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MONEY, A FRIEND OR A FOE

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ABSTRACT

Borrowing of money has a great impact to the quality of life of individuals, business firms and the government itself. The researchers utilized a qualitative research design in studying the phenomenon of borrowing money. The descriptive survey method was used to gather data as to how money can be a friend or a foe. Results include the factors that influenced individuals to borrow money: (1) Lack of budget for basic needs; (2) To be used as a startup capital; and (3) To finance emergency needs. For business firms: (1) To finance the business operation; (2) To finance business expansion. For the government, is the lack of funds to finance public needs. These factors were considered in the formulation of an economic deficiency-based model in the borrowing theory.

Keywords: **money, friend, foe, borrowing, borrowers, lenders, lending, phenomenon**

Introduction

Business firms, households and even the government play a wide variety of roles in modern financial system. It is quite common for an individual or institution to be a lender of funds in one period and a borrower in the next, or to do both simultaneously. Indeed, one of the financial intermediaries, specifically, lending companies are simultaneously making loans available to their customers and thus, borrowers turn those borrowings into investments for their needs. Moreover, these borrowings sometimes become a source of stress and dilemma for some individuals. In this study, the researchers made a wide variety of reasons and possibilities why money becomes a foe as well as a friend when it comes to borrowing.

Money is the most influential thing in human lives. They say it acts as the universal creation. It can be one of the reasons why people survive in day to day living. Kashdan (2010) says whether money leads to happiness or unhappiness depends on how you spend your money. The prejudice and hatred of materialism is widespread. But perhaps we can sidestep these automatic, reflexive reactions to money and materialism. One way to do this is to distinguish between personal and communal motives for material purchases. Personal motives are about spending money with the primary aim of acquiring goods for one self to feel good and be seen as a person of worth. Think of materialism as a means to boost self-esteem. O'day (2012) states money has no innate power of its own. But it can either be something you have a healthy use for or it can act as a roadblock because of the emotional energy you have imbued it with. Lupu (2006) further stated that the self-sufficient pattern explains why people view money as both the greatest good and evil. As countries and cultures developed, money may have allowed people to acquire goods and services that enabled the pursuit of cherished goals, which in turn diminished reliance on friends and family. In this way, money enhanced individualism but diminished communal motivations, an effect that is still apparent in people's responses to money today. Watson (2008) stated that money appears to have both positive and negative effects on our behavior. It encourages self-sufficiency and hard work but on the other, it discourages some positive social interaction.

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The availability of credit and your ability to borrow can be dependent on several economic conditions. Economists worry, however, that excess borrowing can have long-term consequences. Lending institutions may extend credit to people who are not able to easily pay, and individual circumstances can and often do change. It is ultimately up to the individual to think about the long-term consequences of borrowing too much.

Bill (2008) points out that if you have a lot of money, people value your opinion on things. Perhaps this is a form of greed. If a person has managed to make a lot of money in their life, other people pay attention to them to try and see how they did this. Most people would enjoy having anything they could want. On the other hand, most people who build up a fortune don't go around just spending their cash on anything that crosses their mind. This is how they got their money by not spending more than they make. People seem to not understand this principle. In this era, money connotes any kind of businesses where money known as the outstanding glory of the entrepreneurs. To start-up business, it needs sufficient funds. According to Scott (n.d.), that business needs capital to maintain business operations. Start-up operations borrow money to pay expenses related to business location, new inventory, furnishing and equipment. Businesses borrow money from lending institutions including banks, credit unions, and savings and loans. Moreover, Nickwis (2011) further stated that after a business formation most companies need extra money to fund their business. Most companies' revenues will not be sufficient enough for investment purposes or major capital expenditure. Some may even need money for day-to-day running of the newly set up business. The most common way that companies obtain finance is through debt.

June of last year, the National Credit Act (NCA) has pushed the micro-lending industry into consolidation mode as foes turn into friends to survive harsh competition in the market. The act also put limits on the interest charged by micro-lender. It appears the act has succeeded in driving loan sharks out of the market. These informal lenders earned the micro-finance sector a bad name because of their unfair lending practices, which inflicted financial misery on consumers who could not access credit from commercial banks. Khlaif (2010) indicated that borrowing money to friends may seem to be a natural act of friendship and kindness, but if it is not handled properly, it can irreparably damage the friendship. Dragon (2005) said that for any person, debt is like this illness that never goes away, it persists and persists, never truly getting better until action is taken. The comparison works because like an illness, debt can cause a great deal of suffering and pain to those who have trouble paying their bills each more, or at all. Immunity against debt is non-existent, everyone is susceptible. Debt can go beyond simply the inability to pay bills on time; it can literally cause both physical and mental health problems.

