The use of small instant loans among young adults – a gateway to a consumer insolvency?

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Keywords
Consumer credit, cash advance, payday loan, young consumer.

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doi: 10.1111/j.1470-6431.2009.00789.x

Abstract
The aim of this paper is to study 18- to 29-year-old Finnish consumers’ use of instant small loans (i.e. SMS loan) and other consumer credit services that have increased notably in the past few years. We examine what kind of expenditures instant credit is used for and focus also on young consumers’ financial situation and their perceptions of themselves as money handlers. The research method is quantitative, and data are derived from an open online survey (n = 1610). Our results reveal that consumer credit is used by young people in all income brackets and employment positions. However, there is a clear connection between certain life-course stages (young, single parent), financial positions (low income), employment situations (marginal) and the propensity to take instant loans and consumer credit. The young people who take an instant loan once are likely to do it again. Typical purposes of use included buying alcohol, cigarettes and partying. For some consumers, the use of small loans is part of controlled and economical use of money. However, particularly in the low-income brackets, it is also common to buy food and to repay credit or interest. Young people, who use instant loans recognize flaws in their money management and see themselves as ‘wasteful’ consumers more often than those who do not use instant loans. On the basis of this empirical study, it is unquestioned that young people’s consumer education needs to be strengthened. In Finland, this need has already been recognized in both consumer policy and teacher education.

Introduction
The use of credit has been growing steadily both in Finland and in other Western countries (e.g. Brown et al., 2005) over the last few decades, but especially in the early 2000s. Credit card charges and mortgage balances doubled between 2000 and 2006 (Statistics Finland, 2006, 2007). The growth of debt accelerated in the last few years with the appearance of new forms of credit, such as payday loans and cash advances provided by Internet banking and mobile phone services (Brown et al. 2005), in addition to traditional housing loan and consumer credit practices (e.g. mortgages, credit cards, instalment loans). Although the demand for credit has also grown rapidly over the last few years in Finland, credit problems had not increased significantly because of the robust economy. However, at the time of writing a financial crisis is destabilizing the economy not only in the US, but also in Europe – and thus in Finland as well.

Insolvency problems have not yet followed the rate of increasing use of credit, but the number of consumers with debt problems is expected to increase (e.g. Rantala and Tarkkala, 2009). Instant loans (i.e. payday loans, cash advances, instant cash loan), which can be applied for by mobile phone (SMS loans)¹ or through the Internet, have raised controversial discussions in North America (e.g. Caskey, 2005; Hill and Kozup, 2007; Berry and Duncan, 2008) as well as in Finland. The main concern is the cost of these small loans, and the rollover phenomenon, meaning that consumers are taking more loans in order to repay earlier debt (Buckland and Martin, 2005, pp. 164–6). For example, in Finland as in North America, the annual percentage rate for cash advances and payday loan is between 200% and 1000% compared with 15–25% for other consumer credit (Buckland and Martin, 2005, p. 164; Peura-Kapanen and Raiskimäki, 2006, p. 3). Thus, the costs of these loans are higher than for more traditional sources of loans.

In the Finnish context, Valkama and Muttilainen (2008, p. 76) have argued that instant loan companies have been blamed for

¹First the customer sends an SMS message containing the amount of applied loan, full name, home address, social security number and a bank account number. After a minute or so the customer receives an automatic positive or negative loan decision from the lender. Money is transferred to customer’s bank account within minutes after sending an other SMS message to confirm the loan terms.
young adults’ payment difficulties, in particular. It has been suggested that the vigorous marketing of the loans has induced young people to borrow recklessly. According to their study, the average age of consumers facing payment difficulties because of instant loans is 26 years old. Thus, young adults can be considered a special group as their financial position is often weaker than that of other age groups, and they are still learning financial and credit management (Lachance et al., 2006; McKinnon and Schröder, 2006).

