

# A portrait of a Polish debtor based on a nationwide survey

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## Abstract

Households and individuals make various financial decisions of which some also include those regarding incurring debt. In July 2018 an all-Polish survey was conducted on incurring financial liabilities and falling into debt arrears<sup>1</sup>. The survey was expected to provide insight as to the habits and attitudes of the surveyed while making debt decisions. The aim of the paper is to identify personal characteristics of a typical Polish debtor. The hypothesis was advanced that individuals who never fall into arrears differ from those who were or still are in arrears in terms of what they borrow money for, where they do it and what their personal characteristics are. Drawing on the information elicited from the sample of 600 individuals who have never had debt arrears and 600 who have ever had debt arrears, it was found that what makes debtors stand out is, for example, lower risk aversion, a lower level of conscientiousness. Further significant differences could also be found in terms of what the money is spent on and the sources from which it is borrowed.

**Keywords:** financial arrears, survey, consumer attitudes and behaviour

**JEL Classifications:** D14, G51

## 1. Introduction

According to the data of the Polish Credit Bureau (BIK) (BIK, 2019; Money.pl, 2020), the index of overdue payments of Poles (expressed as number of people with overdue payments per 1000 people) has increased in the last five years by over 35 points. What has also grown is the overall sum of late debt payments, which in June 2020 amounted to PLN 81 billion (about EUR 9.5 billion). KRUK S.A., a joint stock company, together with the WSB University of Wrocław endeavored to explore which factors (apart from the financial ones) affect the fact that a particular individual finds himself/herself in arrears. The authors were asked to devise a survey which would allow these factors to be identified. The aim of this paper is to identify and indicate personal

characteristics of a typical Polish debtor. In devising the questions for the survey, the authors sought to use them for testing the hypothesis that certain personality traits are present with varying intensity among individuals who have ever faced difficulty in paying up their debt and among those who have never faced this predicament.

For the purpose of this paper, it is assumed that a “debtor” is an individual who has difficulty in paying up debt; in other words, he/she was or is currently late in making payments that means “debtors” are those who had or have debt arrears while “debt-free individuals” are those who have never had debt arrears. A “debt-free individual,” on the other hand, is understood as someone who had or currently has debt but has never failed to pay it on time, never falling into arrears.

## 2. Literature review

For a long time scholars have been concerned with what affects the level of financial liabilities and the level of debt held by individuals. A large body of research has been carried out on this subject, most frequently as survey-based studies. One such study building on the British Household Panel Survey from 2005 (Brown, Taylor, 2014, pp. 197–212) shows that with respondents’ growing financial optimism, there comes a greater propensity to incur debt. Moreover, risk aversion and conscientiousness are correlated negatively with the household’s level of financial liabilities. It has also been demonstrated that the level of debt and assets increase monotonically with the subsequent income quartiles. The analysis of the Eurostat data spanning the years 1994–2001 (Georgarakos, Fürth, 2015, pp. 249–265) has shown on the other hand that falling into arrears is more frequent for households operating in regions considered to be highly corrupt, characterized by the public’s low confidence in government authorities and institutions and by a low percentage of religious population. Another study conducted on a representative sample of German population (Kuchciak, 2013, pp. 135–157) has shown that there is a statistically significant relationship between self-control and level of debt and that the link is fully mediated by compulsive buying. Moreover, the analysis of Special Eurobarometr 279 data (Kuchciak, 2013, pp. 135–157) has produced information that the characteristics which make one prone to going into excessive debt are as follows: age of over 50, male, elementary or secondary education, social status – a single or a single parent, the income is less than 60% of median equivalent income, member of an ethnic minority; occupational situation – long-term unemployed, disability, addiction to drugs. In addition, what affects running up excessive debt is having no proclivity for saving, excessive risk proneness, as well as excessive shopping.