On the contrary, the issues do not only focus on how money is spent by individuals, business firms or even the government. Borrowings from money lenders specifically lending firms have many factors as to how those borrowers lost track and take those borrowings not as an opportunity but as burden that they have no choice but to go lend money in order for them to feed their needs, be it as a sources of business investments or enhancing monetary capacity. As many borrowers would be quick to point out, borrowings and other sources of loans can be basis of their sufferings and dilemmas. The lack of resort but to borrow money is one thing. Some lending firms do have high interest fee on their extended loans to individuals which lead to financial stress because of unaffordable payment bills. There are also some lending firms who have unfair lending practices. Moreover, to some individuals, business firms and the government itself, lending money could be a great opportunity to start up a business and make profit out of it. Lending network brings investors and borrowers together to satisfy both parties' needs, the lender with their interest charge on their extended loans and a prospect to create money out of those borrowings for the borrowers. Additionally, many experts disagree that money itself is evil. It could be the starting place of evil deeds and acts however they say it

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is the human who uses the money that makes it evil. It boils out to one thing that money borrowed depends on how it is utilized to its extent level.

The proper management of borrowed money be it by individuals, business firms and the government remain a cloudy area to deal with. Although there are tips on how to properly manage money to the extent possible, it will still lie on the practices and behavior of the individuals, business firms and the government itself who use the money. Laws have provided few guidelines related to borrowing money to keep track on the debts made and to keep it on the clean side as possible for both win-win situation between the lenders and borrowers. It is important to address the gaps in this study for it leaves lenders and borrowers to sort the potential risks and benefits of lending. With the proper spending of the borrowed money and with the guidelines on extending it to the borrowers, protecting both lending firms and borrowers will require greater basis of a positive lending cycle outcome to both, better disclosure of debts and a more positive reasons why lending money could be the best resort for individuals, business firms and the government itself. Through the basis of this study, we are able to identify different perceptions and understanding on the essence and impact of money lending to individuals, business firms and the governments as a whole.

Objective

The general objective of this study is to determine whether money through borrowing is considered a friend or a foe. Specifically this study wants to know the different factors that influence people to borrow money; how credit affects individuals, business firms and government; and how to handle credit risk.

Research Design and Method

Design. This study used the phenomenological approach through descriptive-survey method using interview guide for data gathering. This type of research was used in order to determine the respondents' present perspectives and views concerning to the impacts of borrowing money.

Environment. To achieve the main purpose of the study, selected places in Cebu City specifically in the downtown area where businesses are highly centralized were chosen as the locale of the study. Areas chosen were those places where most of the people are involved in borrowing money for various purposes.

Respondents. The research respondents in this study are grouped into three: individuals, business firms and the government. These are people and establishments that are commonly engaged in borrowings.

Individuals consisted of 20 random people within the research locale. To represent the business firms, 20 respondents were interviewed who were limited only to those with key positions in the company that is, supervisory to top management positions. To represent the government, 20 respondents were chosen in Cebu City capitol.

Tools/Instrument. The descriptive survey using an interview guide was used as the tool in gathering information. Also, random and purposive samplings were made throughout the study.

Results and Discussion

Whether you're starting a small business, remodeling your home or just paying some bills, from time to time you'll need to borrow money. Borrowing money can be considered as a positive activity if intended for the right use. There are many reasons why people resort on borrowing money. It is either for personal use or as a start-up capital for a business. As we have conducted this research, we have drawn many ideas from the survey and investigation as to why people dwell on borrowing money.

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The first objective deals with the factors that influence people to borrow money. The second deals on how credit affects individuals, business firms and the government. Lastly, is on how these identified three factors handle credit risk.

Factors that influence individuals, business firms and the government to borrow money.

Due to financial crisis in the world, many people will try many various methods to gain money in order to fulfill their commitments and core needs. Borrowing of money is one of their means in order to finance their basic needs. Through this study, we found out many reasons/factors why individuals, business firms and government engage in this kind of activity.

The table presented below is the findings about the factors that influence from borrowing money of individuals, business firms and the government itself. Throughout the research surveys and interviews, we found out many reasons why people tend to borrow money.

Table 1. Factors that Influence to Borrow Money

Respondents	Factors that influence to borrow money
Individuals	❖ Lack of budget for basic needs ❖ To be used as start-up capital for a business ❖ Finance for emergency needs
Business Firms	❖ Lack of funds to finance the business ❖ Business expansion
Government	❖ Deficit funds to finance public needs

Individuals. The individuals talk about three major reasons or factors that influence them to borrow money. First is due to lack of budget to finance their daily basic needs. It includes food, education, and shelter for those who are renting boarding houses.

According to Subramanyan (2013), there are five common reasons why individual borrows money. First, people borrow money to buy assets. Buying a car, motorcycle, a house etc. which requires some amount of money that a person may use so, borrowing becomes a must. Second, is to pay for losses made. People borrow money to trade and when losses are incurred, they need money to repay the losses. Third is to pay off a pressing loan. Fourth is to pay for medical expenses. An emergency normally happens in case of medical needs. This could be a big expense and totally unexpected. Fifth one is living beyond ones means. For whatever reasons people tend to spend beyond their needs. So many of those earning well (and knowing that they are lucky to be earning that amount) buy latest gadgets, cars, take vacations. When they borrow, it is clearly living beyond their means.