Lack of experience in consumption, and certain life-course stages of the household affect the risk of getting into serious debt (e.g. Caplovitz, 1963; Fan, 2000; Brown et al., 2005). Young families, for example, may experience problems in controlling and planning their finances in the event of the birth of a child, temporary absence from work of one of the parents or single parenthood. According to many studies, unemployment, divorce and/or illness are also additional risk factors for payment problems (e.g. Townley-Jones et al., 2008). Problems are also caused by factors related to personal behaviour, such as compulsive buying, compulsive gambling and lack of money management skills (e.g. Faber and O’Guinn, 1988; Lea et al., 1995; Fan, 2000; Stone and Vasquez Maury, 2006).

One of the main factors affecting the origin of debt problems is, however, being disadvantaged or poor (Lea et al., 1995; Bauman, 1998). For low-income consumers, borrowing may be the only way of covering essential living expenses when a washing machine breaks, a child falls ill or the rent needs to be paid. People who are seriously in debt and have low incomes are often denied loans or credit cards by banks (e.g. Buckland and Martin, 2005; Caskey, 2005). Instead, they are forced to borrow from companies that offer cash advances and payday loans, charging high commissions and interest rates. Companies granting these credit can be considered predatory lenders (Hill and Kozup, 2007; Jackson and Anderson, 2007). David Caplovitz (1963), a US researcher, has called this phenomenon ‘the poor pay more’. As Buckland and Martin (2005, p. 161) have argued this means, that low-income people pay more for financial services that do not allow them to improve their financial security (also Karger, 2005).

The aim of our study is to examine 18- to 29-year-old Finnish consumers’ use of instant small loans (i.e. SMS loan) and other consumer credit services. The research is part of an assignment for the Finnish Ministry of Trade and Industry that wanted to explore this new form of consumer credit in 2006. In the Finnish language an instant small loan is called pikavippi (literally, fast loan). These credit are for relatively small amounts of money, usually 100–500 euros, and easy to get by mobile phone or through internet application. These loans are also short-term debt, usually for a 2-week period (Berry and Duncan, 2008). Thus, they have been assumed to be used by young people more than other age groups (e.g. Valkama and Muttilainen, 2008). According to Statistics Finland (2008), the average amount of a small instant loan is 170 euros, and the average costs is 24% of granted loan. The low-income consumers are usually 16- to 24-year-olds. A quarter of that age group have low incomes, compared with 8–15% of other age groups (Myllyniemi, 2008, p. 49).

Thus, through survey data we examine what kind of expenditures instant credit is used for with regard to young consumers’ financial situation. The financial situation is measured by examining the income, employment status and family structure of the respondents. In other words, in this study we examine what kind of young consumers rely on instant loans; are there signs of inequality in the credit market in Finland similar to North America? On the basis of our results we discuss measures that are needed to promote young people’s credit management skills. We also aim to find solutions to the problems caused by high-cost instant loans on the consumer-policy level.

**Instant loans as a consumption debt**

‘The poor pay more’ (Caplovitz, 1963) has not been an issue in Finland, as it has been in the US, because the credit market was regulated until the early 1980s. Credit was not readily available to all consumers. However, even then low-income or otherwise marginalized groups increased their debt levels, while the amounts of their loans were relatively small (Leskinen, 1990). However, the amount of those loans was higher than today’s instant small loans. It was not until the recession of the early 1990s that debt problems were ‘democratized’. Then economic difficulties increased among all income brackets and social classes alike. Compared with the Anglo-American credit culture, the practice of door-to-door moneylenders has never existed in Finland (Lea et al., 1995, p. 692), but pawnbrokers and instalment plans have been used for borrowing.

