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**The Attitude of Bahraini Consumers
Towards Loans**

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**A project submitted in partial fulfillment
of the requirements for the degree of Master
in Business Administration (MBA)**

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To my sons

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ABSTRACT

This is a research project on attitudes toward Consumer Loans which have been increasing dramatically in Bahrain over the past fifteen years (more than 240%).

The objective of this research was to study Bahrainis' attitude towards loans and to find areas for improvement. With this aim in mind, a questionnaire was circulated to one hundred consumers in order to seek their opinions and understand their attitude toward loans. Of the sample approached, ninety-one consumers responded.

The results overwhelmingly indicate that respondents demonstrated a high level of awareness of loan facilities and interest charges. The common view of respondents was that consumer loans placed a burden on consumer income, restricted freedom and that loans were not being used rationally.

The majority of respondents (86.81%) have a loan and 53.2% of these hold more than one loan. Younger and married consumers were seen as the major holders of loans. Loan amounts taken by female and/or younger respondents were found to be lower than those taken by male and/or older respondents.

In light of the findings of this study, several recommendations are made to improve loan policies.

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Chapter one

Introduction and

Overview

1-1 Introduction:

Consumer loans are a phenomenon which seems to be closely associated with economic development and the changing consumption habits of the society in general. New lifestyle and the needs of modern life, which some decades ago were considered as luxuries, have also helped to encourage the ever increasing demand on such loans and facilities.

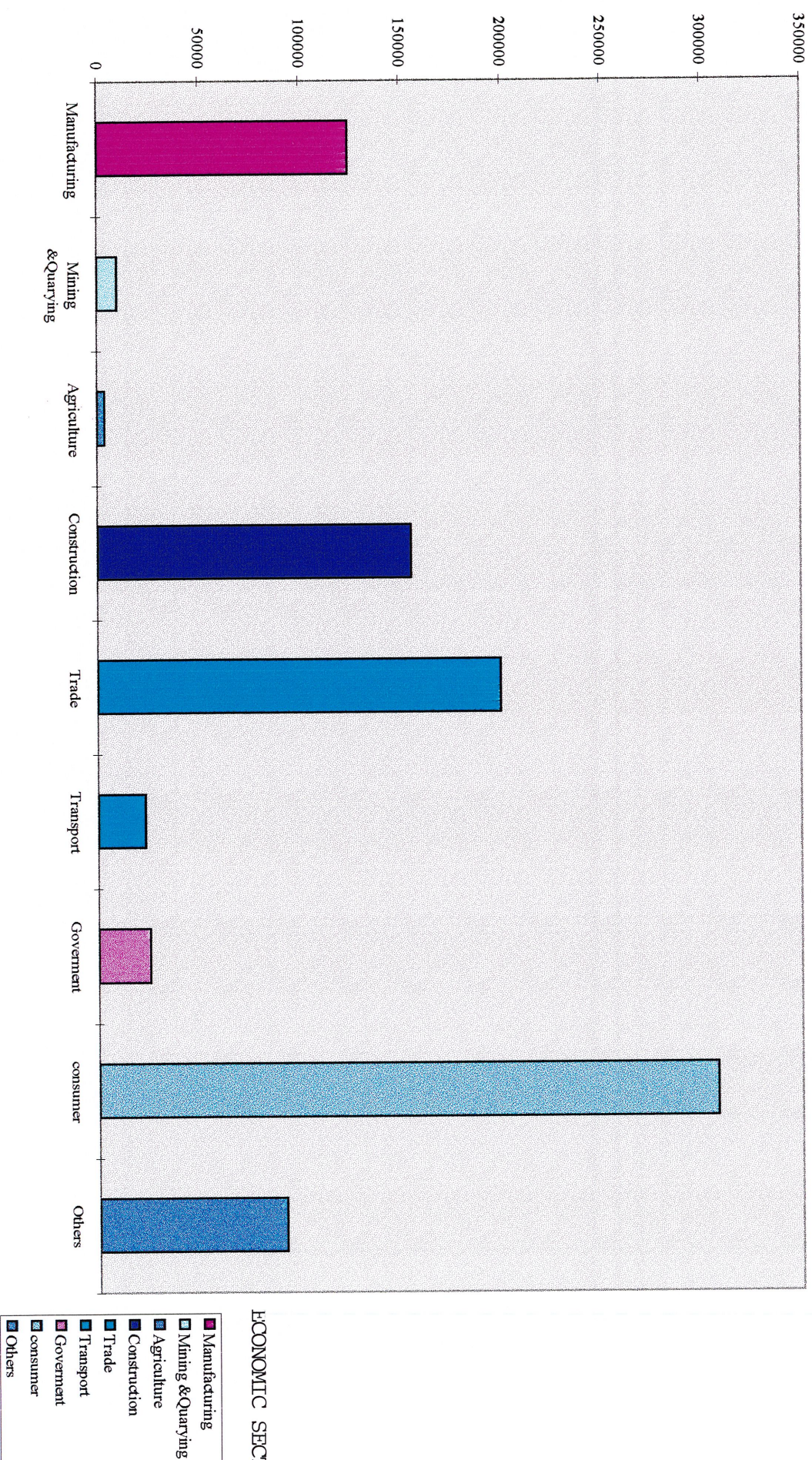
Although relatively new to Bahrain and the region as a whole, compared to advanced economics of the West, Japan and the United states, consumer loans in Bahrain have witnessed a sustained and dramatic increase over the past fifteen years.

The total value of consumer loans reached BD 308 million in December 1996, compared to BD 89 million in December 1981, an increase of more than 240% over a fifteen years period (Appendix 1). Consumer loans also represent the highest percentage in relation to other types of loan such as manufacturing and construction loans.(See figure 1.1)

The return on these loans is also considered the highest as the average interest rate for consumer loans was 12.6% compared to 8.7% and 9.3% on overdrafts and term loans respectively (BMA Quarterly Statistical Bulletin 1981; 1997).

TOTAL LOANS

FIGURE 1-1 OUTSTANDING BANK LENDING TO RESIDENTS BY ECONOMIC SECTORS (1996)



Banks in Bahrain are competing heavily in this field through attractive schemes in order to capture the largest share of the market. As a consequence, consumption trends for individuals have increased too, not for the necessities only, but for luxuries as well. This is clearly noticed in the new luxurious houses built all over the country, furnishing in houses, travel statistics, cars owned, food consumption ... etc.

A phenomenon of this nature with profound economic and social implications certainly deserves a great deal of research and study of its impacts, attitudes towards it and the problems associated with it. With this in mind, this research was conducted as an attempt to study and investigate one aspect of this phenomenon, i.e. the attitude of Bahraini consumers towards consumer loans. It is hoped that studies of this kind will help to create better and deeper awareness both among the public (borrowers) and the lending institutions of a phenomenon that has economic and social impact far beyond what many people had thought. A phenomenon which is effecting the daily lives and the future prospects of an increasing number of individuals and families. It is also hoped that an effort such as this research will be followed by more sustained efforts to study, in depth, other aspects of the consumer loans phenomenon.

1-2 Objective of the research:

When introducing a consumer loan, it is extremely important for the bank or the lending institution to design its policy on the basis of a comprehensive and careful study of consumer attitudes toward this type of loan, its implications on the consumer income, the expected profit for the bank or the lending institution and the general economic situation of the country. Another factor which must be worked closely and given serious consideration is the policies pursued by competitors. Such studies and considerations are the surest way of adopting a policy which guarantees, both profitability and competitiveness, and minimizes repayment problems. In other words, a policy with the minimum of negative impact on the individual income. The aim of conducting this research is to understand Bahraini consumer attitudes toward loans, to determine the trend of consumer loans phenomenon, its implications and the possible alternatives to improve consumer loan policies.

This led to the development of the following specific objectives:

- To determine consumer awareness of loan facilities and related charges.
- To define the advantages and disadvantages of having a loan from a consumer perspective.
- To study differences in attitudes, if any, between consumers of different ages, education levels, income levels, marital status and sex.
- To identify possible means of improving consumer loan policies.

1-3 The importance of this research:

Attitudes measurement helps in the understanding and prediction of consumer behavior. Studying consumer behavior can be valuable to any potential or existing consumer because it ensures a better awareness of needs and purchase motives and helps the individual make better decisions.

From the marketing point of view, it is important to understand the consumer behavior as an approach to develop and implement a marketing strategy which may gain a better understanding of consumer needs that will of course, help improve the profit position of a company and reduce the cost and resources waste associated with a new product.

In other words, knowledge of the consumer decision making process aids companies in making better marketing decisions and designing more effective policies.

Makers of public policy like government should also have an accurate feel of consumer behavior to solve public policy issues.

This research is conducted to study attitudes towards loans, a rapidly growing phenomenon in the Bahraini community which has several and significant implications on individuals as well as banks and financial institutions. A phenomenon which has not yet been subjected to a deep and thorough scientific research.

1-4 Organization of the research:

This research is divided into five main chapters as follows:

Chapter One : Introduction and Overview

This chapter includes some indications on the consumer loans phenomenon in Bahrain, the objective and the importance of this research.

Chapter Two: Review of the related literature

This chapter includes various articles that discuss the consumer debt phenomenon in Bahrain and outside Bahrain, common types of consumer loans and methods of interest calculation on loans.

Chapter Three: Research methodology

This chapter reports the research methodology, the target population, data collection technique, analysis and hypotheses.

Chapter four: The findings

This chapter represents the empirical part of the research which analyzes questionnaire responses and tests the main hypotheses.

Chapter Five: Conclusion

This final chapter contains conclusions drawn from research findings and includes some recommendations for implementing new policies and controlling consumer loans. The limitations of the study is also demonstrated in this chapter.

Chapter Two

Literature review

In this chapter I will highlight some related literature in respect of consumer attitudes and loans. The chapter starts with some important definitions written on attitude by several specialists, the phenomenon of consumer loans and its implication on consumers, lending institutions and overall economy as discussed by several authors and specialists and some clarifications to various types of consumer loans and common methods of loan interest calculation.