The table below is presenting the profile of the individual respondents.

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Table 1.1 Profile of the Individual Respondent

Family	No. of Family Members	No. of Working in the family	No. of Dependents	Monthly Income	Monthly Expenses	Saving	Income Deficit
1	5	1	4	P6,900	P6,000	P900	0
2	4	1	3	P20,000	P16,000	P4,000	0
3	3	1	2	P20,000	P18,000	P2,000	0
4	2	2	0	P10,000	P8,500	P1,500	0
5	3	1	2	P13,000	P15,600	0	P2,600
6	5	2	3	P18,000	P19,500	0	P1,500
7	4	2	2	P21,000	P23,100	0	P2,100
8	6	1	5	P10,000	P12,000	0	P2,000
9	4	1	3	P25,000	P27,000	0	P2,000
10	13	4	9	P23,760	P28,000	0	P5,760
11	4	1	3	P9,800	P10,200	0	P600
12	8	1	7	P9,500	P12,300	0	P2,800
13	6	2	4	P20,000	P23,500	0	P3,500
14	7	2	5	P45,000	P50,800	0	P5,800
15	5	2	3	P32,000	P40,000	0	P8,000
16	3	1	2	P16,000	P29,000	0	P13,000
17	4	2	2	P24,000	P20,000	P400	
18	3	1	2	P11,000	P14,500		P450
19	3	1	2	P10,500	P12,000		P1,500
20	6	2	4	P27,000	P29,000		P2,000

The table shows the following variables that affect an individual respondent in in terms of borrowing money. Variables included the number of family members; the number of family members working in the family; the number of dependents; their monthly income and expenses including the families' monthly savings and deficit. It illustrates the relationship between the size of the family and the number of family members working and how it affects their monthly income and expense.

The results presented indicate that the size of the family will greatly affect the family's monthly expenses not to include the emergency situations that are beyond their control that eventually requires money. In one of the interviews, a 39 year-old family man said;

"Pait kayo amung kita sa akong asawa kuwang ra sa inadlaw namung panginahang lan. Tulo kabouk amo anak, pun-an pa sa magkasakit-sakit, makasud nalang gyud me ug pangutang", as he said in

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vernacular term.

It's hard for them. They have three kids and the amount of their salaries is not enough to fund their basic needs. Moreover, when there are medical emergencies in their family, they have no option but to borrow money, as he said.

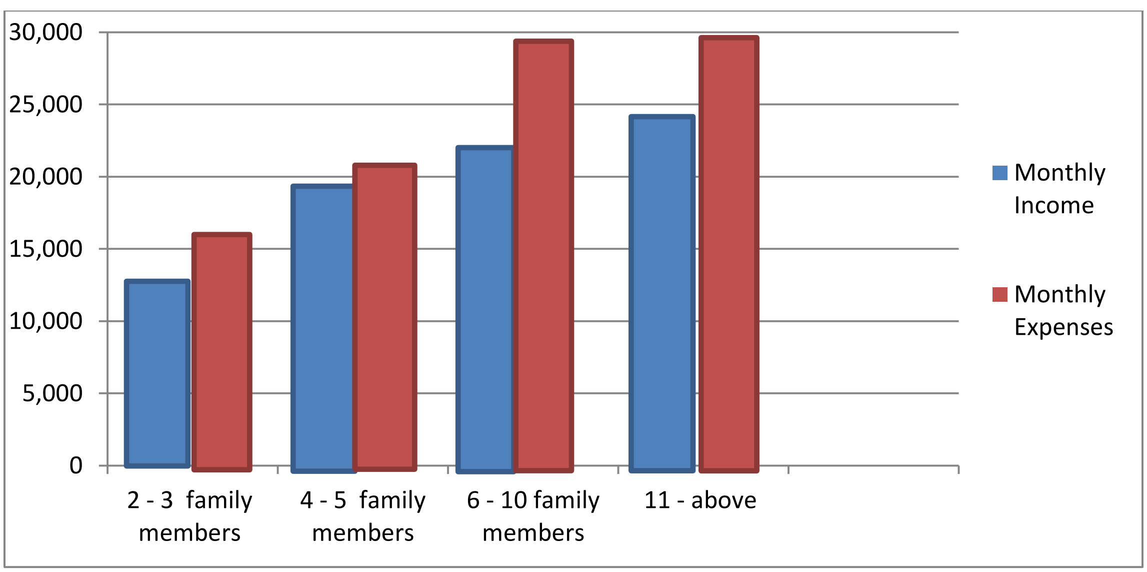
The table below presents the computed average monthly income and expense among the respondents. Discussions and computations are explicated below.