Credit is not only the cause of problems, but also an essential part of households becoming wealthier (Ritzer, 1995; Calder, 1999). To a working middle-income consumer, some debt can be ‘productive debt’ (Calder, 1999), as a mortgage creates wealth in the long run, and consumer credit creates possibilities for enjoying life (e.g. travelling). A credit card also provides a margin for emergencies. However, to low-income consumers, whose use of credit is based on financing immediate living expenses, this becomes ‘consumptive debt’ (Calder, 1999). This is because low-income groups and the unemployed have to get credit from small-loan companies (Calder, 1999, p. 50; Caskey, 2005, pp. 17–26), whose interest rates are higher than bank lenders. As Lea et al. (1993) have argued, the use of these types of credit can eventually become a self-sustaining ‘culture of indebtedness’. Paying off previously acquired loans and their interest (roll over) take up an increasingly large part of the income that was small to begin with (e.g. Caskey, 2005; Berry and Duncan, 2008). The real problem with combining low incomes with payday and instant loans is that the costs and interest rates of these loans are considerably higher than those of housing loans or normal credit cards.

However, consumers’ views on the advantages and disadvantages of instant small loans have hardly been studied in Finland. Similarly, research on consumers’ views on payday loans or cash advances has not been conducted much on an international scale (see Hill and Kozup, 2007; Lawrence and Elliehausen, 2008). However, there has been considerable research on credit card debt – including the debt of young people (e.g. Faber and O’Guinn, 1988; Lea et al., 1995; Warwick and Mansfield, 2000; Wang and Xiao, 2009). According to previous research, consumers who use credit and end up with debt problems also recognize flaws in their money management (Koljonen, 2001). As Lea et al. (1995, p. 696) have argued, lack of money management is a more important risk factor for financial problems than poverty. Thus, low income, unemployment and/or sudden changes in one’s life situation are not the only reasons for getting a loan and possibly becoming
over-indebted. Therefore we are interested in exploring young consumers’ attitudes towards borrowing and their perceptions of themselves as money handlers.

Data and methods

The data for this study were collected using an open online survey in October 2006. The online survey enables us to reach members of the research group quickly and affordably, especially when they are young people. The respondents were asked to complete an online questionnaire, having been directed to the page through three Web discussion forums, two community service platforms, a link placed on seven instant loan companies’ websites and an advertisement in the metropolitan newspaper. The respondents came from across the whole country.

The questionnaire consisted of a seven-page virtual leaflet, including questions about age, gender and young consumers’ financial situations, such as income, employment and occupational status, and family structure (see Table 1). The respondents were also asked what type of credit they have: a credit card, a mortgage, a student loan, an instalment loan, instant small loan. As instant loans were of specific interest, the young people were asked what kind of expenditures the credit is used for (15 options, see Fig. 1), and how many times they have used that credit. We also explored young consumers’ attitudes towards borrowing and their understanding of themselves as consumers through the following statements:

- ‘There is no sense in calculating the interest of an instant loan for one week as a yearly interest’
- ‘I pay my bills mainly on time’
- ‘I am a sensible consumer; I never buy useless goods and services’
- ‘I am unable to handle money: ‘as soon as it came, it went’

A total of 1951 respondents filled in the questionnaire. Nevertheless, the data analysed consist of 1610 respondents, as the data were limited according to the instruction of the Ministry of Trade and Industry. Only 18- to 29-year-olds were included in the data analysed consist of 1610 respondents, as the data were limited according to the instruction of the Ministry of Trade and Industry. Only 18- to 29-year-olds were included in the data.

As Table 1 describes, the age distribution of the respondents ranged from 18 to 29 years: the occupational and employment statuses as well as family structures are typical of young people. The respondents have low income, as 56% have an income of 1000 euros or less. In this respect instant loans are a form of credit suitable for them, as a credit card or a bank loan usually requires a regular income in Finland. Table 2 shows that only 33% of the respondents have a credit card. What is interesting is that 65% of credit card holders are men and 35% women respectively. The difference can be partially explained by the fact that men earn

