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## The factors that determine physical entities' borrowing: Lithuanian case

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### Abstract

The aim of the study is identification of internal and external factors that determine physical entities' borrowing in Lithuanian finance market. The methods of the research include literature analysis, questionnaire survey, descriptive statistics and cross-variable analysis. The research has enabled to establish the links between the internal and external determinants of physical entities' borrowing and their demographic characteristics.

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### 1. Introduction

Crediting of physical entities is one of the main types of crediting services, generating considerable profits in finance markets. With reference to the data of the Bank of Lithuania (2014), the volumes of the credits issued for physical entities made 45.9 per cent of the overall bank credit portfolio in 2013. Considering the share of this type of crediting, a deeper insight in the factors that determine physical entities' borrowing is expedient since the research could enable credit institutions to improve their policies and direct them towards the attraction of physical entities.

Although the scientific literature is rather rich in the research of the factors that have the impact on physical entities' borrowing, the studies are often fragmentary, limited to the analysis of the particular factor group (internal or external). Internal factors have more comprehensively been researched by Monastyrskaya (2011), Podolskaya and

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Troshin (2014), partly - by Jureviciene and Gausiene (2010), Zukauskas and Zukauskiene (2012), Rackauskas and Liesionis (2013). The significant part of scientists (Safakli, 2007; Sudzius, 2007; Krisnanto, 2011; Monastyrskaya, 2011; Maiyaki, 2011; Chigamba & Fatoki, 2011; Podolskaya & Troshin, 2014; Jarvinen, 2014)) analyse the external factors that determine the choice of a crediting institution whereas only a few of them (Jasiene & Staroselskaja, 2010; Imtiaz, Murtaza, Abaas, & Hayat, 2013; Dawsey, 2014; Dali, Yousafzai, & Hamid, 2015) focus on the ones that determine the need of borrowing, influenced by particular external determinants.

Although some scientists (Maiyaki, 2011; Krisnanto, 2011; Monastyrskaya, 2011; Podolskaya & Troshin, 2014; Dawsey, 2014) agree that physical entities' borrowing is determined by the complex of external and internal factors, scientific literature still lacks of the systematic analysis in this field, which proposes the problem of the research: what factors determine physical entities' borrowing in Lithuanian finance market? **The purpose of the study** is identification of internal and external factors that determine physical entities' borrowing in Lithuanian finance market. **The object of the study** is internal and external factors that determine physical entities' borrowing in Lithuanian finance market. The purpose of the study has been detailed into the following **objectives**: 1) to perform the theoretical analysis of the factors that determine physical entities' borrowing; 2) to select and justify the methodology of the research; 3) to identify the internal and external factors that determine physical entities' borrowing in Lithuanian finance market. **The methods of the research** include the analysis of the scientific literature, statistical data analysis, questionnaire survey (quantitative research), descriptive statistics and cross-variable analysis.

## 2. The factors that determine physical entities' borrowing: theoretical analysis

It should be noted that the scientific literature lacks of the specially-established classification of the factors that determine physical entities' borrowing. Nevertheless, it is recognised that physical entities' borrowing is stimulated by both personal (internal) motives (Monastyrskaya, 2011; Wang, Lv, & Jiang, 2011; Zukauskas & Zukauskiene, 2012; Jureviciene & Gausiene, 2010; Rackauskas & Liesionis, 2013; Podolskaya & Troshin, 2014) and customer attraction (external) strategies applied by credit institutions (Krisnanto, 2011; Monastyrskaya, 2011; Maiyaki, 2011; Chigamba & Fatoki, 2011; Pattarin & Cosma, 2012; Podolskaya & Troshin, 2014; Dali et al., 2015). Thus, engagement of the division of the determinants into external and internal is considered to be proper for this research.

Analysing the internal factors, the authors usually note social-demographic and/or psychological ones. According to Devlin (2009), financial behaviour of individuals is influenced by society's financial gaps, which, in turn, are determined by employment status, income, marital status, age, level of intellectual development and properties. The similar social-demographic factors are highlighted by Rackauskas and Liesionis (2013) whereas Monastyrskaya (2011) complements the list of influential social-demographical factors with individual sensitivity to risk and borrowing experience.

The rest part of the psychological factors analysed in the scientific literature include the type of personality, personal attitude to borrowing, ability to make independent decisions and personal financial motivation (Monastyrskaya, 2011; Zukauskas & Zukauskiene, 2012; Jureviciene & Gausiene, 2010). According to Zukauskas and Zukauskiene (2012), personal motivation forms positive attitudes towards borrowing and also serves as an important factor that has the impact on physical entities' borrowing behaviour.

The basic motives for physical entities' borrowing highlighted in the scientific literature include the need of cash, the wish to obtain an expensive purchase, the need of money for properties, the need of money for home improvement, the need of money for private business funding, the need of money to pay for studies (Zukauskas & Zukauskiene, 2012; Jureviciene & Gausiene, 2010) and the wish to facilitate daily financial operations (Monastyrskaya, 2011). Thus, the analysis of the scientific literature has enabled to systematize the basic internal factors that determine physical entities' borrowing (see Table 1).

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