Table 1.2 Average Monthly Income and Expenses

No. of Family Member	Average Monthly Income	Average Monthly Expenses
2-3	P13,417	P16,267
4-5	P19,587	P20,225
6-10	P22,300	P28,825
11- above	P23,760	P28,000

The graph shows the comparison between of the monthly income and expense based on the number of their family members. Further discussions presented below.

Figure 1. Summary Result of Monthly Income and Expenses of Individual Respondents



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The graph shows the relationship between income and expenses of the individual respondents. It presents that their expenses exceeds more than their income. As a result they are forced to borrow money to finance their other expenses. The vertical line shows the bracketed income and expenses of the respondents while the horizontal line represents the number of family members in the family.

It shows in the graph that the higher the number of the family members, the higher is the expenses they spend within a month. The graph only shows that the income of the individuals within the family is not sufficient enough to finance their daily needs and wants which eventually lead them to resort on borrowing money. The second reason individual resort into borrowing is to be used as a start-up capital for a business. Venturing into a business, whether small or big enterprise, require a capital. Capital is the lifeblood of any business since it is needed for a lot of the processes required to establish and sustain the business. Figuring out how to finance your business is likely to be among your biggest challenges. One option is they engage in borrowing.

Mielach (2013) stated that the road to starting a successful business can be a long one, filled with many hurdles and obstacles along the way. And perhaps there is no part of that journey more challenging than finding the right way to fund your business. One way of acquiring capital to start-up a business is through borrowings or loan. Furthermore, it is widely believe that no one became rich on staying as an employee; moreover it is when you engage on business. One of the individual respondents who has a piggery business even exclaimed;

> "*Because of my piggery business, I am able to renovate our house. It even helps us a lot when the time that my mom was hospitalized.*"

Third factor is to finance for the emergency needs. In life we should expect the unexpected happenings like accidents, natural disasters and etc. which need a large sum of money. If we don't have the savings intended for emergency funding, we are force to borrow money. Vohwinkle (2013) said that financial emergencies can come in the form of a job loss, significant medical expenses, or something you've never dreamed of. The last thing you want to do is being forced to rely on credit cards or loan which could simply compound the problem.

Business firms. Business firms' respondents listed 2 reasons/factors that influence them to borrow money. The main reason is to finance in their business. Businesses experience up's and downs which can greatly affect the operation of their firm and sometimes results to a loss. As a result they engage in borrowing to recover the loss.

Other reason is for expansion of their business. For those who have survived start-up and built a successful business, they wish to grow their business beyond their status. Their first choice is to open other business location or expansion. If their available resources and funds are not enough they would rely on borrowing. They borrow from banks and other financial institution.

Government. Lack of funds to finance public needs and spending are the main reason why government tends to borrow money.

Presented below is the Philippine government budget deficit. (The Philippine government budget 2013)

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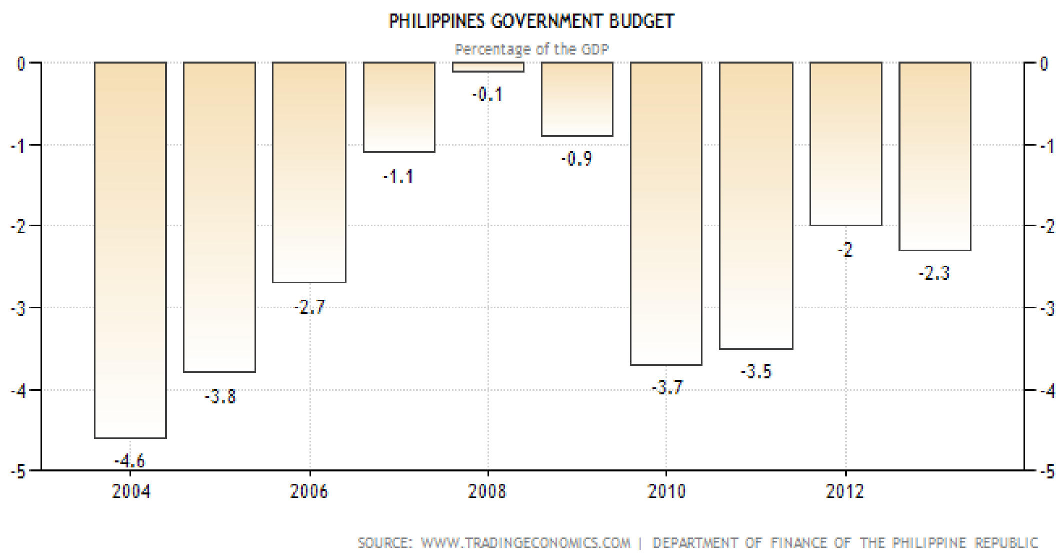
Figure 1. The Philippine Government Budget Deficit



Philippines recorded a Government Budget deficit equal to 2.30 percent of the country's Gross Domestic Product (GDP) in 2012.Department of Finance of the Philippine Republic (2013) reported the government budget in Philippines. Philippine Government Budget averaged -2.20 Percent of GDP from 1988 until 2012, reaching an all time high of 1.00 Percent of GDP in December of 1994 and a record low of -5.30 Percent of GDP in December of 2002. Government Budget is an itemized accounting of the payments received by government (taxes and other fees) and the payments made by government (purchases and transfer payments). A budget deficit occurs when a government spends more money than it takes in. The opposite of a budget deficit is a budget surplus.