2-1 Definition of attitude:

Attitude has been defined by many authors in psychology and marketing books. However in this section, I will highlight some important definitions raised by some authors to further identify the meaning of attitude which represents the main issue studied in this research.

Foxall (1986) in his book "Consumer Behavior, A practical guide" has described an attitude as "a tendency to act or behave in some predictable way to an object or idea positively or negatively, favorable or unfavorable (Foxall, 1986). Loudon and Dilla Bitta (1988) also mentioned four definitions in their book "Consumer Behavior", the first by Martin Fishben who views attitude as "a feeling on an evaluative reaction to

objects. Attitude is how positive or negative, favorable or unfavorable, or pro or con a person feels toward an object”.

The second definition indicated by them was the one made by Allport Gorden who views attitude as “Learned predisposition to respond to an object or class of objects in a consistently favorable or unfavorable way”.

The third definition was the one popularized by cognitively oriented social psychologists “An enduring organization of motivational, emotional, perceptual and cognitive processes with respect to some aspect of the individual’s world”. This definition views attitude as being made up of three components, the cognitive or knowledge component, the effective or emotional component and the cognitive or behavioral tendency component (Loudon and Della Bitta, 1988). Block and Kenneth (1979) in their book “Essentials of Consumer Behavior” have explained these three components in more detail, cognitive to the manner in which a consumer perceives information about a product, service, advertisement or retail outlet. This also includes beliefs a consumer has about the support services a retailer offers as well as beliefs about relative merits of the product. The effective component is the consumer overall feeling of like or dislike for an attitude object that is a product, service, advertisement or retail outlet.

The effective and cognitive components are considered by consumer analysts to be highly correlated as they observed that consumer beliefs and feelings toward a particular product are typically consistent. The behavioral component is the consumer's action tendency or expected behavior that is reflected in his or her intention. This classical psychological model as stated by Block and Kenneth (1979) suggests that not only attitudes are made up of three components, but also these components are arranged in a particular order: that consumer must have awareness and knowledge of a product (cognitive component) before liking and preference (effective component) can occur (behavior component) (Block and Kenneth, 1979). According to Loudon and Della Bitta (1988), the fourth definition that theorists have given more attention to and which has generated much research and has been useful in predicting behavior, that is described by Martin Fishbein as being multidimensional in nature. The attitude towards an object is seen as a function of the strength of each of a number of beliefs the person holds about various aspects of the object and the evaluation he gives to each belief as it relates to the object (Loudon and Della Bitta, 1988).

2-2 Consumer loan phenomenon and the consumer

protection:

Consumer loan statistics in Bahrain over the last 15 years indicate a rapid increase in total consumer loans, from BD 89 million in Dec 1981 to BD 308 million in Dec 1996, an increase of more than 240%. The percentage of these loans in relation to total other loans such as manufacturing, construction and trade also increased by about 100% from 18% to 34% over the same period (BMA, Quarterly Statistics Bulletin, 1981; 1996).

Seyadi (1997), a Bahraini director of a large insurance company had discussed the phenomenon of consumer loans in an article published by Akhbar Alkhaleeg. He has pointed out the three parties involved in this phenomenon and the implications involved. The first party is commercial banks and other lending institutions for whom consumer loans represent the main profit generating target. In his opinion, the financial risks faced by these institutions are not considered high, as the risk is distributed over small loan amounts, thus delinquency of some loans would not largely affect the banks, in addition to the fact that delinquency size is considered minor in relation to the bank's

loan portfolio. He defended his argument by the increase in the marketing campaigns made by these banks which indicated that banks are not largely affected by consumer loan delinquency; otherwise the strategy of these banks would have taken different path. However, statistics were not given to support the argument as the increase in marketing campaigns and the offer of attractive policies could be a recovery strategy chosen by some banks.

The second party in the phenomenon of consumer loans referred to by Jassim is the consumer (The borrower). The borrower is affected by three elements, the pressure of daily needs, the attraction of consumption items, relatively easy bank policies in granting loans and the improper planning by the consumer of his financial status. These elements are the main reasons for the increase in consumer loans.

The third party is the trader who is not directly involved in this phenomenon, but is considered a party who will benefit from any increase of consumer loans, because such increases enable individuals to buy more from traders.

Mr. Seyadi has concluded his article by three recommendations that, in his opinion, could help in reducing risks and burdens on consumers:

- 1- To create a better information network between banks that enables them to have more detailed and accurate information about individuals who apply for new loans and ensures a better control of consumer debts.

2- The importance of proper planning by individuals of their financial status.

Consumers who take a loan should carefully review the loan agreement and understand the cost involved.

3- To find some other types of insurance such as insurance against loss or reduction of individual income to protect both parties (The bank and the consumer) as life insurance, in his opinion, is not sufficient (Seyadi, 1997).

The issue of the importance of consumer awareness of the time-span of a loan and the interest charged in advance was raised by Ranyard and Crill (1993) in their article about the effect of supplementary information on the estimation of loan duration. This information is important, in their opinion, to the consumer to budget effectively and make a more effective comparison with other loan arrangements available.

A study made by Ranyard and Grill (1993) aimed to develop consumer protection policies that help the borrower to make an informed assessment of credit choices and keep control of credit. A questionnaire was distributed among ninety mature students from various professional and degree courses at Bolton institute of higher education. They examined the understanding by these students of loan duration by providing them

with three different types of information, the interest rate, monthly interest charges and the total interest charges. The questionnaire included some practical questions to be worked out by the respondents. The accuracy of results was found in providing the second and third information i.e. monthly interest charges and the total interest charges. A recommendation made by them, as a result of this study, suggests that legislation in United Kingdom should be amended to require lenders to provide examples of total interest charges for different amounts borrowed and typical monthly repayments which would significantly influence the way consumers use flexible debt. They have also indicated in their article that legislation in France had moved towards this position although research into its affect has not yet been reported (Ranyard and Grill, 1993).

Glassman (1996), a managing director of Furash and Company, a strategic consultant firm located in Washington, had assessed the borrowing and saving activity in USA and its implications for retail bankers. In her article "Consumer Finance, the Borrowing/Saving Dilemma". She has indicated that data on borrowing and saving suggests that US consumers have too much debt and not enough saving. Consumer debt in her opinion facilitates economic prosperity and keeps low-income families from breaking out of the cycle of poverty. Consumer financing as stated by her gives the

opportunity for low to moderate income families to participate in the American dream as, without having such facility, owning a car or a house would be a luxury available only to the rich or to older consumer who saved enough. On the other hand, she has mentioned that such phenomenon has resulted in the lowering of saving rates, growth of consumer debt delinquencies and a raise in banksruptcy filings. Glassman has suggested that banks should be fully prepared for the next economic downturn. So far banks have experienced the rewards of higher rates from loans, but the inherent risks are still there and in many cases the extent of those risks will not really be known until banks experience a full economic downturn. Her recommendation to lenders is to communicate between themselves and with their trade associations and their regulators to identify trends, flag problems and find solutions such as credit education programs to avoid a credit crisis (Glassman, 1996).

Canner and Luckett (1990), discussed some factors that related to debt repayment problems. In analyzing these factors they have used data from a survey made in 1983 by the Federal Reserve, Washington on a nationally representation sample of 3824 households to find out the relationship between the borrowers characteristics and their behavior towards loans. The result indicated that the variable of previous rejection of loan application by the bank ranks highest in ability to predict late payers. Age of the head of the household was next in order. Older borrowers have better payment

records. The larger the family the greater is the probability of missed or late payment. Canner and Luckett have also indicated that, a study by Charlene Sullivan and Robert M. Fisher used the same data of the 1983 survey for analyzing factors related to loan payment problems, found that slow or missed payment were most frequently observed among lower income households, younger borrowers, nonwhites, less educated heads and households with higher ratios of mortgage or consumer debt payment to income (Canner and Luckett , 1990).

Is there any real need for consumers protection? No doubt, the consumer in his own is the best guide. When he takes a loan not within his capabilities and places a large burden on his income where there is no real necessity for it, he has himself to blame.

In Bahrain there are continuous marketing campaigns made by lending institutions to attract consumers, for examples of these marketing campaigns taken from some Bahraini & Gulf newspapers that reflect the various attraction tools used to win customers. A bank accepts an application for a loan through toll free telephone call or filling a coupon attached to the newspaper for a loan and application to be mailed to the bank for action (Appendix 3). Another advertisement gives the borrower an opportunity of winning some raffle prizes to win a kilo of gold, a television or an air

ticket if he takes a car loan (Appendix 4). Another local bank has used lower interest rates to attract customers and a large amount facility with a flexible payback period of upto 15 years (Appendix 5).

Borrie and Diamond, (1976) have indicated that the consumer does not fully appreciate how much he is being required to pay by way of interest or charges, because charges are expressed in a misleading way. They have stated that UK legislation provides some protection in this respect. For example all advertisements for consumer credit facilities in which reference is made to the cost of borrowing are compelled to state that cost in terms of rate percent and should be included in all consumer loan agreements (Borrie and Diamond, 1976).

Simonson (1991) had indicated a certain kind of customers of whom banks have taken advantage. These naïve customers are insensitive to loan and deposit rates, for example depositors are content to continue holding their money market accounts even if their bank does not raise interest rate when comparable market rates of interest rise. For lending institutions, Donald had recommended that asset/liability managers need a good working knowledge of the behavior of such customers before they can understand the interest sensitivity of their institution (Simonson, 1991).

In Bahrain, it is evident that there are some controls and regulations governing consumer loans imposed by Bahrain Monetary Agency, through circulars and inspections on banks or press media. For example, the circular addressed to all commercial banks dated 4th Oct, 92 stated several important guidelines and regulations that should be followed by banks in respect to the ceiling loan amount, duration of the loan, interest rate, and charges imposed, and to take special care to ensure that the content of any advertising material should not mislead or deceive the public (BMA, 1992). However, in referring to the Bahrain Commercial Laws which were introduced in 1987, there are no direct rules governing consumer loans. Loan agreement made by the lending institution and signed by the customer may be considered as a substitute according to Bahrain law (contracts articles 3-I). However loan agreements are constructed by the lending institution and mainly set up to protect the interests of the bank and not the customer.

