrowing forms, borrowing reasons, borrowing expense types, places to borrow and borrowing patterns of families within different life cycles. The study was conducted on N=440 families living in different districts of Ankara, capital of Turkey. The study group was selected with random sampling method. The research data were collected by face-to-face interviews with people who were responsible for income management in family based on the questionnaire form. SPSS 15.0 package program was used to assess the data. According to the research results, more than half of the families (73.4%) borrow; they borrow due to unconscious credit card use (42.7%), the first place to borrow is financial institutions (64.7%) ($p<0.01$; $p<0.05$). It was found that in all of the three family life cycles, borrowing rates in the expenses of food, health, education, durable consumer goods, cultural and entertainment differ by life cycles.
Key Words: Family, Family Life Cycles, Borrowing.
JEL Classification : D - Microeconomics ,D1 - Household Behavior and Family Economics .

1.INTRODUCTION

Family can be defined as the smallest social institution consisting of parents and children. Being known as the smallest building block, family is affected by social changes and developments and it is always in transition. This transition is closely related to socio-cultural, economic and political process of country and the world and it leads to some new situations in families. In addition, families pass through a corporate aging period based on the ages and experiences of family members. Considering founders as the basis of the family, family acquires a meaning and functioning as a dynamic social structure from the marriage to the death of two founders. This social structure passes through certain stages in lifetime and brings new people to society. It also has a mediator role between people and society (Hareven,1974; Güven,1991).

Attitudes and behaviors which have physical, psychological and social equivalents differ and separate from each other in various life cycles. In this differentiation, the effect of cultural environment and life cycles has a determiner role. For example, with advancing age; needs, priority of needs, forms and quantities of meeting these needs can differ. In personal life cycles consisting of *infancy, childhood, adolescence, youth, maturity, elderliness* periods, attitudes and behaviors of people differ to a great extent. Similarly, as a nature of social structure, in engagement, new marriage, having little children, being married and having adult children periods, a clear differentiation is observed in attitudes and behaviors of people and this differentiation affects economic activities as well. In this scope, different stages of family are remarkable phenomenon to be scientifically investigated as a determiner of attitudes and behaviors of people (Murphy & Staples,1979; Lasswell,1991; Saxton,1993).

The features of family life cycles should be known to determine intra familial roles and responsibilities, shape the relationships between family members, access desired life standards and arrange economic activities of family (Loudon & Bitta,2002)

Family Life Cycle defined as all stages that family passes through as a social unit is important both individually and socially for the investigation of economic issues (investment, saving, borrowing, consumption etc.).

1.1. Family Life Cycle and Characteristics

Like everything alive on earth, family has a life time as well. Family is founded; fulfills its responsibilities; completes its life and finally it dies. From the first day of its foundation, family goes through certain stages during its life time. These stages take place since the first day of the foundation of family and their duration, importance and role can differ according to characteristics of family. These stages are examined under the name of "family life cycle". Many studies have been conducted to determine family life cycles since 1931.According to various authors, family life cycle can be investigated by different periods (Carter & McGoldrick,2005a).

These periods named as family life cycle (FLC) can be shortly investigated under the concepts of marriage, birth of children, school years and adolescence period, graduation, having a profession or getting further education, children's leaving home, retirement, death of one of spouses (Carter & McGoldrick,2005b).

The stages of family life cycles may not be completed or lived in the same order in each family. The characteristics of a different period can be observed before another period is completed. Many families experience only some of these stages, others may skip to next stage without living them or may not complete this cycle.

1.2. Traditional Stages of Family Life Cycle

Researchers define different stages of traditional family life cycle. The most commonly accepted approach is the one examining traditional cycle under six stages (Figure 1).