According to Larano, (2013), the Philippines' budget deficit widened in January from a year earlier as the government stepped up spending on infrastructure and social services, which analysts say will help maintain gross domestic product growth amid economic uncertainty in other parts of the world.

The Department of Finance reported that the budget gap widened to 19.53 billion pesos ($480 million) from 15.93 billion pesos in the same month last year. Expenditures increased 11% to 157.90 billion pesos during the month; outpacing the 9.5% increase in revenue to 138.37 billion pesos. The deficit is the widest since 2010, when the government deliberately incurred a larger deficit to support an economy at risk of slowing in the wake of the global financial crisis. The country's GDP expanded 8.2% that year.

Budget Secretary Florencio Abad further said that expenditures, excluding interest payments on borrowings, were up 12% at 103.06 billion pesos. That includes spending on infrastructure—such as roads and bridges—that surged 43% in January to 16.4 billion pesos.Analysts said markets are now watching for more spending to boost the economy instead of focusing on a fiscal gap that has declined to a sustainable level of around 2% of GDP.

Luz Lorenzo, an economist and market strategist at Maybank ATR-Kim Eng further stated:

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"I'm not worried about the deficit. What I'm more concerned about is how the government can increase spending."

Jose Vistan, research director at AB Capital Securities, said that having a deficit when the economy needs pump-priming is actually encouraging because it underscores the government's commitment to bolster GDP. He said that as long as government spending goes to projects that will expand the tax base, a wider budget deficit shouldn't be a cause for concern.

The Bureau of Internal Revenue, the country's largest tax collection agency, increased the amount it gathered in January by 11% from a year earlier to 94.72 billion pesos. The Bureau of Customs raised its collection by 11% to 24.54 billion pesos. Both, however, missed targets set for the month.The government has set a budget deficit ceiling of 238 billion pesos for this year, narrower than 242.8 billion pesos last year.

Finance Secretary Cesar Purisima expressed confidence that recent improvements in revenue generation can be sustained, especially with our aggressive campaign to improve collections among self-employed, business and professionals. He said the government has the political will to push efforts to increase tax collection.
Late last year the government finally persuaded Congress to pass a bill raising an excise tax on tobacco and alcoholic beverages. The increase is expected to generate 33 billion pesos this year alone.

When the government runs a deficit, it has to borrow to pay the difference between expenditures and revenues. The cumulated value of these borrowings is the biggest component of public debt, which has to be paid for in the future in terms of higher taxes or lower public spending for essential services.

Borrowing money to finance expenditures is not necessarily bad. Economists have argued that government borrowing, just like individual borrowing, may be justified depending on the purpose for which the money is used. According to Benjamin E. Diokno (2010), the golden rule should be followed "*Borrow if the return on investment exceeds the cost of money*".

How borrowing money affects individual, business firm and the government.

The table 2 below presented the result on how credit affects individual's life, the operation of the firms and the impacts conveyed through borrowing money of the government.

Table 2. Effects of Borrowing

Respondents	Effects of borrowing
Individuals	❖ Improve their way of living ❖ It is a burden on the other part
Business Firms	❖ Improve their business ❖ Business loss

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Government	❖ Promote economic growth ❖ Better future living standard ❖ Places the burden on lower consumption on future generation.

Individuals. Borrowing has positive and negative impacts brought to each respondent. For individuals, borrowing is one way to improve their way of living. It became as one source to put up a business. If the business would be profitable, the generated profit would really help a lot to finance their day-to-day consumption.

On contrary, other would say that borrowing is a great burden to them. There are lots of difficulties that they might encounter in paying their debts. Kokemuller (n.d.) added that having to pay back the money is typically the worst thing about borrowing. Some debt is actually useful when it is well-spent.However, consumers and businesses face several disadvantages when borrowing money. This is especially true when credit use is not well-planned and the use of debt does not make financial sense.

Business firms. Money is such a significant instrument in the field of business, where it suits to the changes of business that leads to the improvement and expansion of business or sometimes the other way around. Business firms absolutely would say that borrowings can bring a big help on their business not to mention the growth the maintenance it brings in order for them to stay in the business .In order for their business to grow and to maintain their productivity.

Nevertheless, if the borrowed money would not be properly utilized, it will lead to a great loss that would further result to the closure of the business.

Government. Government, just like individuals and businesses borrow money to finance a road, school, or industrial project that may expand the productive capacity of a nation which can help to promote economic growth and better standard of living among individuals.

