

How a person can fall into debt



How a person can fall into debt Introduction Falling into debt is not a new phenomenon as it is almost as old as the invention of money into the society. As the Banking as a system developed, lending or rather credit extension into the society increased as the idle resources were channeled to those needed them most by charging fee in the shape of interest. However, as this trend increased, it had its own negative as well as positive implications on the society and individuals.

First people take debt on individual levels mostly in the form of credit cards, revolving credit lines as well as personal loans, home loans as well as auto financing besides obtaining other utilities on credit. A person missing on one or two payments can kick start a process of never ending debt trap where enormous amount of charges in the form of late payments, mark-ups etc are charged which never subsidize to allow a breathing space to the person availing the debt.

Falling into debt is not a new phenomenon as almost everyone in civilized world is trapped into this never ending vicious cycle of debt. There are various ways through which a person can fall into debt. These means include from economic hardships to increasing social pressures to maintain certain social status within a society.

This work will explore as to how a person can fall into debt and will provide a detailed analysis of the issue.

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1. Economic hardships may force individuals to borrow mostly from banks, family, friends, neighbors etc.
 - a. Usually a person asks for money to fulfill his or her immediate needs such as paying bills, buying grocery. Etc.

b. This kind of debt can be temporary in nature as when economic conditions of the person improves, he may be able to payback since mostly this kind of debt is interest free.

c. However, if economic conditions of a person do not improve, he or she may fall into debt because of the inability to payback.

2. However then there is another mean through which a person can fall into debt and that is increasing social pressures.

a. The culture of I WANT IT NOW and me too kind of attitude force individuals to live beyond their means. (The IVA, 2008).

b. Living beyond one's means therefore force individuals to look for money to match their lifestyle with those they want to match. Thus forcing them to incur high cost debt and when they fail to payback, a never ending spiral of mounting debt start to increase thus almost perpetually forcing them to remain into debt.

Conclusion

Social as well as economic pressures on individuals force them to fall into debt. This falling into debt, in current world, is mostly done through financial institutions – banks especially which offer various products catered according to individual needs at high cost which ultimately put a person into perpetual debt.

Bibliography

The IVA. (2008). How Do People Get Into Debt. Retrieved May 29, 2008, from <http://www.theiva.co.uk>: <http://www.theiva.co.uk/how-do-people-debt.html>