2-3 Various types of consumer loans and methods of interest

calculation:

Banks and other lending institutions are offering consumer loans under various categories, according to the purpose of the loan. Here under are some examples:

● **Personal Loan** granted to an individual for his personal use (purchasing of home furniture, medical treatment or traveling). This type is usually granted against irrevocable assignment of borrower's salary transferred to the bank or guaranteed by cash collateral.

● **Car Loan** is another type granted to an individual to purchase a personal car. This is also usually given against irrevocable assignment of borrowers salary to the bank in addition to registering the car in the names of both the borrower and the bank.

● **Real Estate Loan** that is granted to an individual to purchase a land or a house for the construction of a house for family accommodation or personal investment. This type is usually given against mortgage of the land or the house title deed.

However, such categories might not be as important to the individual as the loan amount given, and the charges involved. Therefore, it is worth mentioning some common interest calculation methods.

2-3-1 Flat Rate and Effective Rate Methods:

Interest rates used by some banks might mislead consumers whose arithmetic skills are not high. For example, an interest rate of 6.62% would be a more attractive offer to a customer than an interest rate of 12% charged by another bank. However the total interest taken in both rates would be the same. How? A Practical example will clarify it.

Assume a loan of BD 1000/- is given to an individual to be repaid over a one year period. The monthly installment is BD 88/850. By using the flat rate method, the interest calculation is made by multiplying the loan amount by the interest rate by the duration of the loan in years. Therefore, the total interest for the above example on 6.62% flat rate will be:

$$1000 * 6.62\% * 1 \text{ year} = 66.200$$

The monthly installment will be

$$66.200 + 1000 = (1066.200/12) = 88.850$$

If we considered the same example, but by using the effective rate at 12%, the total interest will be almost the same i.e. BD 66.185. The interest in effective rate method is calculated on reducing balance after the monthly repayment (refer to Table 2-1 for calculation methods) .

Table No. 2-1 (Effective Rate Method)

From	To	No. Days	Rate	Interest	Principile	Installment	Outstanding Balance
01-Jan-97							1000.000
01-Jan-97	30-Jan-97	29	12%	9.667	79.233	88.900	920.767
30-Jan-97	28-Feb-97	29	12%	8.901	79.999	88.900	840.767
28-Feb-97	30-Mar-97	30	12%	8.408	80.492	88.900	760.275
30-Mar-97	30-Apr-97	31	12%	7.856	81.044	88.900	679.231
30-Apr-97	30-May-97	30	12%	6.792	82.108	88.900	597.124
30-May-97	30-Jun-97	31	12%	6.170	82.730	88.900	514.394
30-Jun-97	30-Jul-97	30	12%	5.144	83.756	88.900	430.638
30-Jul-97	30-Aug-97	31	12%	4.450	84.450	88.900	346.188
30-Aug-97	30-Sep-97	31	12%	3.577	85.323	88.900	260.865
30-Sep-97	30-Oct-97	30	12%	2.609	86.291	88.900	174.574
30-Oct-97	30-Nov-97	31	12%	1.804	87.069	88.900	87.478
30-Nov-97	30-Dec-97	30	12%	0.875	87.478	88.352	-
			Total	66.185			

Source:(Monthly Payment Direct Reduction and Amortization, Bosten, 1970).

2-3-2 Discounted Loan:

This is another type of consumer loan with a different method of calculation. The interest rate amount is calculated in the same way as that of the effective rate method. However, in the discounted method, the total interest amount is taken at the inception of the loan and not on monthly basis. The interest is deducted from the loan amount (Bank of America System Practice Manual, 1977). Referring to the same example for the loan of BD 1000/- for one year at a rate of 12%, the interest is BD 66.185. The proceeds to be paid to the consumer would be:

$$\text{BD } 1000.000 \text{ less } 66.185 = \text{BD } 933.815$$

2-3-3 Other Interest Conventions :

There are also various interest convention types used which vary from bank to bank, or currency in calculating the number of days and measuring the year that have an effect on interest amount calculation as follows (Grabbe, 1993)

Actual / 360:

Interest is calculated using the literal number of calendar days between two dates, divided by 360. For example interest of 10 percent between February 15, 1997 and March 15, 1997, would be paid over 28 calendar days:

$$0.10 * (28 / 360) = 0.007778$$

Actual / 365:

Interest is calculated using the literal number of calendar days divided by 365. For example interest of 10 percent between February 15, 1997 and March 15, 1997, would be calculated as follows:

$$0.10 * (28 / 365) = 0.0076712$$

30 / 360

Each month is considered as having 30 days. There are 30 days between February 15, 1997 and March 15, 1997. Interest of 10 percent would be calculated as :

$$0.10 * (30 / 360) = 0.0083333$$

Actual / Actual

This type of calculation divides the literal number of calendar days between two dates by the literal number of days in a year. For example between August 13, 1997 and August 13, 1998, there are 366 calendar days. Interest on a year of 10 percent would be calculated as :

$$0.10 * (366 / 366) = 0.10$$

CHAPTER THREE

Research

Methodology

To achieve the objectives of this research the following systematic approach has been adopted.

3-1 Target Population and Sample:

The Target Population in this research were individuals with monthly incomes of 150 Bahraini dinars and above. The Sample technique used was a judgmental sample of 100 Bahraini employees, seventy males and 30 females, from various working sectors. The questionnaire was distributed to ministries and private companies through some friends and relatives.

3-2 Data Collection Technique:

(A) Primary Data

A questionnaire designed and addressed to 100 Bahrainis. The questionnaire was designed to cover three main areas. The first part consisted of four questions aimed at understanding consumer awareness of various loan facilities offered in the market, charges and interests taken on loans.

The second part was made to determine consumer opinion about consumer loans through eight statements highlighting the positive and negative aspects of the loan.

This part included of another three questions to obtain consumer opinions on possible solutions to control unnecessary consumption and excessive borrowing.

The third part of the questionnaire was to gather personal information about respondents, sex, age, marital status, qualification and monthly income, in addition to some information about their debts, total debts, purpose of taking loans and guarantees given against these loans. Refer to appendix no. 2 for questionnaire specimen. Out of 100 questionnaires distributed, a total of 91 questionnaires were completed and sent back. This represents a response rate of 91%

(B) Secondary Data:

Several books and Journals were read on consumer behavior, consumer debts and loan interest calculations such as Consumer Behavior a practical guide, Consumer behavior implication for marketing strategy, United State Banker Journal and Journal of Retail banking services, as well as relevant articles in local newspapers such as Akhbar AlKhaleej and AlAyam. Some statistical information was also obtained from Bahrain Monetary Agency Bulletins.

3-3 Data Analysis :

Excel program was used to input data from the questionnaires. The collected data were analyzed through SPSS software program to extract tables and obtain crosstabulation statistics between various variables. Chi square was also used to test the significant relationship between various variables. However no tables for Chi square test will presented in this report as research analysis made on crosstabulation results.

The sample type also included a 13.2% portion who had no loans. Their opinions are important because they represent potential customers and their views would be of benefit.

3-4 Hypotheses:

In designing the research questionnaire, some hypotheses were set . The hypotheses were developed as a result of reviewing some literature(e.g. Glassman 1996; Ranyard and Grill 1993; Canner and Luckett 1990). My experience with consumers as being a head of loans in a commercial bank, in addition to an exploratory study made on some friends and employees in the bank were all used as basis for developing these hypotheses.

Hypothesis 1: Lack of awareness towards consumer loan facilities and charges.

Hypothesis 2: Great obligation towards consumer loans.

Hypothesis3: Difference in attitudes and views of respondents towards loans according to sex, age group, education level, marital status and monthly income.

Hypothesis 4: Negative attitude towards loans.

Chapter Four

The Findings

In this section, I shall discuss the empirical work of the present research on the macro level (descriptive presentation) and on the micro level (the analytical presentation).

4-1 Descriptive Data:

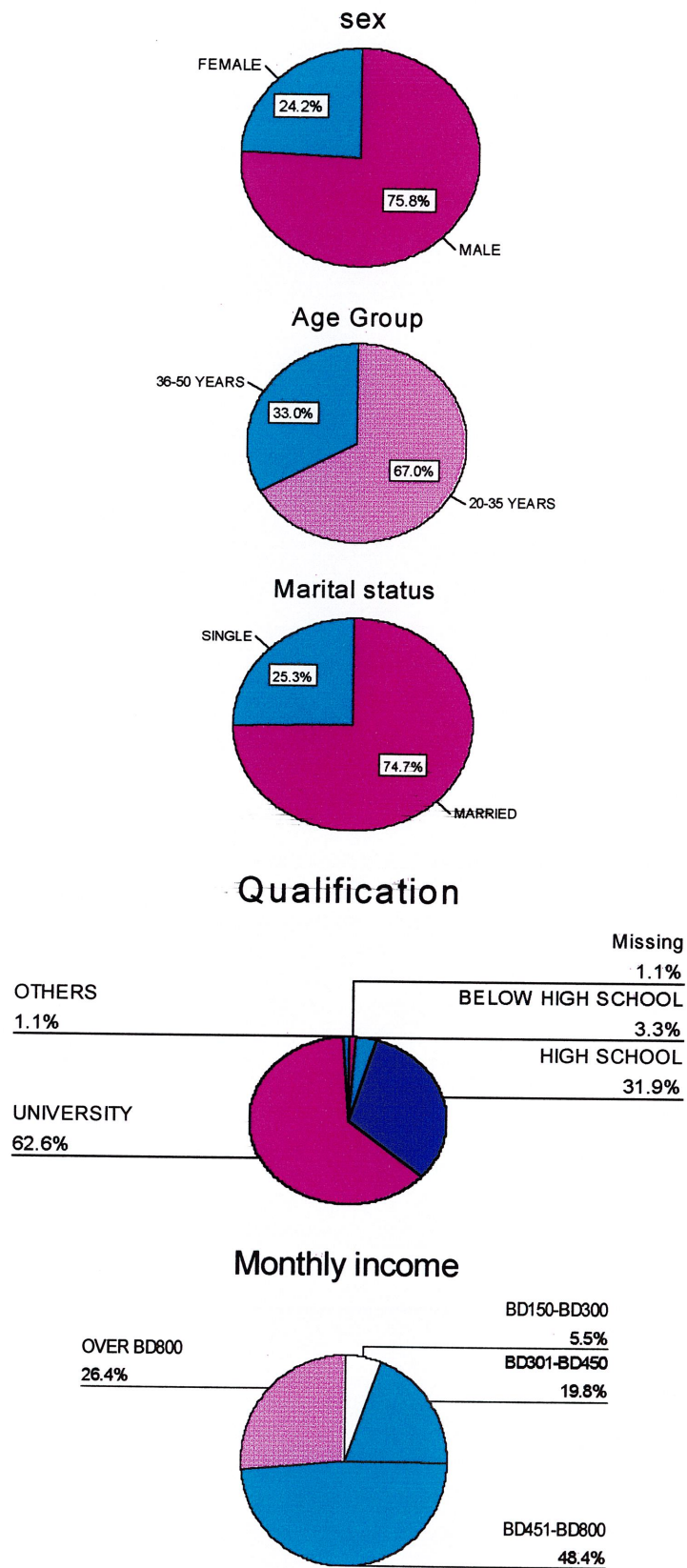
4-1-1 Profile Analysis :