The picture below displays the different projects of the Philippine government that were spend on public services such as construction of roads, public schools, and airport

Figure 3. Public Projects of the Government

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Road widening helps reduce immediate impacts of traffic for community convenient. This is one of the areas where government spends the public funds known as the Priority Development Assistance Funds (PDAF). The government nowadays is spending much on infrastructure. Remo (2013) said that the Aquino administration is embarking on an aggressive infrastructure program, allocating more funds for roads, bridges, irrigation, airports and similar projects until expenditures reach a quarter of the national budget by 2016.

Finance Secretary CesarPurisima said that the government will be focusing more on infrastructure development in the years ahead to improve the country's competitiveness. This year, infrastructure projects account for 16 percent of the P2-trillion national budget. He also added that the government is responding to the challenge, particularly by allocating more public funds for infrastructure. Also, the finance chief said the BIR would continue to step up tax collection to support the government's growing expenditure requirements for infrastructure and other development initiatives.

In this competitive world having a good education is important because it will open up the windows of opportunities and it is our weapon to conquer the world. With the support of the government through allocating enough budgets, good education can be achieved.

Figure 4. Public School Projects

To further sustain the educational needs of the people in the community, especially the youths, government should allocate enough funds to construct school buildings, provide books, and other educational materials.

On the other hand, government borrowing places the burden on lower consumption on future generation for the reason that the future generations have to pay the price for the failure of the present generation to live within its means. Moreover, borrowing to pay for projects that are never completed – or perhaps are not even started –or borrowing to finance this year's government salaries is nonsensical. Many governments have taken on more debt than they could comfortably pay off, forcing them to raise taxes sharply and reduce living standards. Others simply fail to repay their debt, jeopardizing their ability to borrow in the future. Each mode of financing is in the form of taxation. It matters how they are financed.

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Figure 5. Other Government Projects

Another government's public spending is the construction of transportation means which in some way invites investors and tourists. The picture shows an airport which is one of the projects of the current administration. Budget and Management Secretary Florencio Abad (2013) announced that P182.2 billion has been allotted to build airports, roads, and bridges useful in attracting tourists to visit the country's attractions.

Specific infrastructure projects for the development and construction of tourism facilities include the P8.1-billion budget of the Department of Public Works and Highways (DPWH) for the construction of access roads to airports and to roll-on/roll-off (RORO) ports leading to various tourist destinations such as Boracay, Palawan, Bohol, Bicol, Cebu, Mindanao, and Northern and Central Luzon.

Abad (2013) said that the Aquino administration has envisioned a sustainable and well-designed tourism program for the country. A robust tourism sector can fuel up the economy so we can provide more jobs in local communities, as well as raise our national profile as a premier tourist destination.

How the individuals, business firms and the government handle credit risk.

Below is the table showing the result on how the respondents handle such difficulties in connection with their credit.

Table 3. Handling Credit Risk

Respondents	Credit Risk/Difficulties	Handling Credit Risk
Individuals	❖ Delay Payment/High interest rate ❖ Terms and condition of payment	❖ Set aside payment ❖ Save money

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Business firms	❖ Penalty ❖ High value of collateral	❖ Settle the payment before/on the due date ❖ Talk to the creditor
Government	❖ Improper utilization of the funds borrowed ❖ Failure to repay debts	❖ Better tax collection ❖ Stimulating private investment.

Individual. In borrowing, credit risk is always there, each respondent has its own way on how to handle it. As individual, there are times that they encounter delay of payments that sometimes lead them to meet more difficulties in the long run. Furthermore, due to lack of sufficient funds they settle in borrowing money even if given that it has a high interest rate with a terms and conditions of payments that sometimes additionally provide more stress and difficulties on their part later on.Moreover, they handle those credit risks that they encounter by saving money from their salaries and wages and provide aside payments of their debts before it's due.

Severe debt can even caused depression and furthermore suicide. Getting depressed over an increased debt load is normal, experts say. However there are those who don't see a way out of their financial mess and becomes so despondent they contemplate or attempt suicide.

According to Child (2008)), news report from across the globe tells of desperate act by debtors in over the heads. An example, a 53 year-old Massachusetts woman, was distraught when her home was foreclosed. Late in July 2008, 90 minutes before her home was auctioned off, she killed herself with one of her husband's haunting rifles.

Business firms. As to the business firms, penalty and high value of collateral are the common credit risks that they encounter in terms of borrowing. Furthermore, as much as possible they settle their debt before or on the due date to avoid penalty. In case for the delay of payment, they will talk to the creditor and ask for a grace period.

Government. When the government runs a deficit of funds they settle on borrowing money in answer to its public spending activities and expenditures. Borrowing to finance public road constructions, school or industrial projects that influence to the public wellness and being is a very good thing however; if the borrowed funds were not properly utilized such as financing unending projects might be hazardous in the economic status of the country which will eventually result to economic crisis. Moreover, aside from the good management on the tax collected, borrowed funds could stimulates more private investments that could provide further profits and as a result, it creates a better standard of living among individuals. Diokno (2010) stated that investment in public infrastructure has a positive and robust effect on the country's fiscal health. Investment in productivity-enhancing capital projects makes private investment more productive, reduces transaction costs, and increases the profitability of private business operations.

