



## **Qatari Family and Debts; Extent and effects**

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Executive Summary

The daily living circumstances surrounding any family, especially the economic ones, are the main factors affecting the quality of living and influencing most of the decisions it takes. The spread of the family indebtedness phenomenon in Qatar and the dash of many Qatari families to finance their spending, whether it is regular consumption or future investment spending, through bank loans and other credit facilities, constitutes a burden on some families and raises many financial and social problems, and consequently affects their quality of living. Therefore, it was necessary to conduct a field study to identify the size of this phenomenon and the factors influencing Qatari families and individuals' in debt. The survey was conducted in the year of 2007 in coordination with the statistical authority – planning council then. It covered a sample of 1368 Qatari households in all municipalities and with a response rate of 87.9%.

The study is divided into five chapters; the first provides a general introduction, research objectives and methodology used as well as a literature review on this phenomenon. The second and third chapters, however, analyze the key characteristics of the study sample at both individuals and family levels. Chapter four deals with debts characteristics in terms of size, cost, purpose and their different sources, as well as the evaluation of families and individuals concerning their own financial situation after having obtained a loan. Finally, Chapter Five presents the results and conclusions resulted by the study.

The study results can be summarized in the following points:

### **At the family level:**

1. Qatari families in debt reached 76.6%, which means that three Qatari families out of four are in debt.
2. Indebtedness is highly concentrated in municipalities outside the Capital City of Doha, especially in the northern municipalities, such as Al Ghuwariyyah and Al Jumayliyyah, in which indebtedness attained 100%, while the least percentage was in Doha municipality and reached 70%.
3. 46% of indebted families reside in Ar-Rayyān municipality, then Doha municipality by 34.1%, followed by Umm Salāl municipality by 7.6%.

while families in other municipalities of the State represented only 13% of the total number of families in debt.

4. Indebtedness is concentrated especially in families where the household head has an under university degree, which constituted 68.7% of the total number of household head in debt. Meanwhile, there was a lesser concentration of indebtedness among family where the household head has a university degrees or higher (31.3%).
5. According to the study, 77% of families with male household head are in debt compared to only 55% of families with female household head. This however demonstrates the living circumstances of families with female household head and the burdens they might carry specially with the multiple roles the female plays, as well as the fragility of their economic situation in general, especially as the number of families with female household head is low compared to the total number of Qatari families.
6. 87.6% of household heads of families in debt are married, compared to 79.3% of families with no debts. Additionally, 6.5% of household heads of families in debt have never married before, compared to 8.5% of families with no debts. There is also a notable contrast between widowed householders with respect to indebtedness, where widowed household head in debts constituted 3.9% compared household head of families with no debts attaining 9.5%.
7. There is a direct relation between the age of household head and indebtedness in age categories from 15 to 44 years. Older household head have a higher and wider spread of indebtedness; until reaching its highest point at ages from 40 to 44 years. This can be explained as man takes a number of crucial decisions during this period of life, such as marriage, having children, and thus expanding the size of his family and the other associated costs of living. Noticeably, there is an inverse relation between the age of the household head at 45 or older, and the spread rate of the indebtedness phenomenon. While man is getting closer to the age of senility, he would have settled or about to settle all his debts, also would have lesser chances to obtain loans.
8. There is a positive relation between the indebtedness phenomenon and the number of family members. A larger family would have a greater need for loans to meet its high spending. As such, 70.4% of Qatari families in debts have more than eight members, while 11% of such families include seven members, and 7% include six members.
9. There is a relation between indebtedness phenomenon and family housing conditions, where 81% of families in debts live in houses they own. While families living in governmental or company housings reached 13.3% of the total number of families in debts. Indebted persons living in rented houses reached 6% of the total number of

indebted families. This reflects that house purchasing or constructing is one of the important investment spending patterns for the family, and consequently one of the reasons for indebtedness.