The studies conducted in Poland in 2010 by the Center for Public Opinion Research (Kowalczyk, 2010) find that households with savings show a lesser tendency

to use external financial sources (credits, loans or other options of incurring debt). Only 42% of households which declared having financial surplus had used borrowed money, with 58% having no financial liabilities at all. The data of BIG InfoMonitor and BIK (*Kobiety dłużej myślą...*, n.d.) stemming from the Polish market show that 38% of debtors are women, while with respect to delayed payments, only one third of the total of those payments can be allocated to women. An average debt incurred by men in 2016 amounted to PLN 27,566, while for women it stood at PLN 20,925. The same study finds that women are less likely to borrow money than men, being also less tempted to go shopping. Furthermore, women are also less likely to report that they make no previous plans for expenditures and hence have no money for them later on. What the study also demonstrates is that men are more likely to agree with the statement “I prefer borrowing to saving.” Most men, that is 51%, deliberate no longer than a few days on whether or not to get a consumer credit/cash loan, of whom 22% need no more than several hours for this decision to be made, whereas for women these figures stand at 36% and 12%, respectively. Furthermore, women experience stress on account of borrowing money statistically significantly more frequently than men (38% compared to 30%), with women also being more likely to entertain thoughts on how they will manage in case of work problems or a chance occurrence (47% to 38%).

### 3. Research

#### 3.1. Methodology and data

The survey was devised to identify the factors affecting falling into arrear and its payment. It consisted of five questions covering demographics; two questions which allowed, in the course of subsequent steps, for singling out individuals who had/did not have financial liabilities at the time of the survey, as well as to mark out persons who had never been in arrears, were in arrears in the past and those who were in arrears at the time of the survey. A further section of the questionnaire contained 29 questions designed to help specify what variables affect falling into arrears. The final part of the questionnaire included questions about respondents' professional and financial status.

The survey was conducted in July 2018, using the CAWI method, on a Polish-wide sample of 1200 population selected from Ariadna's (a research agency) panel. The sample was selected in that 600 respondents were made up of individuals who had never been in debt arrears (Group 2) with another 600 who had ever been in arrears (Group 1). Weights were assigned to all respondents' answers. The weight value was set based on the structure of the sample constituted by Poles of over 18 years of age

according to the following variables: age and gender cross, education, the size of location and region (16 voivodships). The weight coefficients were elicited using the direct calculation method according to the following formula:

$$\text{weight} = \frac{\text{expected size}}{\text{observed size}}.$$

### 3.2. Results

#### Demographical variables

The sample was made up of 52% of women and 48% of men. 47% of women were found among past and present debtors (Group 1), while 57% of women were among those who had never fallen in arrears (Group 2). The average age for Group 1 was 43.68, while in Group 2 it was 42.95. The analysis of the age distribution found that non-linear relationship exist between the age of respondents and the difficulty in paying up debt. Debtors prevail in the age groups ranging from 25 to 55 years of age. Those who have never fallen in any debt arrears are 25 years old or less (it is likely that this result is not on account of one's proclivity to running up debt but rather to the short time available for incurring debt) and persons who are over 55 years of age. Rural population is significantly less likely to fall in debt arrears (58% out of respondents living in the countryside were **debt-free individuals**), with urban population being considerably more likely to fall into arrears (59.5% of debtors) and those living in towns with a population between 20 and 49 thousand (58.5% **debtors**). Individuals who are most likely to fall into arrears have elementary education (64% of debtors) and vocational education (57% of debtors), while persons with higher education are the least likely to have overdue payment (57.5% of **debt-free respondents**). The less favorable depiction of the financial situation of respondents' households, the more likely they are to fall into arrears. Over 70% of respondents declaring having no money enough to purchase even the cheapest food and clothing were or currently are in arrears. Moreover, among those who live prosperously, being able to satisfy their current needs, afford larger expenditures and make saving only 27.55% was made of those who at one point or another fell in arrears. The smallest number of debtors could be found in two- or three-person households, with the largest number being among those consisting of 4, 7 or 8 people.