### Table 1: Demographic profile of the sample

<table>
<thead>
<tr>
<th>Variable</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>714</td>
<td>44</td>
</tr>
<tr>
<td>Male</td>
<td>896</td>
<td>56</td>
</tr>
<tr>
<td>Total</td>
<td>1610</td>
<td>100</td>
</tr>
<tr>
<td><strong>Age (years)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18–20</td>
<td>658</td>
<td>41</td>
</tr>
<tr>
<td>21–23</td>
<td>508</td>
<td>31</td>
</tr>
<tr>
<td>24–29</td>
<td>444</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td>1610</td>
<td>100</td>
</tr>
<tr>
<td><strong>Income (euro)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt;500</td>
<td>561</td>
<td>36</td>
</tr>
<tr>
<td>501–1000</td>
<td>315</td>
<td>20</td>
</tr>
<tr>
<td>1001–1500</td>
<td>223</td>
<td>14</td>
</tr>
<tr>
<td>1501–2000</td>
<td>227</td>
<td>14</td>
</tr>
<tr>
<td>2001&lt;</td>
<td>173</td>
<td>11</td>
</tr>
<tr>
<td>I do not know</td>
<td>75</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>1574</td>
<td>100</td>
</tr>
<tr>
<td><strong>Household structure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Living alone</td>
<td>648</td>
<td>40</td>
</tr>
<tr>
<td>Married/cohabit, no children</td>
<td>407</td>
<td>25</td>
</tr>
<tr>
<td>Married/cohabit, children</td>
<td>85</td>
<td>5</td>
</tr>
<tr>
<td>Single parent</td>
<td>30</td>
<td>2</td>
</tr>
<tr>
<td>Living with parents</td>
<td>328</td>
<td>21</td>
</tr>
<tr>
<td>Together with friends or sibling/s</td>
<td>91</td>
<td>6</td>
</tr>
<tr>
<td>Other</td>
<td>17</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>1606</td>
<td>100</td>
</tr>
<tr>
<td><strong>Occupation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student</td>
<td>771</td>
<td>48</td>
</tr>
<tr>
<td>Working</td>
<td>560</td>
<td>35</td>
</tr>
<tr>
<td>Self-employed person</td>
<td>31</td>
<td>2</td>
</tr>
<tr>
<td>Unemployed/temporary dismissal</td>
<td>136</td>
<td>8</td>
</tr>
<tr>
<td>‘Marginal’ position in the labour market</td>
<td>109</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>1607</td>
<td>100</td>
</tr>
<tr>
<td><strong>Employment status</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full-time, permanent</td>
<td>363</td>
<td>23</td>
</tr>
<tr>
<td>Full-time, temporary</td>
<td>171</td>
<td>11</td>
</tr>
<tr>
<td>Part-time, permanent</td>
<td>188</td>
<td>12</td>
</tr>
<tr>
<td>Part-time, temporary</td>
<td>85</td>
<td>5</td>
</tr>
<tr>
<td>Works occasionally</td>
<td>207</td>
<td>13</td>
</tr>
<tr>
<td>Do not work</td>
<td>501</td>
<td>32</td>
</tr>
<tr>
<td>I do not know</td>
<td>56</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>1571</td>
<td>100</td>
</tr>
</tbody>
</table>
more than women. Two-thirds of the female respondents earned less than 1000 euros, whereas less than a half of male respondents (48%) have such a low income. Correspondingly, 17% of men earn more than 2000 euros, while the figure for women is only 4%.

In addition to their young ages, the low incomes of the respondents can also be explained by their occupations and employment status. Half of the respondents are students and may therefore only be available part-time in the labour market. Eight per cent of these young people are unemployed and 7% are in a ‘marginal’ position in the labour market. The latter group includes respondents who declared themselves in categories of: incapable of working due to sick leave or disability pension, in practical training, in military service, on maternity leave or are homemakers. Forty per cent of respondents live alone and 2% are single parents, which again suggests these young people are ‘poor’ because of their life-cycle stage.

We divided the respondents into three groups based on their use of consumer credit. The sample was first divided into: (i) consumers who have no consumer credit (n = 413); and (ii) consumers who have consumer credit (n = 1188). The latter group was divided further into: (i) consumers who have other types of credit than instant loans (n = 748); and (ii) consumers who have instant loans, but may also have other types of credit (n = 443) (see Table 2). We named the two latter groups ‘consumer credit users’ and ‘instant loan users’.