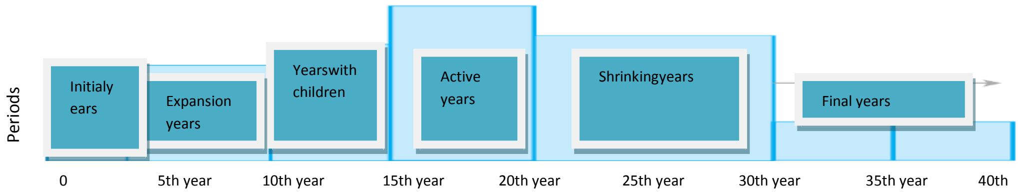


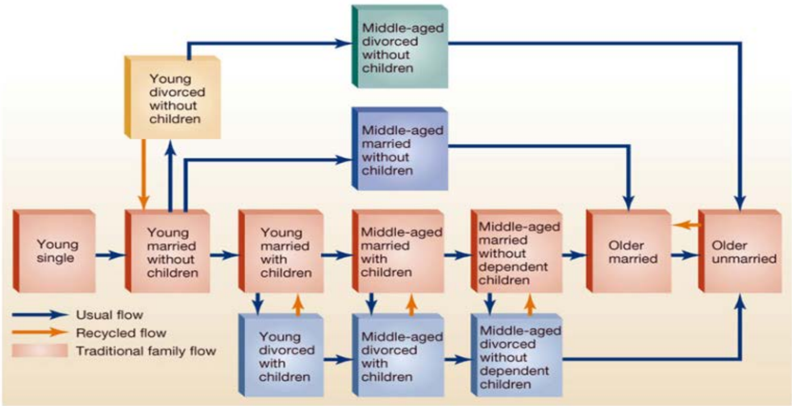
Figure 1. Family Life Cycles
Resource : Özdemir, Vatandaş and Torlak (2009).

Initial Years: This period starts with marriage and lasts until the birth of first child. In these years, people have the least responsibilities compared to following periods. In the first years of marriage, expenses of durable consumer goods and household goods are much, yet the saving is at the highest rates in this period.
Expansion / Growth Years: This period starts with the birth of first child and lasts until the year when the child starts primary education. In this period, income of parents is low and families are in need of more income because significant part of the income is spent for child care. Families cannot practice economy sufficiently (Michael,2000; Peter & Olson,2005).
Years with Children: When the eldest child reaches 3-6 years, especially health and education expenses increase (Wagner & Hanna,1983).
Active Years: In this period, the first child is 13-15+ year old. The child gets prepared for university education to have a profession. When the family income peaks, families prefer long-term investments. They start to save for retirement and elderliness period (Hayta Bayazıt,2011).
Stagnation and Shrinking Years: In this period, the first child leaves home to marry, have profession or receive higher education or starts to work. In shrinking period, health expenses increase with advancing age of family members. If families have enough saving for this period, they will not have an extra financial burden (Schiffman & Kanuk,2004).
Last Years / Retirement Years: Retirement period is the last stage of family life cycle.Active working life ends. The major problem in this period is low income. Old couples spend their savings and their tendency to practice economy decreases to a great extent (Comel & Deljavan,1983; Steinmetz & Clovan, 1990).

Without any doubt, there are also modern life cycles which occur differently from the abovementioned cycle and popularize in contemporary societies.

1.3. Stages of Modern Family Life Cycle

Traditional family life cycle could not represent development steps of modern family. Especially, this cycle does not take place in various entities of developed countries. Common marriage, marriages in old ages, couples without children, employed women, increasing divorces, remarriages do not take place in traditional family life cycle. In our era, the rate of people living together without marriage or people living alone increases. Therefore, a modern family life cycle is created to represent these changes in family life. (Wells & Prensky,2006). A model of modern family life cycle is presented in Figure 2.



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igure 2. Modern Family Life Cycle
Resource : Solomon,M.R . (2000) .Consumer Behavior, Buying, Having and Being.

As shown in Figure 2, there are seven boxes in the middle of this model. Each of these boxes represents a stage of family life cycle and the family life cycle consists of seven stages. The boxes in the middle represent the status of a normal family while those at the top and bottom represent family life cycle stages of families that go beyond the traditional structure (Michael,2000).

2. METHODOLOGY

This study aims to determine borrowing forms, borrowing reasons, borrowing expense types, places to borrow and borrowing patterns of families within different life cycles. The study was conducted on N=440 families living in different districts of Ankara, capital of Turkey. The study group was selected with random sampling method. In this research, the initial period is represented by married families without children. The expansion period is represented by families having children between the ages of 0-6; 7-8; 19+. The shrinking period is represented by families that all children left home and one of the spouses died. The research data were collected by face-to-face interviews with people who were responsible for income management in family based on the questionnaire form. The life cycle stated by families was considered as explanatory variable. SPSS 15.0 package program was used to assess the data. In addition to frequency and percent evaluations, Chi-square analysis was conducted to determine the difference between groups. The significance level was determined to be $p<0.05$ and $p<0.01$.