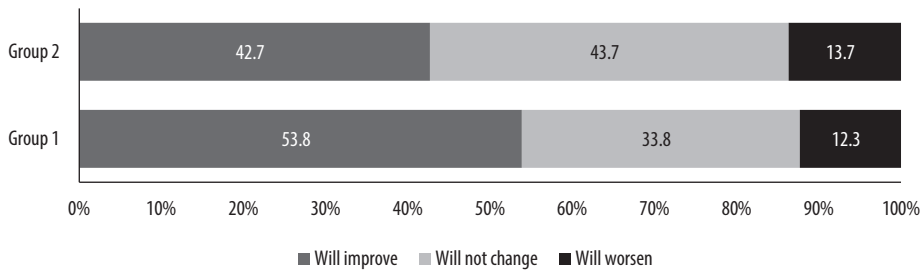
#### Personal characteristics – conscientiousness

For rating respondents' conscientiousness, the analysis was used focusing on the responses given to several questions. It had been decided not to pose a direct question as to how respondents rated their conscientiousness but rather to ask them about their everyday behaviors which might attest to the level of their conscientiousness. While

answering the question marked as Q28 05 “To what extent do you agree with the statement ‘I always meet my deadlines at work?’ (1 – I strongly disagree, 5 – I strongly agree)”, all respondents gave themselves a relatively high score; however, those who never had difficulty in paying up their debt awarded themselves significantly higher scores. The mean score in Group 1 (persons who were in arrears at the time of the survey or at an earlier point of time) was 3.97, thus being significantly lower ( $p = 0.001413$ ) than the mean in Group 2 (persons who had never fallen into arrears), which stood at 4.16. Among the respondents from Group 2, the highest score was much more likely to occur regarding the extent to which deadlines were met at work, with respondents from Group 1 being more likely to give themselves 3 or a lower rating. In answering question Q28 06 “To what extent do you agree with the statement ‘I never neglect my duties?’”, once again persons from Group 2 rated themselves higher (the mean score was 3.88 vs. 3.775,  $p = 0.04559$ ); however, in this case the difference was significant at lower level as in the case of the previous question. The distribution of answers looked similar to that for question Q28 05. Once more interviewees from Group 2 were more likely to rate themselves with score 5, while respondents from Group 1 with score 3. In their response to question Q28 07 “To what extent do you agree with the statement ‘I always did homework at school?’”, respondents from Group 2 were more likely to say that they had done their homework conscientiously. The mean score in Group 2 stood at 3.45 and was significantly higher than in Group 1, where it was 3,295 ( $p = 0.01466$ ). Thus, it appears that if a particular individual always meets deadlines and fully fulfills his/her duties, be it in personal or professional life, this gets directly reflected in the way they pay up their financial liabilities. This situation, however, need not result only from good will as it may also be attributed to one’s organizational ability or good memory, and it is not hard to imagine that these factors may also play a role in timely payment of debt.

#### Personal characteristics – optimism

Another personal characteristic to be tested was optimism (pessimism) as a character trait which potentially is associated with incurring debt, and, on the other hand, with falling into arrears. Respondents were asked (Q10) what their financial situation would look like in the future. The answer distribution to this questions is presented in Figure 1. Among respondents from Group 1 there were more people believing in the improvement of their financial situation compared to Group 2. This could demonstrate that people who fall into arrears tend to be bigger optimists, and yet the responses to the other questions concerned with rating respondents’ optimism seem to contradict this assertion. It is possible that respondents being currently in a worse financial situation think that things cannot get any worse and hence more responses appear suggesting that the situation will get better.



Rysunek 1. Figure 1. The answer distribution to the question "What do you think the financial situation of your household will look like in the next few years?"

Source: the authors' calculations based on the survey.

With respect to the answer to the question (Q28 08) "To what extent do you agree with the statement 'I never worry about the future, because things will work out somehow'?" persons who have never fallen into arrears are only slightly more likely to strongly agree with this statement. On average, while rating optimism based on the answers to this question, there are no differences between the two groups. Moreover, responding to the question (Q28 09) "To what extent do you agree with the statement 'I constantly worry about the future'?" respondents from Group 1 are considerably more likely to agree strongly with this statement. The mean value of answers to this question was 3.34 in Group 1, and in Group 2 it was 3.1 ( $p = 0.0005318$ ). However, as the answers to another question show, taking a credit/loan, respondents from both groups worry to the same extent about whether they will be able to pay it up, as demonstrated by their ratings. It appears that there is not one clear answer to the question whether people speaking optimistically about the future are more probable candidates for falling into arrears.