Approximately 8% of 18- to 29-year-old Finnish young people have a payment default record (Koljonen et al., 2002). Similarly, in our study, 8% of the respondents had a default record. Table 2 shows that 14% of instant loan users, 6% of consumer credit users, and 3% of those with no consumer credit have a payment default record. The use of instant loans therefore either seems to increase the probability of a payment default record or an instant small loan is the only way of getting a loan when one has payment defaults.

Categorizing consumers according to their consumer credit use clearly highlights differences in the attitudes of borrowers (see Figs 2–4). Similar divisions for survey data have also been used by Lea et al. (1995), who divided respondents into non-debtors, mild debtors and serious debtors. Fan (2000), on the other hand, divided her data according to borrowing status: non-borrowers, credit card borrowers and all borrowers.

Results

The use of instant loans – for everyday living and enjoyable consumption

According to our results, the 18- to 23-year-olds use small instant loans more than the 24- to 29-year-olds. The latter group, on the other hand, use consumer credit more, because of their higher income and occupational status. The 24- to 29-year-olds are also likely to have more credit cards, because they work more regularly and have higher salaries. The young people who take an instant loan once are likely to do it again. Only 17% of respondents who had used instant loan say they have used an instant loan only once.

<table>
<thead>
<tr>
<th>Table 2 Three groups of consumers based on their relation to consumer credit, explained by gender, credit card ownership and payment defaults, (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers who have no consumer credit (n = 413)</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Owner of credit card (-s)</td>
</tr>
<tr>
<td>Payment default</td>
</tr>
</tbody>
</table>

Figure 1 The most common purposes of instant loans (%).
Twenty-six per cent have used instant loans two or three times and over half of the respondents have taken an instant loan four to five times (18%) or more (35%). According to Caskey (2005, p. 21), most payday loan customers in the US entered into seven or more loan transactions over the course of a year while a quarter entered into 14 or more.

In our data, gender does not have an effect on the number of instant loans taken, but occupational status, income and household structure do. About half (49%) of the young people in a marginal position in the labour market have used instant loans six times or more. The percentage of those with six or more instant loans is 41% for the unemployed, 36% for wage earners and 28% for students. Instant loans and other consumer credit are also used proportionally more by single parents and those with a low income.

When the use of instant loans and other consumer credit is observed according to the spending purpose we can see that partying, stimulants (beer, wine, tobacco, etc.), and food are the most common expenditures (Fig. 1). Another common purpose is paying off other debts, which implies the existence of some degree of a circle of debts for some of the respondents. What is notable (and also worrying) is that more than a half of the respondents have taken instant loans four to five times or more. Also according to Lea et al. (1993), consumers who have one form of debt are more likely to have many other forms of debt as well (see also Lachance et al., 2006). Thus, one of the main questions here is where a circle of instant loans, once started, can lead to. For some, it cuts off the selection of credit available, since a person with a payment default record is not granted loans by banks or credit card companies. The abrupt halt of the circle of debt can thus also have a positive outcome: ending youthful indiscretion (Koljonen, 2001).

Figure 1 represents the ten most frequent areas of expenditure covered by instant loans. In addition to these, the respondents were also offered the following options: unexpected health-care costs (12%), electronics and interiors (11%), car or other motor vehicle (10%), studies (9%) and children and housekeeping (7%). The results reveal clearly that young people take instant loans for essentials, such as food, rent and transportation expenditure (see also Buckland and Martin, 2005, p. 170), and also for ‘having fun’, for example, partying, leisure time activities and travelling. Small instant loans are hence used largely like credit cards. The study of Devlin et al. (2007, p. 96) shows that credit cards are mainly used to cover living expenses, leisure and entertainment, travel costs and car expenses. In their study, credit cards were, however, only marginally used to finance instalment plans, and so on.