3. RESULTS AND DISCUSSION

3.1. General Information about Families

Of 440 families in research group, 59.6% are in age group of 36-50. More than half of the families (74.4%) have 3-4 members. Of families, 84.7% have a wage job. In this research, the initial period is represented by married families without children (10.7%). The expansion period is represented by families having children between the ages of 0-6 (17.0%), 7-8 (33.2%), 19+ (32.5%) The shrinking period is represented by families that all children left home (3.6%) and one of the spouses died (3.0%) (Table 1).

Tablo 1. Demographic Information of Families (N=440)

	n	%
Age		
21-35	**70**	**15.9**
36-50	**262**	**59.6**
51-65+	**108**	**24.5**
Number of Family Members		
1-2 people	**60**	**13.6**
3-4 people	**327**	**74.4**
5+ people	**53**	**12.0**
Current Life Cycle of Families		
Married, without children	**47**	**10.7**

Married with children between 0-6 years	75	17.0
Married with children between 7-18 years	146	33.2
Married with children at 19+ years	143	32.5
All children left home	16	3.6
Death of one of the spouses	13	3.0
Employment in a Wage Job		
Employed	373	84.7
Unemployed	67	15.3

3.2. Information of Borrowing Forms of Families

More than half of the families (73.4%) borrow during lifetime. As regards to borrowing forms of families in life cycles, it was found that almost half of the families always borrow in foundation (44.7%) and expansion (41.5%) periods. However, families in shrinking period never prefer borrowing (37.9%) (Table 2).This finding could result from expenses for setting up a new house and purchasing house goods in foundation period and from needs of children in expansion period. The relationship between life cycles and borrowing forms was found to be statistically significant ($p<0.05$).

Table 2. Borrowing Forms of Families According to Life Cycles (N=440)

Borrowing Form	Life Cycles							
	Foundation		Expansion		Shrinking		Total	
	n	%	n	%	n	%	n	%
Always	21	44.7	151	41.5	10	34.5	182	41.4
Sometimes	8	17.0	125	34.3	8	27.6	141	32.0
Never	18	38.3	88	24.2	11	37.9	117	26.6
Total	47	100.0	364	100.0	29	100.0	440	100.0
X^2 = 9,171 sd = 4 $p<0.05$								

3.3. Borrowing Reasons of Families According to Their Current Life Cycle

It was found that half of the families borrow in foundation (41.4%) and expansion (43.8%) period due to unconscious credit card use. Those in shrinking period borrow because their income is not sufficient to meet their needs (Table 3). The

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relationship between life cycles and borrowing reasons was found to be statistically significant ($p<0.01$).

Borrowing methods have changed with the transition of economies from past to today. When families borrow from banks which are indispensable institutions of modern economies, they remain indebted in every period of their lives due to unconsciously used credit cards and consumer loans. The shrinking of families takes place in retirement period and due to the severe decrease in income within this period, families that have difficulty in purchasing necessary goods and service can borrow.

Table 3. Borrowing Reasons of Families According to Life Cycles

Borrowing Reasons	Life Cycles							
	Foundation (N=29)		Expansion (N=276)		Shrinking (N=18)		Total (N=323)	
	n	%	n	%	n	%	n	%
For big investments such as house, car, land etc.	10	34.5	60	21.7	-	-	70	21.7
Lack of income tomeet needs	7	24.1	95	34.4	13	72.2	115	35.6
Unconscious credit card use	12	41.4	121	43.8	5	27.8	138	42.7
$X^2 = 40.004$ sd = 6 $p<0.01$								

3.4. Places to Borrow According to Current Life Cycles of Families

The first place where families borrow is financial institutions (banks) in foundation (65.6%), expansion (47.4%) and shrinking periods (50.0%). The reason of that could be reliability and objectivity of financial institutions. The second most preferred place to borrow is friends, relatives and neighbors in foundation (24.1%) and expansion (32.6%) periods; family members in shrinking period (33.3%) (Table 4). In a research conducted by Aydıner (2001), families borrow from banks, friends and relatives. These results support the findings of the present research. The relationship between life cycles and places to borrow was found to be statistically significant ($p<0.05$).