As Table 4-1 indicates the majority of respondents were male (75.8%). The age group for the majority (67%) was 20 to 35 years. Married persons constituted 74.7% of the total number of respondents. A majority (63.3%) carried university degrees. The monthly income of respondents, (as reflected in the same table) varied, with the highest percentage (48.4%) having an income in the range of BD 451-800. The lowest percentage (5.5%) were in the income range of BD 150-300 (see Table 4-1 and Figure 4-1 for respondents' profile)

Table 4-1: Respondents Profile

Profile	No. received	Percentage
<u>Sex</u>		
Male	69	75.8
Female	22	24.2
<u>Age</u>		
20-35 years	61	67
36-50 years	30	33
50 & over	0	0
<u>Marital status</u>		
Married	68	74.7
Single	23	25.3
<u>Qualification</u>		
Below high school	3	3.3
High school	29	32.3
University	57	63.3
Others	1	1.1
No Answer	1	-
<u>Monthly Income</u>		
BD 150-300	5	5.5
BD 301-450	18	19.7
BD 451-800	44	48.4
Over BD 800	24	26.4

Figure 4-1 Respondents Profile



4-1-2 Respondents with Loans:

A total of 86.8% of the respondents stated that they had loans with banks or other financial institutions, while 13.2% only do not have any loans (see Table 4-2)

Table 4-2: Respondents With loans

Variable	No. received	percentage
With loan	79	86.5
Without loan	12	13.2
Total	91	100

4-1-3 Consumers paying charges on loans:

The majority (79.75%) of respondents are paying charges on their loans, while 17.72% stated that they are not paying any charges (see table4-3).

Table 4-3: Fee Payment on Loans

Variables	No. received	percentage
Paying fees	63	79.75
Not paying fees	14	17.72
No answer	2	2.53
Total	79 *	100

* Total number of respondents having loan

4-1-4 Consumers' awareness of interest charged on their loans:

78% of respondents stated that they knew how much interest was being charged on their loans, and 8.8% said that they did not know (see Table 4-4).

Table 4-4: Awareness of Interest Charged

Variables	No. received	percentage
Aware of interest charged	71	78
Not Aware of interest charged	8	8.8
Not applicable	12	13.2
Total	91	100

For those respondents who do not know how much interest is being charged , 12.5% of them stated that this information is not provided by the bank, 25% stated that this information was not important to them and 62.5% stated that the information was not easy to understand (see Table 4-5).

Table 4-5: Reasons of Unawareness of Interest Charges

Variables	No. received	percentage
Not provided	1	12.5
Not important	2	25
Not easy to understand	5	62.5
Total	8 *	100

* Number of consumers unaware of interest charges

4-1-5 Consumers' Awareness of Loan Facilities Offered by Other

Banks:

The majority of respondents (78%) stated that they were aware of loan facilities offered by other banks, while 22% were not aware (see Table no 4-6).

Table 4-6: Awareness of Loans Facilities

Variables	No. received	percentage
Aware of loan facilities	71	78
Not aware of loan facilities	20	22
Total	91	100

When asked for the reason of being unaware of other loan facilities, 55% replied that they were not interested, 15% considered it to be time consuming, and 30% considered it not important, since they were happy with their existing bank facility (see Table4-7)

Table 4-7: Reason for Unawareness of Loan Facilities

Variables	No. received	percentage
Not interested	11	55
Time consuming	3	15
Happy with the existing bank	6	30
Total	20 *	100

* Number of consumers unaware of loan facilities

4-1-6 General Opinion:

Eight statements were used to identify consumer opinion and views on consumer loans. The results received were as follows:

Consumer loan is the perfect way to solve a person's economic problems:

Only 34.1% of respondents agreed with the above statement, 25.3% disagreed, 20.9% were uncertain, 14.2% strongly disagreed and 5.5% strongly agreed (see Table 4-8).

Table No 4-8: Consumer loan is the perfect way to solve a person's economic problems

Variables	No. received	percentage
Strongly Disagree	13	14.2
Disagree	23	25.3
Not Certain	19	20.9
Agree	31	34.1
Strongly Agree	5	5.5
Total	91	100

Consumer loan puts burdens on the consumer's income:

A total of 46.7% of respondents agreed that the consumer loan was putting burdens on the consumer's income, 28.9% strongly agreed, 14.4% were uncertain, 8.9% disagreed and 1.1% only strongly disagreed (see Table 4-9)

Table No 4-9: Consumer loan puts burdens on income

Variables	No. received	percentage
Strongly Disagree	1	1.1
Disagree	8	8.9
Not Certain	13	14.4
Agree	42	46.7
Strongly Agree	26	28.9
No Answer	1	-
Total	91	100

Consumer loan supports family and social needs:

50% of respondents agreed with the above statement, while 10% disagreed, 24.4% were uncertain, 6.7% strongly agreed and 8.9% strongly disagreed (see Table 4-10).

Table No 4-10: Consumer loan supports family and social need

Variables	No. received	percentage
Strongly Disagree	8	8.9
Disagree	9	10
Not Certain	22	24.4
Agree	45	50
Strongly Agree	6	6.7
No Answer	1	-
Total	91	100

Consumer loan increase person's purchases and consumptions:

The majority of respondents (51.6%) agreed with the above statement, 20.9% strongly agreed, 12.1% disagreed, 7.7% strongly disagreed, and the same percentage (7.7%) of respondents were uncertain (see Table 4-11)

Table No 4-11: Consumer loan increases person's purchases

Variables	No. received	percentage
Strongly Disagree	7	7.7
Disagree	11	12.1
Not Certain	7	7.7
Agree	47	51.6
Strongly Agree	19	20.9
Total	91	100

Consumer Loan is a good source of saving:

A total of 36.7% of respondents strongly disagreed with the above statement, followed by 31.1% who disagreed , 16.7% were uncertain, 13.3% agreed and 2.2% only strongly agreed (see Table 4-12)

Table No 4-12: Consumer loan is a good source for saving

Variables	No. received	percentage
Strongly Disagree	33	36.7
Disagree	28	31.1
Not Certain	15	16.7
Agree	12	13.3
Strongly Agree	2	2.2
No Answer	1	-
Total	91	100

Consumer loan restricts a person's freedom:

The highest percentage of respondents (41.11%) have agreed that consumer loans restrict a person's freedom and 27.78% strongly agreed, while 14.44% disagreed, 6.67% strongly disagreed and 10% were uncertain about this statement (see Table 4-13).

Table No. 4-13: Consumer loan restricts a person's freedom

Variables	No. received	percentage
Strongly Disagree	6	6.67
Disagree	13	14.44
Not Certain	9	10
Agree	37	41.11
Strongly Agree	25	27.78
No Answer	1	-
Total	91	100

Consumer loan is easy to obtain:

Fifty percent of respondents agreed that consumer loans are easy to obtain and 7.8% strongly agreed, 28.9% were uncertain. However 13.3% disagreed with this statement (see Table 4-14).

Table No 4-14: Consumer loans is easy to obtain

Variables	No. received	percentage
Strongly Disagree	0	0
Disagree	12	13.3
Not Certain	26	28.9
Agree	46	50
Strongly Agree	7	7.8
No Answer	1	-
Total	91	100

Consumer loan is not rationally utilized :

A high percentage (41.6%) of respondents agreed with the above statement, 10.1% strongly agreed. However 38.2% were uncertain, 6.7% disagreed and 3.4% strongly disagreed (see Table 4-15).

Table No 4-15 Consumer loan is not rationally utilized

Variables	No. received	percentage
Strongly Disagree	3	3.4
Disagree	6	6.7
Not Certain	34	38.2
Agree	37	41.6
Strongly Agree	9	10.1
No Answer	2	-
Total	91	100

4-1-7 Consumers' opinion on best ways to control unnecessary

consumption:

The majority of respondents (60.4%) have stated that the best way to control unnecessary consumption is by budgeting, 24.2% have stated that the best way is by rationalizing purchases and 15.4% have stated that controlling loans was the best way (see Table 4-16).

Table No 4-16: Best way to control unnecessary consumption

Variables	No. received	percentage
Controlling loans	14	15.4
Budgeting	55	60.4
Rationalizing purchases	22	24.2
Total	91	100

4-1-8 Consumers' opinion on how people can control excessive

borrowing:

The majority (83.5%) stated that self control is the appropriate way to control excessive borrowing, 12.1% stated that government intervention is required for such control, 3.3% stated that enlightenment through information media would help in controlling excessive borrowing (see Table 4-17)

Table No 4-17: How people control excessive borrowing

Variables	No. received	percentage
Self Control	76	83.5
Government Intervention	11	12.1
Information Media	3	3.3
Others	1	1.1
Total	91	100

4-1-9 Number of loans taken:

40.6% of respondents are having one loan, 31.9% are having two loans, and 14.3% are having three loans and more (see Table4-18).