When explained by background variables, those in a marginal position in the labour market and the unemployed use instant loans mostly for food (41% and 39% respectively), partying (50% and 37% respectively), paying other debts (31% and 29% respectively) and vehicle and transportation expenses (22% and 26% respectively) as well as on mobile phone bills (21% and 25% respectively). The results speak of financial hardship, where one is forced to borrow money for essentials, such as food, vehicle and transportation expenses, and mobile phone bills. The difference is evident when this situation is compared with young people in regular jobs. Those young people mostly use instant loans on travel and leisure rather than on living expenses (Kaartinen and Lähteenmaa, 2006, pp. 52–6).

In the open-ended question where respondents were asked to describe a situation where they have taken small instant loans, a 24-year-old mother of two reflects on the necessity of the loans:

When you’re penniless and can’t borrow from friends or family, you need a fast loan. As a mother of two young children I need to make sure the kids are fed and that the younger one has diapers. I do always try to economise as much as

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**Figure 2** I pay my bills mainly on time, % (n = 1591).

**Figure 3** I am a sensible consumer, I never buy useless goods and services, % (n = 1579).

**Figure 4** I am unable to handle money: ‘as soon as it came, it went’, % (n = 1577).
possible so I wouldn’t have to get a cash advance, since the 20 extra euros hurt, when paying back!

The open-ended answers tell the same story as the previous figure: instant loans are used for food, credit instalments and interest charges, partying and stimulants or for vehicle and transportation expenses. Salary delays, an urge to gamble and a rent deposit were also mentioned as reasons for getting a loan (also Lähteenmaa and Strand, 2008). Nearly half \( (n = 72/179) \) also stated that they were simply ‘out of money’. Thus, the free descriptions of the respondents shed light on the variety of life situations and, relative to the quantitative data, broaden the image of the causes and consequences of borrowing. A 25-year-old man tells how he first got an instant loan for fun, but in the end it led to new loans to cover essential living costs.

Taking a fast loan is usually related to the weekend, and especially to going out to party. It’s so easy to get 100 euros or even more on your account, when it only takes about five minutes. A friend once called to ask me out for a beer in fifteen minutes. I had no money in the bank account, but I got an advance and I was ready to go in five minutes! At first you may regret it, but the euphoria you get from having some money in the account helps you to forget the bills that need to get paid in a couple of weeks. Then you’re in trouble again, and at worst you might need another instant loan to pay off the previous one. It’s a vicious circle, the one I’m in right now.

Even though this young man’s borrowing has developed into a vicious circle of debt, instant loans can also be a flexible form of credit when you need a small sum of money quickly. Some young people thus see an instant loan as a ‘sensible’ and quick form of credit. When a young person does not have a credit card or s/he prefers not to apply for a bigger loan from a bank or other credit institution, this type of loan is perceived as a genuine option. The consumer can avoid borrowing from friends, parents or relatives, which may cause feelings of shame (Koljonen et al., 2002; Lehtinen and Leskinen, 2005; Kaartinen, 2008). A 21-year-old man and a 27-year-old woman tell us how instant loans can help organize one’s finances in the short run.

I usually get a fast loan to pay off some big bill. I calculate whether it’s more profitable to get an instant small loan or pay the late payment interest. Sometimes I have more than one bill overdue. Now I work while studying, so it’s different.

I had a few bills too many and their due dates had passed, and I couldn’t have postponed the due dates to the beginning of the month, when my salary was paid. An instant loan was just the thing to get the bills paid for a relatively small price, since I was due some money soon anyway.

We asked how young people feel about the interest charges and arrangement fees of instant loans using the statement: ‘There is no sense in calculating the interest of an instant loan for one week as a yearly interest’. Sixty-two per cent of those who have taken instant loans agree with the statement (10% disagree), compared with 41% of those who have taken consumer credit (23% disagree) and 42% of those who have no consumer credit (18% disagree). It seems that instant loan users consider the interest and processing costs as a natural part of the price of the product and/or service acquired. On the other hand, 100 euros becoming 120 in 2 weeks hurts some, as we could see in the earlier description.