Table 4. Places to Borrow According to Life Cycles of Families

Places to Borrow	Life Cycles Foundation (N=29)		Expansion (N=276)		Shrinking (N=18)		Total (N=323)	
	n	%	n	%	n	%	n	%
Family Members	**3**	**10.3**	**55**	**20.0**	**6**	**33.3**	**64**	**19.8**
Friends, relatives and neighbors	**7**	**24.1**	**90**	**32.6**	**3**	**16.7**	**100**	**31.0**
Financial institutions	**19**	**65.6**	**131**	**47.4**	**9**	**50.0**	**159**	**49.2**
X^2 = 8.001 sd = 10	**p<0.05**							

3.5. Expending Forms of Families According to Their Current Life Cycles

It was found that more than half of the families borrow for food (54.2%), clothing (70.6%), house (69.7%), health (79.6%), culture, education and entertainment (54.0%) expenses. Analyzing the situation in scope of life cycles, it was found that families in foundation period expend mostly for clothing (75.9%) and house (79.3%); families expend mostly for of health (87.3%), clothing (69.6%) and house (67.4%); those in shrinking period expend mostly for house (88.9%), health (88.9%) and hygiene (83.3%) (Table 5). Borton (2005) reported that families mostly borrow in expansion and shrinking periods in order to meet their health expenses. Wells and Gubar (2009) reported that in each stage of family life cycle, families borrow to pay the expenses of food, clothing, durable consumer goods and transportation. These results are similar to the findings of the present research.

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Table 5. Places to Borrow According to Life Cycles of Families

Expending Groups to Borrow	Foundation (N=29)		Expansion (N=276)		Shrinking (N=18)		Total (N=323)	
	n	%	n	%	n	%	n	%
Food expenses								
Borrower	18	62.1	145	52.5	12	67.7	175	54.2
Non-borrower	11	37.9	131	47.5	6	33.3	148	45.8
$X^2 = 2.158$ sd =2 $p>0.05$								
Clothing expenses								
Borrower	22	75.9	192	69.6	14	77.8	228	70.6
Non-borrower	7	24.1	84	30.4	4	22.2	95	29.4
$X^2 = .976$ sd =2 $p>0.05$								
Household expenses								
Borrower	23	79.3	186	67.4	16	88.9	225	69.7
Non-borrower	6	20.7	90	32.6	2	11.1	98	30.3
$X^2 = 5.099$ sd =2 $p>0.05$								
Hygiene expenses								
Borrower	9	31.0	92	33.3	15	83.3	116	36.0
Non-borrower	20	69.0	184	66.7	3	16.7	207	64.0
$X^2 = 2.179$ sd =2 $p>0.05$								
Transportation and communication expenses								
Borrower	4	13.8	18	6.5	3	16.6	25	7.7
Non-borrower	25	86.2	258	93.5	15	83.4	298	92.3
$X^2 = 3.579$ sd =2 $p>0.05$								
Culture, education and entertainment expenses								
Borrower	10	34.5	163	60.0	1	5.5	174	54.0
Non-borrower	19	65.5	113	40.0	17	94.5	149	46.0
$X^2 = 1.565$ sd =2 $p>0.05$								
Personal care expenses								
Borrower	1	3.4	21	7.6	-	-	22	6.8
Non-borrower	28	96.6	255	92.4	18	100.0	301	93.2
$X^2 = 2.109$ sd =2 $p>0.05$								

4.CONCLUSION AND RECOMMENDATIONS

As an economic unit, family takes various financial or non-financial economic decisions and performs some activities to reach desired results in functional relationships with socio-economic organization of society. The major financial decisions and practices are expending, borrowing, saving and investment decisions.

Expending which is one of the economic activities of families is defined as to purchase and use goods and services for the supply of demands and needs. Expenses are explained with the consumption phenomenon as a function of income. The income determines consumption areas and amounts for families.

Families who spend more than their income either use their savings from previous incomes or borrow on the strength of their future incomes in order to fill the gap between their incomes and expenses. Debt is ready-to-use purchasing power based on repayment in the future. Today, most of families remain indebted to continue existing expenses, pay their debts, invest or meet their urgent needs in unexpected situations. In the past, borrowing was between friends, relatives, neighbors etc. and now it can be via banks. Therefore, there are ever-increasing numbers of credit card debtors who use credit cards unconsciously. Families remain indebted to credit cards and consumer loans in order to buy and renew electronic goods and white goods, prepare for education and marriage, pay the bills, continue existing expenses, expend for medicine etc.