Table No 4-18 Number of loans taken

Variables	No. received	percentage
One	37	40.6
Two	29	31.9
Three & more	13	14.3
Not applicable	12	13.2
Total	91	100

4-1-10 Outstanding total loan:

A total of 29.6% of the respondents stated that their outstanding loans ranged between BD 5000 and BD9999, 24.2% had outstanding loan balances of up to BD 4999, 14.3% from BD 10,000 to BD 14999 , 7.7% from BD 15,000 to BD 19,999 and 11% only had outstanding loan balances from BD 20,000 and more (see Table4-19).

Table No. 4-19: Outstanding Total Loan

Variables	No. received	percentage
BD 1000-4999	22	24.2
BD 5000-9999	27	29.6
BD 10000-14999	13	14.3
BD 15000-19999	7	7.7
BD 20000-& More	10	11
Not applicable	12	13.2
Total	91	100

4-1-11 Purpose of loans taken:

40% of the respondents had taken loans for the purpose of building a house, 23.3% to purchase furniture or a car, 8.9% for emergency purposes, 6.7% to settle other debts.

A percentage of 7.8% had taken loans for the purpose of traveling and to save money (see Table 4-20).

Table No. 4-20: Purpose of Loans taken

Variables	No. received	percentage
Build a house	36	40
Purchase furniture	21	23.3
Settle another loan	6	6.7
Emergency	8	8.9
Others\Investment	7	7.8
Not Applicable	12	13.3
No Answer	1	-
Total	91	100

4-1-12 Guarantees taken by the bank against loans:

Some 62.9% of respondents irrevocably assigned their salaries transfer to the bank, 15.7% mortgaged their title deeds of lands or houses to the bank against the loan, 2.3% of the loans were guaranteed by a third party and 5.6% guaranteed by other means such as cash collateral (see Table 4-21).

Table No 4-21: Guarantees taken by the bank against loans

Variables	No. received	percentage
Mortgagee of land/house	14	15.7
Salary transfer	56	62.9
Guarantor	2	2.3
Others	5	5.6
Not Applicable	12	13.5
No Answer	1	-
Total	91	100

4-2 Data Discussion:

The objective of the present research, as stated in the first chapter, was to determine the attitude of Bahraini consumers towards loans as an attempt to study the consumer loan phenomenon in Bahrain and its implication with the aim of achieving the above objective. Several hypotheses were put in order to be tested within the empirical research work.

Hypothesis 1:

Lack of awareness towards loan facilities and charges.

Findings in this area are inconsistent and do not support the above hypotheses. The result on consumer awareness of interest charged on their loan, show that the majority of respondents (78%) are aware of what they were being charged. The same was true with the result of consumers' awareness of loan facilities offered by other banks. The majority (78%) have stated that they are aware of these facilities. However, this fact was not further tested in this research by some practical questions. Taking this into consideration, the remaining (22%) who are not aware are still considered as to be a significant portion.

Ranyard and Craig(1993), in their study on ninety mature students of various professional degrees, asked them to work out some real examples of loan duration calculations by providing them with different types of information given the monthly interest rate. Respondents perceived the task to be difficult and they were not confident in their awareness, only one quarter of them were correct. However, when provided with total interest the error in their estimation was less, but they still perceived it to be difficult.

Consumer awareness of interest charged on loans and loans facilities were tested among several demographic factors (sex, age, marital status, qualification and level of income) through crosstabulation between them. The findings are shown in Tables 4-22 - 4-25 and Figures 4-2 - 4-6.

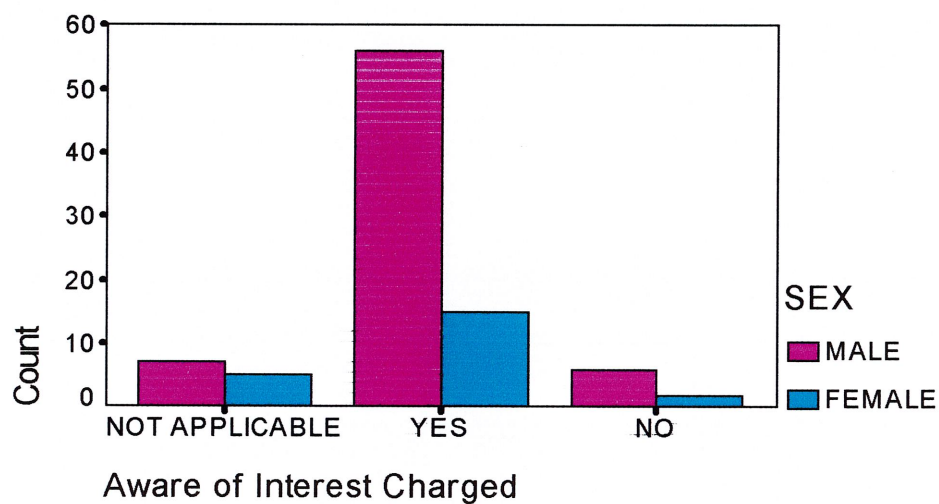
In the crosstabulation tables, each cell contains 2 numbers. The first refers to the number of responses received while the second represents the percentage for each variable. This applies to all crosstabulation tables.

It was found that respondents aware of interest charges are male (78.9%) and (21.1%) females.(see Table 4-22 and Figure 4-2).

Table No. 4-22: Awareness of Interest Charges (against sex)

	Not applicable	Yes	No	Row Total
Male	7 58.3	56 78.9	6 75.0	69 75.8
Female	5 41.7	15 21.1	2 25.0	22 24.2
Column Total	12 13.2	71 78.0	8 8.8	91 100.0

Figure 4-2: Awareness of Interest Charges (by sex)



According to, the chi square test, no significant relationship was found between awareness of interest charges and sex (X^2 : 1.934).

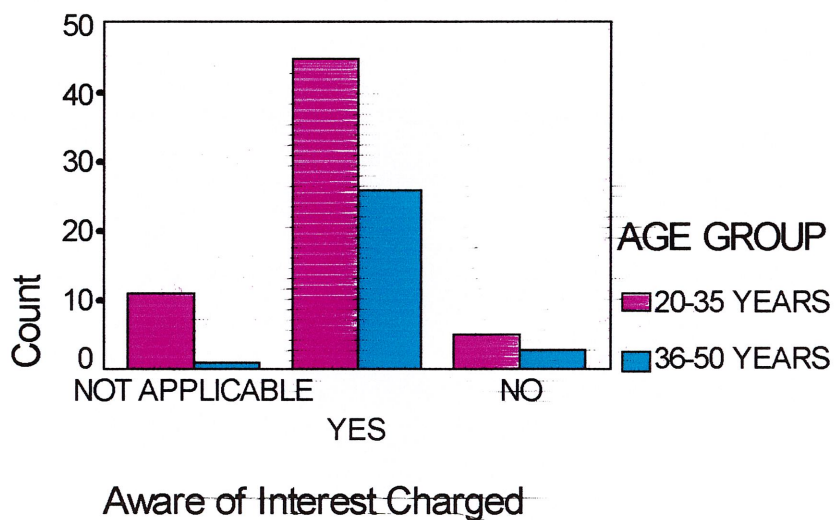
In doing a crosstabulation between age group and awareness of interest charged, the result indicated that the majority (63.4%) of those aware of interest charges were from the age group 20-35 years, i.e. the younger respondents. Here also, no significant

relationship was found between the two variables($\chi^2=2.637$). The findings are summarized in Table 4-23 and figure 4-3 .

Table No 4-23: Awareness of Interest Charges (against Age)

	Not applicable	Yes	No	Row Total
20-35 years	11 91.7	45 63.4	5 62.5	61 67.0
36-50 years	1 8.3	26 36.6	3 37.5	30 33.0
Column Total	12 13.2	71 78.0	8 8.8	91 100.0

Figure 4-3: awareness of Interest Charges (by age group)



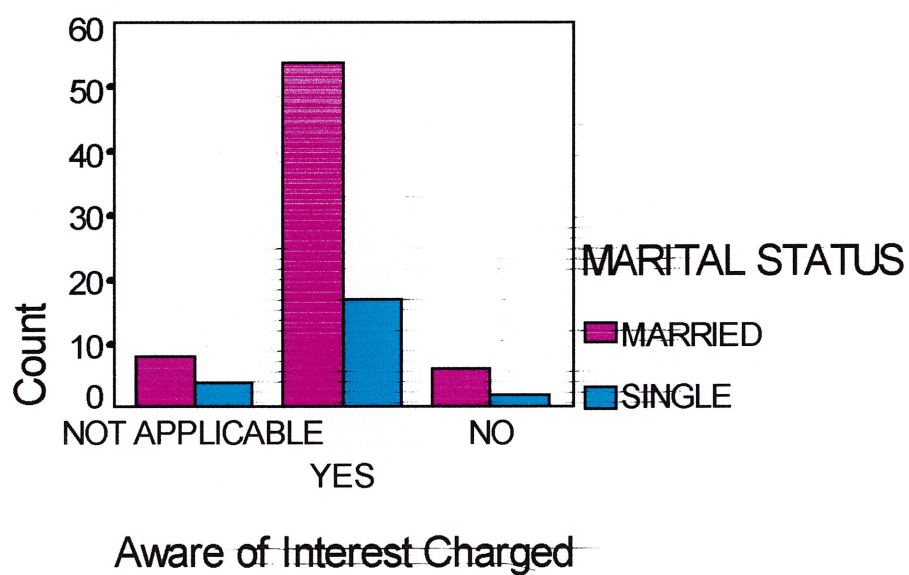
As for marital status, no significant relationship was observed between marital status and awareness ($\chi^2=2.022$). However, it can be noticed that (married people

represented the majority (76.1%) of those aware of loan interest charges. See Table 4-24 and Figure 4-4.