10. 73.3% of household head of the indebted families have jobs compared to 64.3% of non-indebted families. Although unemployed persons represented a very low percentage in general, unemployed household head of indebted families represented 2.5%, where unemployed household head of non-indebted families represented as low as 1.0%. This however gives some indications about the social and economic impacts of the indebtedness phenomenon on this category of the society. It is also noteworthy that there is a growing percentage of household head who do not work and do not seek for work, especially in indebted families, which fell by 20.2%.
11. 97.9% of household head of indebted families work in the governmental and public sectors, compared to 68.3% of non-indebted families. Additionally, 21.1% of household head of indebted families work in the private sector, compared to 15.3% of non-indebted families. Meanwhile, percentage of household head working in semi-private sector for both indebted and non-indebted families reached 3.2% and 3.7% successively. Noticeably, there is no strong relation between indebtedness phenomenon and the sector in which the household head work in.
12. Although indebtedness phenomenon has widely emerged in the whole society and in all professions with no exception, it is particularly concentrated in technical and clerical professions. According to the survey data, 12.8% of the household head of indebted families work as administrators and employees in senior managements, compared to 25.9% of non-indebted families. Additionally, 16.1% of household head of indebted families work as specialists, compared to 20.6% of non-indebted families. Household head working as technicians constituted 18.8% in indebted families, compared to 16.9% in non-indebted families. While Household head working as clerks constituted 26.4% in indebted families, compared to 21.7% in non-indebted families. Remarkably, the indebtedness is growing wider in families with household head practicing simpler professions, such as workers, service providers and salesmen who constituted 25.7% of the total indebted families, compared to 14.7% of non-indebted families.
13. 8.2% of indebted families have a low income, while 32% of such families have a average income, and 60% have high income exceeding QR 30.000. This however confirms a number of facts:
  - Indebtedness is not a phenomenon limited to poor families, but rather extends to all society classes.

- Higher income earners enjoy a better opportunity to have greater credit facilities; because this category of the society has enough guarantees for repaying debts.
  - As income grows, consumption patterns of families change to be easier and more extravagant.
  - The more income generated by the family, the greater it trends finance additional investment expenditures.
14. Indebtedness is mainly concentrated in families where both parents (father and mother) work. Where most of indebted families who constituted 36.9% had two earners generating income. Meanwhile, only 21% of indebted families had one earner generating income who is the sole family provider and usually the householder.
  15. In general, families tend to express an average satisfaction with their current income. However, indebted families have a lesser satisfaction with their current incomes compared to non-indebted families. Apparently, this explains their tendency towards obtaining loans to finance any commodities or services, which their current incomes have fallen short.
  16. Generally, there is a positive relation between the level of income and satisfaction therewith. In other words, the higher income generated by the family, the higher level of satisfaction it will have. However, non-indebted families tend generally to be more satisfied with their current incomes compared to indebted families at all levels of income. Hence, non-indebted families feel more satisfied with their resources and further rationalize their consumptions so as not to exceed their incomes, and this explains their unwillingness to obtain loans.
  17. According to the above, the psychological factor affects human satisfaction in general, and contentment with what he has in particular, as well as stability of his financial transactions and credit behaviors.

#### **At the individual level:**

18. Indebtedness among Qatari individuals at ages of 15 and above reached 29%. This means that one Qatari citizen out of four is in debt. This percentage, however, is much lower than that of Qatari families, as it is enough for the family to have one debtor member to be included in indebted families.
19. Indebtedness spread rate differed according to municipalities, where the highest rate was in northern municipalities, such as Al Ghuwariyah, Al Jumayliyah and ash-Shamal by 29.4%, 26.1% and 21.7% successively. However, indebtedness in the municipality of Jariyan al Batnah at the south of Qatar reached 27.7%.
20. 46% of individuals in debt live in Ar Rayyan municipality and 34% live in Doha municipality. These percentages, however, are identical to

percentages of indebtedness among families according to their respective municipalities. Additionally, percentage of indebtedness among individuals in Umm Salal reached 6.8% and in Al Wakrah reached 5.5%. Meanwhile, indebted individuals in other municipalities of the state represented less than 2.5% of the total debtors.