### Personal characteristics – others

The surveyed were also asked a question designed to rate their (declared) honesty (Q12): "If you found an envelope with PLN 1000 on a bench in a park, what would you do with this money?". The responses are included in Table 1.

Tabela 1. Table 1. The structure of answers to the question „What would you do if you found an envelope with PLN 1000 on a bench in a park?" (in %)

	Group 1	Group 2
I would add it to my household budget for current consumption	11.7	6.5
I would buy a present for somebody	1.2	1.2
I would treat myself to something nice	4.0	3.0
I would save it for a rainy day	9.7	7.3
I would give it to charity	3.5	5.8

	Group 1	Group 2
I would return it to the Police	38.5	47.2
I don't know, it's hard to say	30.0	28.2
Other	1.5	0.8

Source: own elaboration based on the survey.

It turns out that debtors are significantly less willing to return the money to the Police (38.5% vs. 47.2%) than respondents who have never fallen into arrears; they are also less inclined to give this money to charity (3.5 vs 5.8%) being, on the other hand, more keen on adding it to their household budget or saving for a rainy day.

What was also tested was whether the degree of confidence in government authorities was different among the groups. The interviewees rated their confidence on a scale from 1 to 5, with 5 being the highest degree of confidence. In Group 1, the mean response value was 2.68, while in Group 2, it stood at 2.75, with this difference, however, failing to be statistically significant.

## 4. Summary

The analysis of the findings allows to confirm the thesis advanced in the introductory section that some personal characteristics are present with varying intensity among individuals who have ever had difficulty in paying up their financial liabilities, and among those who have never encountered this predicament. Statistically significant differences were found between the subjective level of conscientiousness manifested, for example, by a differentiated approach towards respondents' duties. Respondents declaring being more conscientious are less likely to have difficulty in paying up debt. Differences were also revealed as regards respondents' perception of the future; however no answer was elicited whether one group is more optimistic than the other. On the one hand, people in arrears believe that their financial situation will improve, yet on the other hand, they are more concerned about their future. Furthermore, it was also observed that in certain situations people who have ever had difficulty in paying up debt might be less honest.

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## Portret polskiego dłużnika na podstawie ogólnopolskiego badania ankietowego

Gospodarstwa domowe i osoby fizyczne podejmują różnorodne decyzje finansowe. Wśród tych decyzji są również te dotyczące zaciągania zobowiązań finansowych. W lipcu 2018 roku, we współpracy z firmą windykacyjną Kruk S.A., przeprowadzone zostało ogólnopolskie badanie ankietowe dotyczące zaciągania zobowiązań i zadłużania się. Badanie to miało odpowiedzieć na pytania o zwyczaje i postawy życiowe badanych w odniesieniu do podejmowanych decyzji związanych z zaciąganiem zobowiązań. Celem artykułu jest identyfikacja cech osobowościowych typowego polskiego dłużnika. Postawiono hipotezę, że osoby, które nigdy nie popadły w zadłużenie, różnią się od osób, które miały lub mają obecnie zadłużenie (rozumiane jako zaleganie ze spłatą zobowiązań), pod względem tego, na co pożyczają pieniądze, gdzie je pożyczają i jakie mają cechy charakteru. Na podstawie informacji pochodzących z próby 600 osób, które nigdy nie miały długu, i 600 osób, które kiedykolwiek miały dług, stwierdzono, że dłużników wyróżnia m.in. mniejsza awersja do ryzyka i niższy poziom obowiązkowości. Występują też istotne różnice w tym, na co i z jakich źródeł pożyczane są pieniądze.

**Słowa kluczowe:** zaległości finansowe, badanie ankietowe, postawy i zachowania konsumentów

JEL: D14, G51