Table No 4-24: Awareness of Interest Charges (against marital status)

	Not applicable	Yes	No	Row Total
Married	8 66.7	54 76.1	6 75.0	68 74.7
Single	4 33.3	17 23.9	2 25.0	23 25.3
Column Total	12 13.2	71 78.0	8 8.8	91 100.0

Figure 4-4: Awareness of interest charges (by marital status)



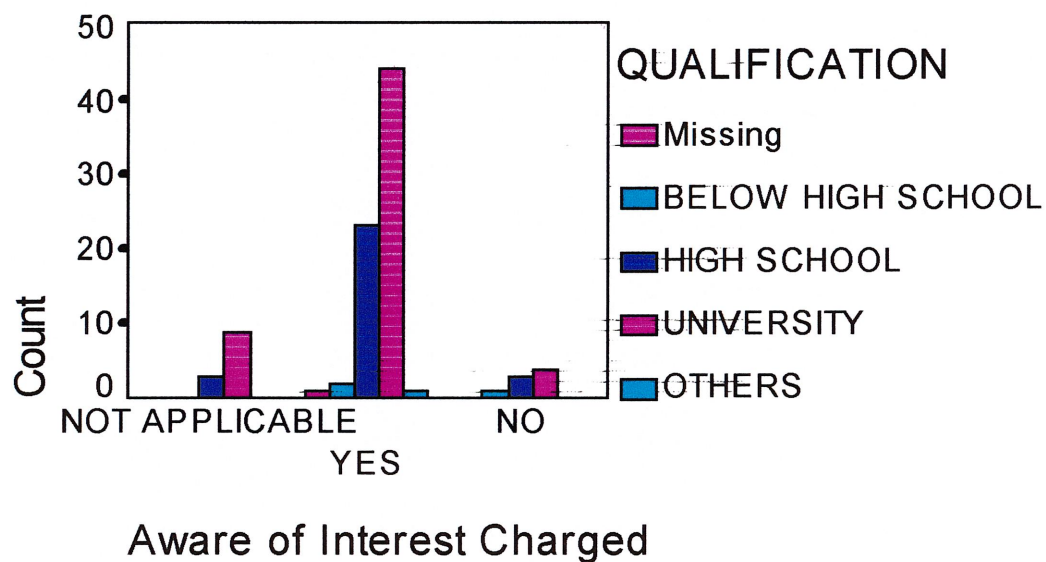
Chi square test has not indicated any relationship between qualification and awareness (X² = .089), though the crosstabulation result indicated that the majority (62.9%) of

respondents holding university degrees were aware of interest charges (see Table 4-25 and Figure 4-5).

Table No 4-25: Awareness of Interest Charges (against qualification)

	Not applicable	Yes	No	Row Total
Below high school	- 25.0	2 2.9	1 12.5	3 3.3
High school	3 25.0	23 32.9	3 37.5	29 32.2
University	9 75.0	44 62.9	4 50.0	57 63.3
Others	- 1.1	1 1.4	-	1
Column total	12 13.3	70 77.8	8 8.9	90 100

Figure 4-5: Awareness of Interest Charges (by qualification)

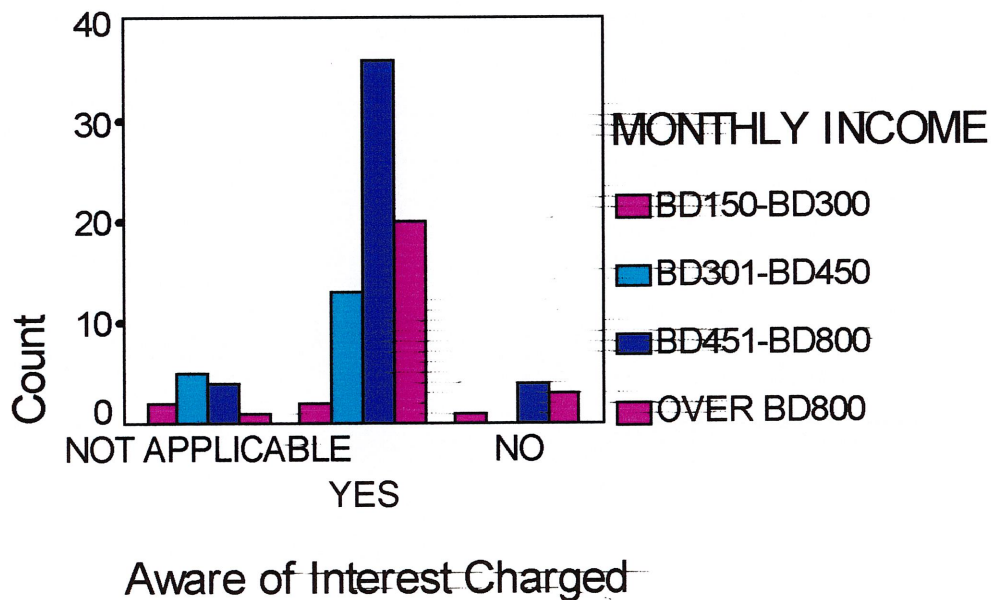


The respondents whose salaries ranged between BD 451/- and BD 800/- formed the majority (50.7%) of those aware of interest charges. The chi square test did not confirm any relationship ($X^2=.440$) (see Table 4-26 and Figure 4-6).

Table No 4-26: Awareness of Interest Charges (against monthly income)

	Not applicable	Yes	No	Row Total
BD 150-300	2 16.7	2 2.8	1 12.5	5 5.5
BD 301-450	5 41.7	13 18.3	-	18 19.8
BD 451-800	4 33.3	36 50.7	4 50	44 48.4
BD 800 & over	1 8.3	20 28.2	3 37.5	24 26.4
Column total	12 13.2	71 78.0	8 8.8	91 100.0

figure 4-6: Awareness of Interest Charges (by monthly income)



It was interesting to receive the same results as above when crosstabulation was made between the demographic factors and awareness of loan facilities offered by other banks. This is considered as confirmation of awareness between such categories. The male respondents (73.2%), of the age group 20-35 years (66.2%), married (78.9%), holders of university degrees (62.9%) are aware of loan facilities. See tables (4-27 - 4-31). In this respect Chi square tests indicate a significant relationship between marital status and awareness of loan facilities ($X^2=5.055$). The same can also be noticed in the case of age group ($X^2=6.593$)

Table No 4-27: Awareness of Loan Facility (against sex)

	Yes	No	Row Total
male	52 73.2	17 85.0	69 75.8
Female	19 26.8	3 15.0	22 24.2
Column total	71 78.0	20 22.0	91 100.0

Table No 4-28: Awareness of Loan Facility (against age group)

	Yes	No	Row Total
20-35 years	47 66.2	14 70.0	61 67.0
36-50 years	24 33.8	6 30.0	30 33.0
Column total	71 78.0	20 22.0	91 100.0

Table No 4-29: Awareness of Loan Facility (against marital status)

	Yes	No	Row Total
married	56 78.9	12 60.0	68 64.7
Single	15 21.1	8 40.0	23 25.3
Column total	71 78.0	20 22.0	91 100.0

Table No 4-30: Awareness of Loan Facility (against qualification)

	Yes	No	Row Total
Below high school	2 2.9	1 5.0	3 3.3
High school	23 32.9	6 30.0	29 32.2
University	44 62.9	13 65.0	57 63.3
Others	1 1.4	-	1 1.1
Column total	70 77.8	20 22.2	90 100.0

Table No 4-31: Awareness of loan facility (against monthly income)

	Yes	No	Row Total
BD 150-300	4 5.6	1 5.0	5 5.5
BD 301-450	13 18.3	5 25.0	18 19.8
BD 451-800	35 49.3	9 45.0	44 48.4
BD 800 & above	19 26.8	5 25.0	24 26.4
Column total	71 78.0	20 22.0	91 100.0

Hypotheses No. 2:

Great obligation towards consumer loans:

This hypothesis was supported by the result received. The majority of respondents (86.8%) are having loans, 46.8% of them are holding one loan, 53.2% are holding two loans and more. In total, the majority (72.2%) are holding loans of BD 5000/- and above.

Bahrain Monetary Agency statistics reflected consumer loan as the highest percentage against other type of loans (32.2%) (BMA, Quarterly Statistic Bulletin, 1997).

To determine loan obligations of respondents among the various demographic factors, a crosstabulation was made between holders of loans and these factors. Results are shown in Tables 4-32 - 4-36 and Figures 4-7 - 4-11.

Results indicated that the majority of males (78.5%), of the age group 20 to 35 years (63.3%), married respondents (75.9%), university degree holders (61.5%) and with monthly incomes ranging (50.6%) from BD 451 to BD 800 are having loans.

Table 4-32: Having a Loan (by sex)

	Yes	No	Row Total
Male	62 78.5	7 58.4	69 75.8
Female	17 21.5	5 41.7	22 24.2
Column total	79 86.8	12 13.2	91 100.0

Figure 4-7: Having a Loan (by sex)

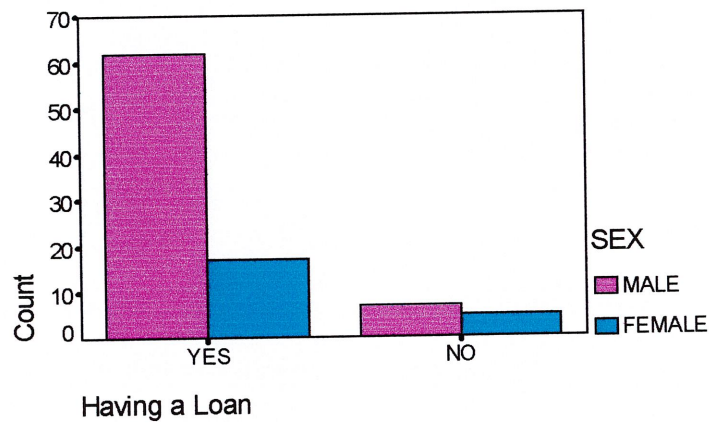


Table 4-33: Having a Loan (by age group)

	Yes	No	Row Total
20-35 years	50 63.3	11 91.7	61 67.0
36-50 years	29 36.6	1 8.3	30 33.0
Column total	79 86.8	12 13.2	91 100.0

Figure 4-8: Having a Loan (by age group)