21. 65% of debtors are high school graduates or with a lesser educational degree. While holders of higher diplomas, university graduates and holders of higher degrees constituted 35% of the total number of indebted persons. This means that indebtedness is concentrated among individuals with intermediate educational level.
22. Only 7.3% of women sampled were in debt compared to 28.8% of indebted men. However, if we consider the distribution of indebtedness according to gender, we find that 20.8% of debtors are females, while male debtors constituted 79.2% of all debtors. Therefore, concentration of indebtedness among men rather than woman is attributable to the following factors:
  - Women are more cautious in financial transactions.
  - Lower woman's participation in the economic activities, compared to men. Where in 2006 percentage of Qatari woman's participation in the economic activity reached 33.3% of the total number of women at work age.
  - The man is usually the head and provider of the household, and consequently is responsible for rationalizing the spending of the family and taking any consequential decisions with respect to financing some requirements through loans.
23. Marital status of individuals and indebtedness are obviously correlated. Where married persons tend to have loans more than unmarried ones. Hence, 69.5% of debtors are married compared to 43.9% of non-debtors. This is, however, due to responsibilities shouldered by married individuals in addition to living costs.
24. There is a strong relation between indebtedness among individuals and age. Based on ages, this relation can be divided into two key categories:
  - Noticeably, at ages from 15 to 29 there is a positive relation between age and indebtedness. While persons grow older, their indebtedness increases till reaching a maximum point at ages from 24 to 29 years. It is noteworthy that debtors at these ages represent 18.4% of the total number of indebted persons.
  - At ages from 30 to 70 and above, we noticed that there is an inverse relation between size and spread rate of indebtedness phenomenon and age. While age advances over 30, the indebtedness spread rate keeps diminishing among these age groups till reaching a lowest point at senility age by 3.4%. Here we

notice that although there is a similarity between age specific indebtedness spread rates in families and individuals (positive relation, turning point and inverse relation), indebtedness reaches highest point at younger ages (29 years) for individuals while in families at (44 years).

25. According to survey data, 81% of the total number of persons in debt lives in their houses they own, while inhabitants of governmental and company housings represented 13.3% of the total number of indebted persons. Debtors with rented houses represented, however, 6%.
26. 89% of the total number of indebted individuals are employed, compared to 29.2% of non-indebted. This corresponds to the condition stipulating for the person willing to obtain a bank loan to have a stable income to guarantee repayment of the loan.
27. Although unemployed individuals represented, in totality, as low as 1.4% of the total number of indebted individuals at ages of 15 and above. Meanwhile, unemployed individuals represented 5.1% of the non-indebted individuals. This however demonstrates the challenges faced by unemployed debtors for settling their debts, as well as their inability to repay. Additionally, these challenges included, inter alia, the high interest rate and accumulation due to default in payment, which might in some cases, lead to imprisonment.
28. It is also noteworthy that there are a considerable percentage of debtors who do not work or seek for work and fell by 14.3% of persons economically inactive. Particularly, 80.4% of non-indebted individuals, expectedly, these persons would have lesser economic resources affecting their ability to settle their debts and, consequently, have a fragile economic status.
29. 90.3% of indebted individuals work in the government and public sectors, compared to 88.3% of non-indebted individuals. Additionally, 3.8% of indebted individuals work in the private sector, compared to 7.4% of non-indebted individuals. Noticeably, there is an obvious difference between workers in the semi-private sector with respect to type of indebtedness and constituted 5.9% of all indebted individuals compared to 0.35% of non-indebted individuals.
30. Although having a higher spread rate among individuals of all professions, indebtedness is still concentrated in clerical and labor professions. Meanwhile, it is relatively lesser among specialists and senior management staff. This however explains indebtedness concentration among high school graduates, where almost all of them work in clerical professions.