This research aims to determine borrowing forms of families according to their life cycles and to make suggestions to improve welfare of person, family and society in financial practices in accordance with the findings of the research.

The obtained data can be summarized as follow:

- Of 440 families in the research, 59.6% are between 36-50; 24.5% are in 51-65+ and 15.9% are in 21-35 years of age. Of families, 74.4% have 3-4; 13.6% have 1-2 and 12.0% have 5+ family members. Of families, 10.7% are in foundation (married without children); 82.7% are in expansion (17.0% married with children between 0-6 years; 33.2% married with children between 7-18 years; 32.5% married with children at 19+ years) and 9.6% are in shrinking period.

- Of families, 41.4% always, 32.0% sometimes and 26.6% never borrow.44.7% of families in foundation period and 41.5% of those in expansion period stated that they always borrow and 37.9% of families in shrinking period stated that they never borrow. The relationship between life cycles and borrowing forms was found to be statistically significant ($p<0.05$).
- Of 323 borrower families, 42.7% borrow for unconscious loan, 35.6% borrow because their income is not sufficient to meet their needs and 21.7% borrow to make big investments such as house, car, land etc. It was found that families in foundation (41.4%) and expansion (43.8%) periods borrow due to unconscious credit card use. It was found that more than half of the families (72.2%) in shrinking period borrow due to the insufficiency of their income. The relationship between life cycles and borrowing reasons was found to be statistically significant ($p<0.01$).
- The first place to borrow was found to be financial institutions (banks) with the rate of 42.9%. Other places are friends, relatives, neighbors (31.0%) and family members (19.8%), respectively. Moreover, the most preferred place to borrow is banks in three of life cycles (foundation 65.6%, expansion 47.4%, shrinking 50.0%). The relationship between current life cycles of families and places to borrow was found to be statistically significant.
- More than half of the families borrow for food (54.2%), clothing (70.6%), household (49.7%), cultural-education-entertainment (54.0%) expenses. It was found that families in foundation period borrow for following expenses respectively; household expenses (79.3%), clothing (75.9%) and food (62.1%). Those in expansion period borrow for clothing (69.6%), household (67.4%), cultural-education and entertainment (60.0%) expenses, respectively. Families in shrinking period borrow for clothing (70.6%), household (69.7%), food (54.2%), cultural-education and entertainment (54.0%) and hygiene (36.0%) expenses. The relationship between current life cycles of families and expense groups to borrow was found to be statistically significant ($p>0.05$).

According to these results;

- Current life cycles of families affects demands and needs of them and creates differences in varieties and amounts of the use of family resources. Therefore, it should be remembered that current life cycles of family creates different needs in each period. Taking stand from this point, families can be enabled to be more self-contained in financial issues through formal and universal training programs which can contribute to acquisition of positive behaviors of financial management for efficient use of income. These behaviors can be as follow; making expending plan, using different payment ways in expenses, developing efficient finance techniques, keep accurate financial records, ensure rational distribution between income and different needs, prevent unnecessary and excessive expenses etc.
- Families should be encouraged not to go to extremes in loan shopping named as bank loan, consumer loan, credit card borrowing etc. and not to use credit cards where unnecessary. If credit card is needed, it should be used consciously and especially for big investments. It is recommended that loans received to ensure financial safety should not exceed 20% of income. If consumer loans are used properly, they help to solve financial problems of people and families and improve life quality. In order to achieve this, the loans should be in balance with income and excessive borrowing should be prevented.
- In various stages of family life cycles, monetary goals and investment strategies of families change. A suitable investment for a young couple with a little child may not be suitable for a widow on the edge of retirement. Some investment options to recommend about life cycles can be exemplified as: a new married couple without children should invest in investment funds and common stock which has a good potential in long term. Because it will take a long time to wait the return of their invested money. To purchase house could be a good investment for married families with children according to the market of local house market. Moreover, families in expansion period can invest in low and moderate risk financial instruments such as investment fund and bonds after they

have emergency fund and life insurance which are equal to threefold of their annual income. Of retired families, only rich ones can make high-risk investments. Families in shrinking period are generally recommended to invest in high-tendency preferred stocks, government bonds, treasury warranties and insured deposit funds in order to balance the decrease in purchasing power in retirement. In addition, these families can overcome financial problems by using their investments instead of borrowing.

- Different studies which accept life cycles of families as exploratory variable can be planned to guide further research.

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