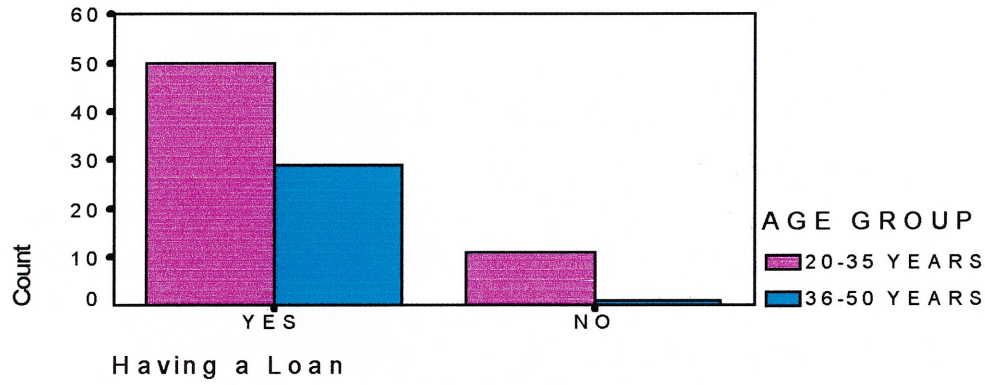


Table 4-34: Having a Loan (by marital status)

	Yes	No	Row Total
Married	60 75.9	8 66.7	68 74.7
Single	19 24.1	4 33.3	23 25.3
Column total	79 86.8	12 13.2	91 100.0

Figure 4-9: Having a Loan (by marital status)

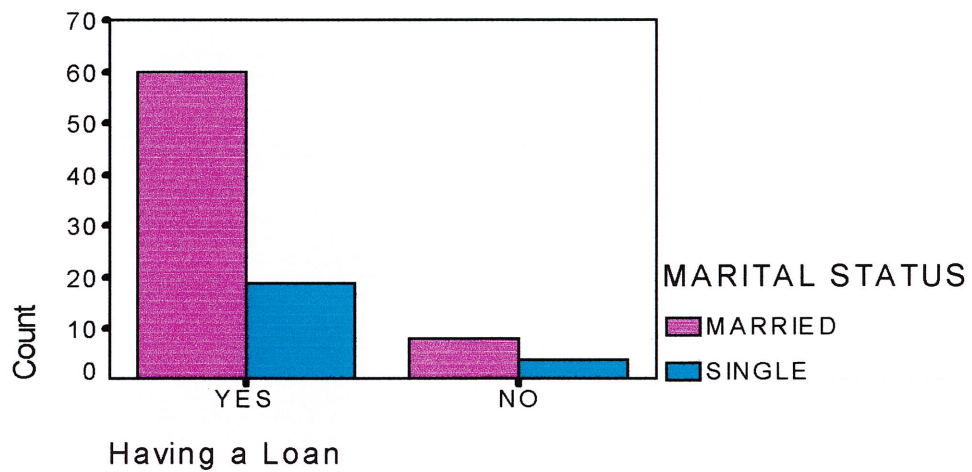


Table 4-35: Having a Loan (by qualification)

	Yes	No	Row Total
Below high school	3 3.8	-	3 3.3
High school	26 33.3	3 25.0	29 32.2
University	48 61.5	9 75.0	57 63.3
Others	1 1.3	-	1 1.1
Column Total	78 86.8	12 13.2	90 100.0

Figure 4-10: Having a Loan (by qualification)

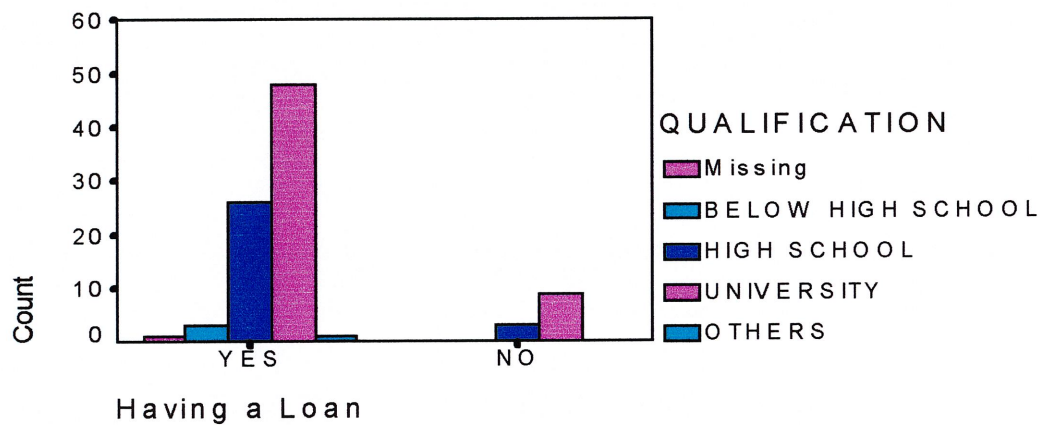
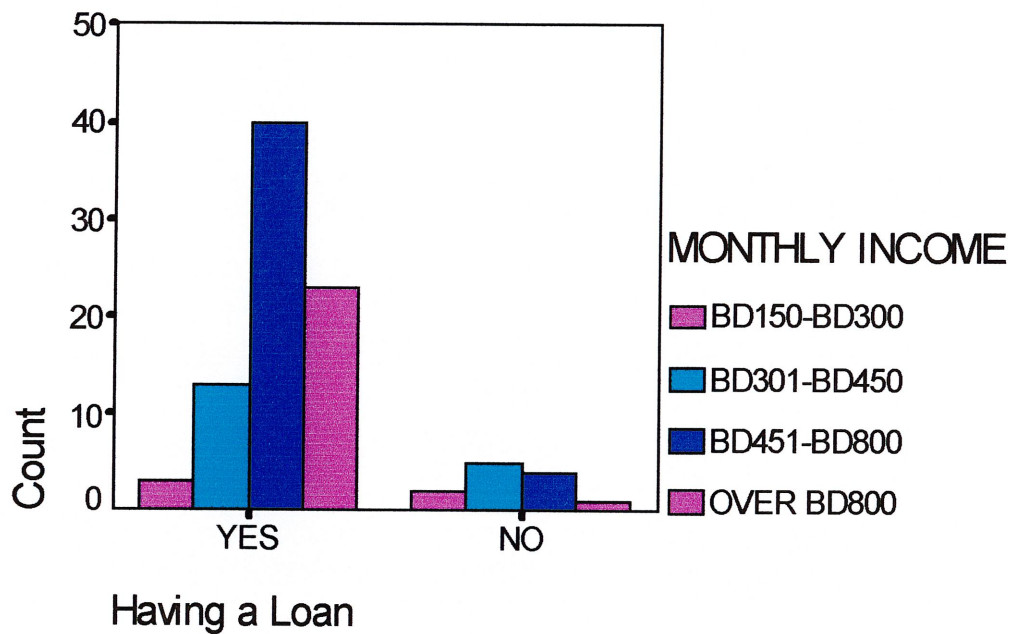


Table 4-36: Having a Loan (by monthly income)

	Yes	No	Row Total
BD 150-300	3 3.8	2 16.7	5 5.5
BD 301-450	13 16.5	5 41.7	18 19.8
BD 451-800	40 50.6	4 33.3	44 48.4
BD 800 & over	23 29.1	1 8.3	24 26.4
Column Total	79 86.8	12 13.2	91 100.0

Figure 4-11: Having a Loan (by monthly income)



Male respondents constitute the majority of those who are holding more than one loan, as among the holders of two loans, the male percentage was (86.2%) and for holders of three and more loans, the male percentage was (84.6%).

Holders of more than one loan are also found between the ages of 36 to 50 years.

Result show that 55.2% of respondents having two loans and 53.8% of respondents having three and more loans are from this age group.

Married respondents represent the majority over the various number of loan categories. They form 70.3% of holders of one loan, 79.3% of holders of two loans and 84.6% of holders of three and more loans.

University degree holders are also a majority over the various number of loans categories: 62.2% of holders of one loan, 64.3% of holders of two loans and 53.8% of holders of three and more loans.

On the other hand 58.6% of holders of two loans and 53.8% of holders of three and more loans are from respondents whose salaries range between BD 451 and BD 800.

Though these results have indicated some distinct between several categories of demographic factors such as male and married respondents who represent the majority of those having more than one loan, Chi square test did not reflect any significant relationships between, the number of loans taken and the various demographic factors (see Tables 4-37 - 4-41).

Table 4-37: Number of Loans (by sex)

	Not applicable	One	Two	Three & more	Row total
Male	7 58.3	26 70.3	25 86.2	11 84.6	69 75.8
Female	5 41.7	11 29.7	4 13.8	2 15.4	22 24.2
Column total	12 13.2	37 40.7	29 31.9	13 14.3	91 100.0

Table 4-38: Number of Loans (by age group)

	Not applicable	One	Two	Three & more	Row total
20-35 years	11 91.7	31 83.8	13 44.8	6 46.2	61 67.0
36-50 years	1 8.3	6 16.2	16 55.2	7 53.8	30 33.0
Column total	12 13.2	37 40.7	29 31.9	13 14.3	91 100.0

Table 4-39: Number of Loans (by marital status)

	Not applicable	One	Two	Three & more	Row total
Married	8 66.7	26 70.3	23 79.3	11 84.6	68 74.7
Single	4 33.3	11 29.7	6 20.7	2 15.4	23 25.3
Column total	12 13.2	37 40.7	29 31.9	13 14.3	91 100.0

Table 4-40: Number of Loans (by qualification)

	Not applicable	One	Two	Three & more	Row total
Below high school	-	2 5.4	-	1 7.7	3 3.3
High school	3 25.0	12 32.4	9 32.1	5 38.5	29 32.2
University	9 75.0	23 62.2	18 64.3	7 53.8	57 63.3
Others	-	-	1 3.6	-	1 1.1
Column total	12 13.2	37 40.7	28 31.9	13 14.3	90 100.0

Table 4-41: Number of Loans (by monthly income)

	Not applicable	One	Two	Three & more	Row total
BD 150-350	2 16.7	2 5.4	1 3.4	-	5 5.5
BD 351-450	5 41.7	9 24.3	3 10.3	1 7.7	18 19.8
BD 451-800	4 33.3	16 43.32	17 58.6	7 53.8	44 48.4
BD 800 & over	1 8.3	10 27.0	8 27.6	5 38.5	24 26.4
Column total	12 13.2	37 40.7	29 31.9	13 14.3	91 100.0

In relating the outstanding total debt to the various demographic factors it was found that the majority of respondents having outstanding loan amount of between BD 1000 and BD 9999 and 14.5% of male respondents were having outstanding loans of BD 20,000 and over. None of the female respondents had such an outstanding loan amount.