Conclusion

The Good

Borrowing money allows us to make economic and financial moves before we have combined the resources to buy something for cash. In the short run, this allows us to enjoy an experience or ownership. In the long run, it's possible to leverage the power of that money in order to make a profit such as investing money from a business loan into a known enterprise. This admittance to money for investing is a central part part of many entrepreneurial plans.

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The Bad

Borrowing money means paying more for something than we would if we waited until we could buy it with available cash. In a professional loan understanding, this cost comes in the form of interest. A lender will charge you a percentage of the loan amount each year for the purpose of using their money. In the case of long-term loans like mortgages, the interest you pay can add up to nearly or even more than the original purchase price. Even if we are not paying interest on a loan, we would end up paying in the form of stress or in strained relations with the person who loaned you the money.

The Ugly

Dave Ramsey an anti-debt financial guru popularized the term "Debt slavery." The term refers to the reality that many families get overextended on credit and end up putting a large portion of their income into paying off debt. In some cases, they are mostly just keeping up with interest and not moving the principal amount responsible for this debt. This can result in direct stress, taking on overtime or extra jobs, and delaying retirement by several years. Uncontrolled access to borrowed money can have a seriously negative effect on one's quality of life.

Balance

"Borrowing money is not a bad thing in and of itself," writes financial advisor Rob Kiyosaki. When money is used responsibly, it can improve our quality of life by allowing us to leverage our reputation into financial opportunities. The trick is to balance our access to credit against our ability to pay our loans. Although everybody's situation is different, Kiyosaki draws a simple line in the debt sand. We should borrow money that will soon help make us money such as with a student loan or a house and lot that will appreciate in value. We should pay cash for things that we won't make us money, like a brand new car or a bigger television set.

Borrowing money is inevitable. There are many reasons why people tend to borrow money. It is either they borrow to finance their needs and wants, for emergency purposes or to startup a business or for expansion. Moreover, borrowing many has good and bad effects. It allows you to make financial moves before you have to combine the resources to buy something for cash. In short, this allows you to enjoy an experience or possession sooner than you would otherwise. In the long term, it's possible to leverage the power of that money in order to make a profit such as investing money from a business loan into an enterprise that becomes a popular. This borrowing of money for investing is a core part of many entrepreneurial plans.

Borrowing isn't a financial sin. Borrowing for wrong reason can end up living you in financial stress and torture. Borrowing money means paying more for something than you would if you waited until you could have it through cash. In a professional loan arrangement, this comes in a form of interest. A lender will charge you a percentage of the loan amount. The interest you pay can add up to nearly or even more than the original purchase price. If you will not be able to pay your debt, you would pay it in a form of stress or strained relations with the person you owe with it. Many families get overextended on credit and end up putting a large portion of their income into paying off debt. In some cases, they are mostly just keeping up with the interest and not touching the principal responsible for this debt. This can result an immediate stress, taking on overtime or extra jobs, and delaying retirements by years.

Borrowing money can improve the quality of life. According to financial advisory Kiyosaki (2010), borrowing money is not a bad thing. If used responsibly, you can improve your quality of life by allowing you to leverage your reputation into financial opportunities. The trick is to balance your access to credit against your ability to pay down your loans. Further more you should borrow money that will help you make money such as parcel of land or a house that will appreciate in value.

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Indeed, money is considered as friend. It helps improve your finance and achieve dreams and goals. Money in nature is not an enemy. It depends on how they make use of their borrowings.

Economic Deficiency Based Model in Borrowing Theory.

Insufficient funds to finance basic needs are the reason that drives individual to borrow money. Many families struggle on how to budget their income for basic needs. Dinan (2009) stated that millions of families find themselves struggling to meet their basic needs, despite handworks. Even fulltime job is no guarantee of economic security, with the high cost of everyday expenses.

Starting a business is tough and, for many individuals, one of the most daunting challenges is raising start-up capital. Zwilling (2013) said that very startup needs access to capital, whether for funding product development, for initial rollout efforts, acquiring inventory, or paying that first employee. Most entrepreneurs think first of bank loans as the primary source of money, only to find out that banks are really the least likely benefactors for startups. Thus “creative” really means maximizing non-bank financing.

Many individuals don’t have enough funds to finance unexpected emergencies, yet when it happens they often find themselves unprepared. They often spend money for entertainment, luxuries etc., not knowing that there is really a possibility that those unexpected emergency will occur like jobless, serious illness, and natural disasters. According to Anspach (n.d.), living in a society which encourages you to spend more, it can be difficult to remember the power of saving. Individuals spend more on basic needs and to other expenses and there’s nothing left for emergencies, that is why they are forced to borrow money which is their most common way when it occur.