31. There is an inverse relation between level of individual income and number of indebted individuals. As a higher individual income means a lesser number of indebted individuals and reduced probability of having loans. This however confirms a number of facts:

- Although indebtedness phenomenon is not limited to poor individuals and rather extends to all categories of the society, it is mainly concentrated among individuals with low income which reached 39%, and followed by average income earners who constituted 37%, and finally high income earners who represented 24%.
- The higher income generated by individuals entails reduced dependence on loans to finance their spending. On the contrary, the lower income generated by individuals entails more concentration of indebtedness.
- The state grants interest-free property loans for all Qatari citizens regardless their incomes. Therefore, all Qatari families and individuals entitled would have loans at a certain time of their lives.

32. Individuals, in general and regardless of indebtedness status, tend to express an average-to-high satisfaction level with their current incomes. Additionally, indebted individuals have, in general, lesser satisfaction with their current incomes compared to non-indebted individuals. This, however, demonstrates tendency of individuals with lower satisfaction with their incomes towards having loans to finance commodities and services which their current incomes have fallen short, compared to non-indebted individuals who are more satisfied with their incomes. However, individuals, in general, have a lesser satisfaction with their current incomes than families (heads of households) apart from their indebtedness.

33. In general, there is a positive relation between individual level of income and the degree of satisfaction with income. In other words, the higher income individuals can generate the greater satisfaction they would have. Where 11.7% of high income earners expressed their full satisfaction with their respective incomes, and 32.8% expressed a relatively high satisfaction with their incomes. Same opinion was held, however, by 7.4% of individuals and 30.1% of average income earners. Yet this percentage was reduced to 5.8% and 23.2% for individuals and low-income earners successively.

### **At loan level:**

34. Most of Qatari families (38%) had only one indebted member, and usually was the head of the household. Additionally, 30.3% of Qatari families had two indebted members, and usually were the parents.
35. 62% of indebted Qatari families tend to finance relatively big expenditure exceeding QR 250,000 through loans. Meanwhile, 71% of indebted individuals tend to finance expenditure less than QR 250,000 through loans.
36. Families where man is the head of the household tend to have greater loans than families with female householder. Males however tend to have greater loans compared to females.
37. 43% of family loans are long term loans exceeding 10 years, while most of individual loans (44%) are medium term loans (5-10 years). This however can be explained as families could have used property loans extended by the State on long term and facilitated basis, while individual loans are more variable.
38. Average value of loans taken out by Qatari families is QR 495522, while average value of loans taken out by individuals reached QR 293630.
39. Average cost of loans taken out by Qatari families is QR 146083, while average cost of loans taken out by individuals reached QR 86564.
40. Average value of the monthly installment paid by Qatari families is QR 7630, while average value monthly installment paid by individuals reached QR4521.
41. Supposing that spending more than 50% of the family income to repay debts would constitute an economic burden on such family, we can deduce that 8% of the total number of indebted Qatari families is liable to a decline in the standard of living and welfare due to their fragile economic situation.  
  
Hence, there is a positive relation between burdens of debts and economic fragility. Consequently, the greater burdens incurred by the family to repay its debts would result in a more fragile economic situation, and vice versa. On the other hand, more than 28.6% of indebted individuals spend more than 50% of their incomes to settle their debts.
42. Comparing the economic burden of debts incurred by families and the same incurred by individuals, we notice that economic burdens are greater in case of individuals. Where individuals paying more than half of their salaries to settle debts reached about 29% compared to only 10% of families. This is also logical as families include several members and consequently the burden of debt is distributed among all such members.