### Instant loan users’ self-perceptions as handlers of money

Although instant loan users are a highly heterogeneous group of young people, we shall next examine how their attitudes towards spending and issues related to financial behaviour vary from those young people who have no consumer credit or who mainly use other forms of consumer credit. As we can see in Fig. 2, the users of instant loans differ from those with no consumer credit (see also Lea et al., 1995). A third of the respondents who have taken instant loans pay bills already overdue, while only 4% of those without consumer credit do so. This result also supports the view that some consumers have trouble managing their finances and an instant loan helps out, although only temporarily.

The respondents were also asked how they see themselves as consumers, as according to research a low level of financial literacy and a lack of self-control affect the amount of borrowing and the risk of indebtedness (Lea et al., 1995). One-fifth of instant loan users regard themselves as sensible consumers, while 39% of non-borrowers feel this way (Fig. 3). We also reversed the statement and asked how many of them see themselves as ‘wasteful’. Almost three quarters of instant loan users agree with the statement ‘I am unable to handle money: ‘as soon as it came, it went’ whereas only 38% of non-borrowers think so (Fig. 4) (see also Faber and O’Guinn, 1988). When the results are compared with the young people cited earlier, who consider that they are organizing their finances with the help of credit, the latter would appear in light of this datum to be in the minority of instant loan users.

When we look at young people with no consumer credit, the proportion who see themselves as sensible consumers (39%) and those who consider themselves reckless (38%) are almost the same. Why they avoid a circle of debt can be due to at least two different factors. First of all, they are in a better financial position, which means that credit is not needed for a situation where there is no money left. Secondly, they are able to adjust their expenditure to their income, meaning that they most likely pay their immediate expenses first, and only then spend on other things. Thus, they demonstrate money management skills, something that is at least partially missing from instant loan users.

One of the worst scenarios in a young person’s life consists of a bad financial position and a lack of control over one’s expenditure (e.g. Koljonen, 2001). The borrowers in this situation are forced to pay higher interest on their credit in the long term than other borrowers, which puts them in a marginal position in the credit market. This can be seen as a situation of ‘the poor pay more’ (Caplovitz, 1963; Caskey, 2005). Even though the majority of instant loan users think there is no sense in calculating the costs of credit according to annual interest, time – and the high possibility of getting into a circle of debt – make the situation problematic.
When we interpret the results of the study, we need to take into account that simplified statements in the questionnaire also create a one-dimensional image of consumerism. The statements about ‘sensible’ and ‘wasteful’ consumers above help, on the one hand, to shed light on two traditional consumer discourses, those of self-control and hedonism (Campbell, 1998). However, people are not one-dimensionally rational or hedonist, but consuming is mostly a continuous battle between self-control and giving in to immediate gratification (Campbell, 1987). As Autio (2004) has argued, young people’s consumerism may simultaneously and even uncomplicatedly be constructed upon the discourses of extravagance, prudence and gratification. In addition, the consumer identities of young people develop and change with age.

The young people who see themselves as wasteful and who pursue hedonistic lifestyles do not have the same sense of time as those aiming for self-control and sensible consumerism (Lehtinen and Leskinen, 2005). One of the main factors in a lack of financial control is in fact a different sense or feeling of time (Fan, 2000, p. 390; Norum, 2008, p. 274). This ‘living in the moment’ is shown in young people’s consumer discourse in the expressions ‘everything was spent immediately’, ‘as soon as it came, it went’, ‘money gets burnt up’ and ‘I throw my money away as soon as I get it’ (Autio, 2004). What is essential in a young person’s growth into a self-controlling spender is how they learn different techniques to control their expenditure, such as transferring money into a savings account, giving up credit cards or getting a credit limit for their mobile phone.