Lack of funds to finance the business pushes business owners to resort on borrowings. Most businesses will, at some point in time, consider some form of outside financing includes borrowing to help them achieve their goals.From the article, Sources of finance (n.d.), explained that in order gain extra finance, a business can take out a loan from a bank or other financial institution. A loan is a sum of money lent for a given period of time. Repayment is made with interest. As a business owner, you don't have any time to waste. You want the right borrowing solutions to help run, develop and/or grow your business.

The entrepreneur/business owner is that endless challenge seeker. Once their small business is humming along, growth is the next exciting challenge.Starting or expanding a small business can be highly rewarding, but coming up with the necessary capital can be difficult.Henricks (2005) stated that financing expansion can take many forms. You can use your own money, borrow from friends and family, use internally generated funds, approach equity investors or tap banks and other lenders. The sources for funding growth are generally the same sources you may have used to start your business. In many cases, you'll go back to the same sources to pay for expanding your company. The good news is that it's easier to fund growth in an existing business than it is to fund a startup.

Government’s lack of budget drives them to borrow money to finance public needs like facilities in schools, infrastructures or industrial projects. Through government borrowings, it finances their spending and can have wider effects on the performance of the economy. Riley (2006) said that government borrowing can benefit economic growth. A budget deficit can have positive macroeconomics effects in the long run if it is used to finance extra capital spending that leads to an increase in the stocks of national assets. Example is, higher spending on the transport infrastructure improves the supply- side capacity of the economy of promoting long run growth. And increased public- sector investment in health and education can bring positive effects on labor productivity and employment. The deficit of funds to withstand the needs and wants of individuals, business sectors and the government itself is one

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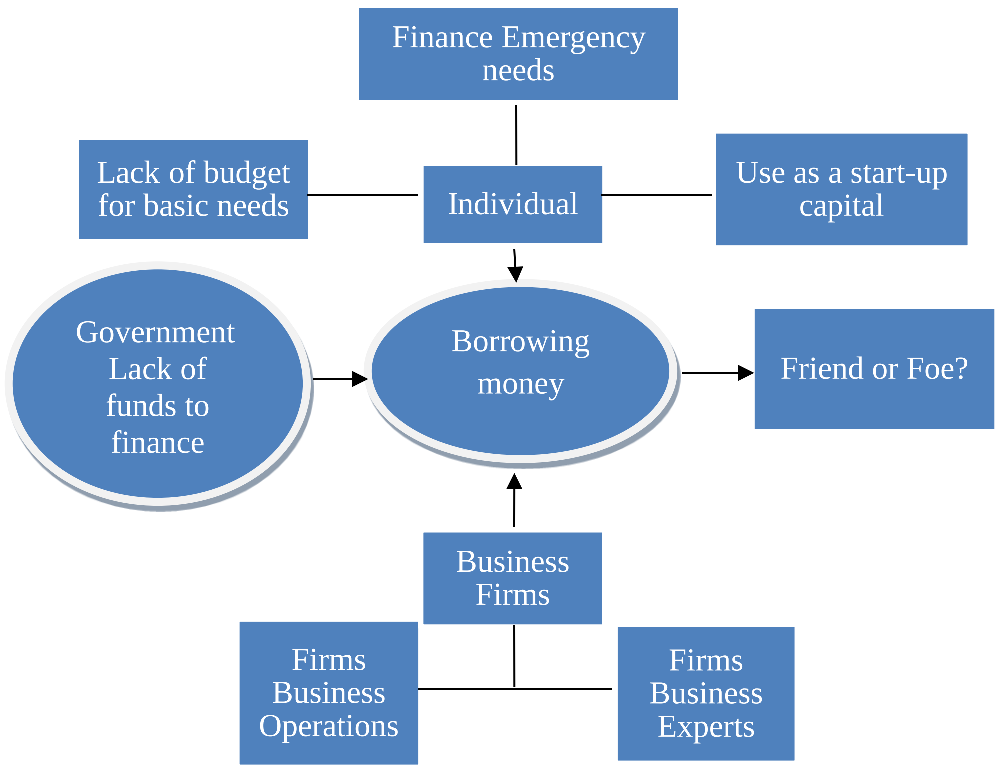
of the major reasons of borrowing money. Based on the results of the survey that the researchers have conducted, it shows that the scarcity of the funds, such as lack of job to sustain their needs is the common reason why they tend to borrow money. Economic status of the country draws a bigger impact on the lives of the people and the different sectors living and staying there.

Figure 6. Schematic Diagram of an Economic Deficiency-Based Model in Borrowing Theory



The diagram above shows individuals, business firms and the government who resort on borrowing money when they incurred deficit to fund their needs and for other purposes of their borrowing. Furthermore, it entails that borrowing is the most common option that they can have in order to content there inadequacy.

According to Ever & Murray (n.d.) that it is necessary that borrowing must be explicit, purposive and conscious. It is proposed that appropriate borrowing results from a harmony or consonance to the people who borrow the money.

Borrowers should be conscious enough on the borrowed money. They should engage on borrowing only when they are capable on repaying their debt.

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