43. A great percentage of Qatari families considered that deciding having a loan is a good way for improving their economic level, and consequently, indicated to have a better economic situation after having the loan. Meanwhile, the same decision of having a loan did not change the opinion of most of the indebted Qatari families, who expressed an average level of satisfaction about that decision. This can be explained as loans taken out by families do not constitute a great burden for most of them due to the relatively high incomes or the low value of such loans. However, this was confirmed by the indicator of the value of monthly installments paid from income, where most of families paid less than 50% of their incomes to settle such loans.
44. On the other hand, the remaining indebted families (23.5%) expressed a low level of satisfaction or even dissatisfaction due to burdens they incur to settle such debts.
45. Although families with different income categories tend to show an average-to-high level of satisfaction with their economic situation after having a loan, we notice that there is a positive relation between the general level of income and level of satisfaction with the economic situation. Whereas the higher income generated by families leads to greater percentage of families satisfied with their economic situation after having a loan, and a lower percentage of families unsatisfied with their economic situation after having such loan.
46. A great percentage (30%) of individuals in debt considered having a loan as a good way to improve their economic situation, yet it was deteriorated after having the loan, and therefore, they expressed their discontentment due to consequential burdens of such loans.
47. On the other hand, (25%) of individuals indicated that their economic situation has been improved after deciding having a loan. Meanwhile, the decision of having a loan did not change the opinion of most of indebted Qatari individuals, who expressed an average level of satisfaction. This can be explained as loans taken out by families do not constitute a great burden for most of them due to the relatively high incomes or the low value of such loans. However, this was confirmed by the indicator of the value of monthly installments paid from income, where most of families paid less than 50% of their incomes to settle such loans.
48. Although individuals with different income categories tend to show an average-to-high level of satisfaction with their economic situation after having a loan, we notice that there is a positive relation between the general level of income and level of satisfaction with the economic situation after having the loan. Remarkably, the higher income generated by individuals leads to a greater percentage of individuals satisfied with their economic situation after having a loan, and a lower percentage of individuals unsatisfied with their economic situation after

such loan. Where 24.6% of low income earners expressed a low-level of satisfaction or even dissatisfaction with their economic situations after having loans, compared to 23.1% of average income earners and 21.4% of high income earners.

49. Car loans are the most common among Qatari families and individuals and constituted 46.4% of the total number of loans. Property loans came second by 17.4% of the total loans, and then loans taken out for purposes of purchasing shares and securities in Stock Market constituted 15.8% of all loans. Meanwhile, loans extended for financing education, treatment or basic needs, such as clothing and food represented 1.2%, 1.4% and 3.2% successively.
50. Banks ranked first as a source for obtaining loans by 86.1%, followed by other sources by 8.8% such as employers and non-official sources, such as borrowing from individuals. Although car loans have come first in terms of purpose, it receives a limited direct financing from car companies which fell by 2.9% of all loans from different sources. Financing companies ranked last by 2.3%, as they were recently incorporated and have limited capabilities, also, because they provide a direct financing for purchasing a commodity rather than financial loans to be used for any purpose.
51. Average value of car loans reached QR 111,000, and average value of property loans reached QR 475,000.
52. Although health services are provided free of charge in the State of Qatar, the average value of indebtedness allocated to therapeutic services reached QR 256,000, probably most of this amount was spent to cover costs of treatment abroad.
53. However, the average value of loans disbursed for educational purposes reached QR167, 000, and probably most of these loans are taken out to cover costs of education abroad for students who failed to benefit from the student exchange system.
54. Average value of loans taken out for purposes of speculating in Stock Market and securities reached QR297.000. The average value of loans extended for entertainment, travelling and touring purposes, which are luxurious requirements rather than basic needs, reached QR 203,000, and, on the contrary, the average value of loans spent on basic needs, such as clothing and food, reached QR 219.000. This, however, is close to the average value of loans taken out to cover marriage requirements (Al Mahr payable by husband at marriage- marriage arrangements) which reached QR 210.000.
55. The average value of loans generated by the use of credit cards reached about QR 84.000. The relatively low value of credit card loans compared to their loans can be justified as follows:

- High cost, i.e. high interest rate of credit card loans.
  - Limits imposed on the credit allowed (credit ceiling).
  - Not considering credit facilities extended through credit cards as loans, except after a lapse of one month without full repayment of the amount due and payable.
56. There are two major factors affecting the advancement and rapid growth of credit facilities for individuals, which can be summarized as follows:
- Optimism about income and career future: Where during the last five years, the State of Qatar has witnessed an economic prosperity and steady development resulted in higher income for individuals and families, a matter which increased their confidence in income and optimism about the future of their careers. As a result, facilitated conditions have been formulated for loaning and consequently many families have resorted to loans to finance their spending.
  - Demographic factors: The Qatari society is mostly a youth society with young-aged families that tends to borrow more than the old-aged societies.