**Conclusions**

This study shows that consumer credit is used by young people in all income brackets and positions in the labour market. However, the findings reveal a clear connection between certain life-course stages, financial positions and employment situations, and the propensity to take small instant loans and consumer credit. The youngest respondents, those in a marginal position in the labour market and single parents were more likely to use small instant loans than the others. There was also a difference in the purposes and conditions of using instant loans. Typical purposes of use in all employment situations, income groups and household types included buying alcohol and cigarettes and partying. Among the most common purposes, particularly in the low-income brackets, was to buy food and to repay credit or interest. The uses can be divided roughly into two kinds of costs: essential costs included food, rent, vehicle and transportation expenses, mobile phone bills, clothes, child care and health care. ‘Pleasurable’ consumption included partying, leisure time activities, stimulants (beer, wine, tobacco, etc.), travelling, gambling and electronics and home furnishings. In addition, young people also mentioned salary delays and rent deposits as reasons for borrowing.

Young people, who are working and thus financially better off, mainly use instant loans for pleasurable consumption. However, those young consumers who are in a less favourable position in the labour market, such as the unemployed, those with low-income and single parents also use instant loans for such purposes. This is probably an indication of their income having been spent on essentials and an instant loan is thus used to pay for the ‘little joys of life’. For some consumers, the use of small loans is a part of controlled and economical use of money, helping in organising finances and managing with due dates of bills in a flexible manner. This is especially the case if rent is overdue or a rent deposit is needed for getting an apartment. Borrowing is therefore not necessarily seen as unethical or particularly expensive (Hill and Kozup, 2007; Jackson and Anderson, 2007), but as a substitute for a credit card. Because of the typically low income of young people, it is hard to obtain a credit card, and an instant loan is a way of covering costs, if borrowing from friends, relatives or parents is undesirable – or impossible.

According to our study, those young people who borrow money and those who do not, have different images of themselves as consumers. Borrowers pay bills already overdue, and recognize flaws in their money management. They are also willing to pay higher costs for their instant credit. However, their financial position is weaker than that of non-borrowers, and some of them appear to be in a vicious circle of borrowing. Small incomes are often used to pay the costs of loans, and new loans are taken to pay off the previous ones (Caskey, 2005; Berry and Duncan, 2008). Thus, this combination of poor money management skills and poor finances confirms the presence of the phenomenon of ‘the poor pay more’ (Caplovitz, 1963), familiar from North America (Buckland and Martin, 2005) even in Finland. To some young people a circle of instant loans can lead to a self-sustaining ‘culture of indebtedness’ (Lea et al., 1993), unless there is a considerable increase in income or a decrease in expenditure. In Finland, unpaid credit eventually lead to a payment default (valid between 2 and 5 years), which terminates borrowing from traditional credit institutions.

The results of our study raise the question of what should be done to improve young people’s credit management skills. Young people’s poor money management and circles of debt make borrowing more than just an individual or family problem, but, as many researchers emphasize (e.g. Caplovitz, 1963; Ritzer, 1995; Bauman, 1998) a highly social issue. Thus, The Finnish Ministry of Employment and the Economy has paid attention to this imminent problem. The Ministry of Employment and the Economy (2008) is emphasising in the new Consumer Policy Programme for the years 2008–2011 (pp. 56–8) preventive action against indebtedness, such as a new legislation, social lending and consumer education.

The Finnish National Core Curricula for Basic Education (2004, pp. 41, 184, 228, 244, 252–3) is emphasizing the responsibilities of both consumers and households over their economic management, and also stresses the importance of understanding the challenges created by the changing economic environment. These issues are taught especially in home economics (Ahava and Palojoki, 2004), but also in craft sciences and social studies at schools. On the basis of this empirical study, it is unquestioned that consumer education needs to be strengthened and nurtured in both basic education at schools and at the university level. However, the core problem of consumer education is that it is rather undiscussed on the theoretical and practical level, as McGregor (2008) has argued. The future challenge for the consumer education is to contribute academic discussion as well as to develop pedagogical practices. Although the world of money and consumption is becoming more and more complicated, formal education is probably one of the best ways of improving young people’s money management skills.
Acknowledgements

We are grateful to Jaakko Autio, Riina Autio, Ruth Berry, Irene E. Leech, Øyvind Økland and anonymous referees for useful comments. We would also like to thank the Finnish Ministry of Trade and Industry for financing data collection.

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