The majority of younger respondents having outstanding loan amounts lower than the older respondents.

The majority of respondents between 20 and 35 years were having outstanding debts of up to BD 9999, while the majority of respondents between 36 and 50 years were having loans for BD 10,000 and more.

The highest percentage of unmarried respondents (34.8%) were having loans of BD 1000 to BD 4999 while the highest percentage of married respondents (29.4%) were having loans of BD 5000 to BD 9999. This indicated that married people took more loans than single people.

The highest percentage of respondents with high school qualifications (34.5%) were having outstanding loan of BD 5000 to BD 9999 against the highest percentage of holders of university degrees (29.8%) which indicated that most loans taken were within this category. Chi square tests on monthly income and outstanding loan did not indicate any relationship ($X^2 = .385$) though crosstabulation indicated that respondents of higher salaries having larger outstanding debts than the lower income respondents.

This is a natural result, as those of low income could not get higher loan amounts since banks relate loan amounts to the level of income. Tables 4-42 - 4-46 highlight the relationship between outstanding loans and the demographic variables explained above).

Table 4-42: Outstanding Loans by sex

	Male	Female	Row total
Not applicable	7 10.1	5 22.7	12 13.2
BD 1000-4999	15 21.7	7 31.8	22 24.2
BD 5000-9999	20 29.0	7 31.8	27 29.2
BD 10000-14999	11 15.9	2 9.1	13 14.3
BD 15000-19999	6 8.7	1 4.5	7 7.7
BD 20000 & above	10 14.5	-	10 11.0
Column total	69 75.8	22 24.2	91 100.0

Table 4-43: Outstanding Loans by Age group

	20-35 years	36-50 years	Row total
Not applicable	11 18.0	1 3.3	12 13.2
BD 1000-4999	19 31.1	3 10.0	22 24.2
BD 5000-9999	20 32.8	7 23.3	27 29.2
BD 10000-14999	7 11.5	6 20.0	13 14.3
BD 15000-19999	1 1.6	6 20.0	7 7.7
BD 20000 & above	3 4.9	7 23.3	10 11.0
Column total	61 67.0	30 33.0	91 100.0

Table 4-44: Outstanding Loans by marital status

	Married	Single	Row total
Not applicable	8 11.8	4 17.4	12 13.2
BD 1000-4999	14 20.6	8 34.8	22 24.2
BD 5000-9999	20 29.4	7 30.4	27 29.2
BD 10000-14999	9 13.2	4 17.4	13 14.3
BD 15000-19999	7 10.3	-	7 7.7
BD 20000 & above	10 14.7	-	10 11.0
Column total	68 74.7	23 25.3	91 100.0

Table 4-45: Outstanding Loans by Qualification

	Below high school	High school	University	Others	Row total
Not applicable	-	3 10.3	9 15.8	-	12 13.2
BD 1000-4999	1 33.3	5 17.2	15 26.3	1 100.0	22 24.2
BD 5000-9999	-	10 34.5	17 29.8	-	27 29.2
BD 10000-14999	-	3 10.3	8 14.0	-	12 13.3
BD 15000-19999	-	3 10.3	4 7.0	-	7 7.8
BD 20000 & above	1 33.3	5 17.2	4 7.0	-	10 11.1
Column total	3 3.3	29 32.2	57 63.3	1 1.1	90 100.0

Table 4-46: Outstanding Loans by monthly income

	BD 150-350	BD 351-450	BD 451-800	BD 800 & over	Row total
Not applicable	2 40.0	5 27.8	4 9.1	1 4.2	12 13.2
BD 1000-4999	2 40.0	7 38.9	9 20.5	4 16.7	22 24.2
BD 5000-9999	1 20.0	3 16.7	16 36.4	7 29.2	27 29.2
BD 10000- 14999	-	3 16.7	6 13.6	4 16.7	13 13.3
BD 15000- 19999	-	-	3 6.8	4 16.7	7 7.8
BD 20000 & above	-	-	6 13.6	4 16.7	10 11.1
Column total	5 5.5	18 19.8	44 48.4	24 26.4	91 100.0

Canner and Luckett in their study using 1983 survey of consumer finances made by Board of Governors of the Federal Reserve, Washington, have found a strong inverse relationship between the ratio of consumer debt to income and a positive association between the repayment of debt as scheduled and the level of family income (Canner; and Luckett, 1990).

Hypotheses 3:

Different attitudes and views among respondents of different sex, age group, education level and monthly income

The discussion presented in explaining hypothesis 1 and 2 indicate differences in attitudes among the various categories of demographic factors and therefore support hypothesis 3.

Hypothesis 4:

Negative attitude forward consumer loans

The consumers' views received on loans have indicated a negative attitude towards loans by most respondents reflected by the negative statements such as "consumer loans put burden on consumer income" this statement was agreed with by 75.6% of respondents. On the other hand, 75.5% of respondents agreed that "consumer loans help to increase a person's purchases and consumption". The statement that Consumer loan restrict a person's freedom was agreed with by 68.2% of the respondents. Furthermore, there was disagreement by the majority of respondents (67.8%) with the statement that "consumer loans are a good source of income".

All the above give support to hypothesis 4. However, despite the above, the majority of respondents (56.7%) have also agreed that consumer loans support the family's social needs. This view has also been shared by Glassman in her article referred to earlier in Chapter Two. In her opinion, consumer loan facilitates economic prosperity especially for low income families. Consumer financing has evolved to meet a variety

of needs, and without the benefits of consumer loans owning a car or especially a house would be a luxury available only to the rich or older consumers who had saved enough to make the purchase (Glassman 1996).

On the view that consumer loans were easy to obtain, 57.8% of respondents have agreed, which indicated the high competition in this field and the existence of flexible loan policies with less restriction. At the same time a majority of 51.7% have agreed that, consumer loans are not rationally utilized, which is considered a natural consequence of easy loan policies maintained by banks for granting loans.

Chapter Five

Conclusion

5-1 Conclusion:

The main aim of this study was to investigate the attitude of Bahraini consumers towards loans. The study was based on four main hypotheses. The study technique used was by the distribution of questionnaires among various categories of consumers taking into consideration a spread of age group, sex, marital status, educational qualifications and income level.

The following conclusions have been drawn from the study

5-1-1- Respondents demonstrated a high level of awareness of interest charges on loans and other loan facilities offered by banks. However, they found the methods of calculation of interest rates and other charges to be somewhat complicated and difficult to understand.

5-1-2- The majority of respondents perceived loans as putting a burden on consumer income, restricting the person's freedom and not being rationally utilized. This outcome is very interesting since it shows that many consumers are taking loans while fully aware of their implications.

5-1-3 Despite awareness of interest charges, high interest rates charged on this type of loans and negative views held about loans, the majority of respondents (86.8%) are having loans and 53.2% of them are holding more than one loan since loans support family needs and are easily accessible.

5-1-4 The majority who are holding loans are of the younger age (20-35 years), married, male, with monthly incomes ranging between BD 451 and BD 800.

The majority who are aware of interest charges on loans and loan facilities are also found within the same group.

5-1-5- Outstanding amounts on loans taken by females were found to be less than those for males. It was also found that the younger group of respondents of the 25 to 35 years of age, were having lower outstanding amount than older group (36-50 years). Most of the younger respondents were holding one loan, while holding two or more loans was a common case among the older group.

5-1-6- On the question about excessive borrowing, most respondents cited self discipline and restraint as being the best means of controlling the urge for excessive borrowing.

However, the need for some government restrictions on consumer loans was also emphasized as necessary element in the drive to curb excessive borrowing.

5-2 Recommendations:

The review of the related literature and the findings of this study led to the following recommendations:

5-2-1- Consumer awareness of interest charges is an important aspect for the consumer (borrower) to budget effectively as well as for the lending institution to avoid conflict and loan problems. Therefore, it is recommended to indicate the total interest amount on the loan in the Loan Agreement and not the interest rate charges which are not clearly understood especially for those who do not have arithmetic skills.

Provisions have to be made in the relevant laws to ensure this.

5-2-2- Legislation must be introduced to oblige lending institutions to restrict the amount of loan installment deducted from the borrower's salary to an acceptable percentage, instead of leaving the matter to the discretion of the lending institution.

5-2-3-The need is felt for further consumer education programmes through various information media. These programmes and campaigns should focus on proper budgeting, better understanding and evaluation of loan facilities to ensure that

Consumers borrow within their means. Participation by banks and lending institutions in the preparation and sponsorship of these programmes and campaigns is extremely important if they were to achieve their desired goals.

5-2-4- Time is ripe to consider the inclusion of the rules and regulations governing consumer loan deals into the Bahrain commercial law. This will clarify all aspects of the matter and guarantee the rights and obligations of both the consumer and the lending institution. In order for any future laws to be all embracing and have as few loopholes as possible, careful and in depth studies are required of all matters related to loans and banking facilities, problems associated therewith, loan granting and payback procedures, current shortcomings of legal procedures for dealing with difficult customers, methods of interest calculation, top up loans, ways of ensuring that consumers do not over burden themselves with loans whose installments are way beyond their financial means (exchange of information between banks) and the minimum income limit that entitles an individual to receiving a loan or a banking facility.

5-2-5- Due to the growing risk associated with consumer loans an individual banks, it is recommended that related policies are reviewed with the aim of taking defensive

action to protect the banks against consumer credit quality problems; and offensive action in capturing more savings and investments. Saving money should be encouraged by offering incentives. Emphasis on children in this area is highly recommended.

5-2-6 The findings induce that there is a potential market for consumer loans to specific segments: singles, females, age groups from 36 to 50 years, salary ranges BD150 to BD 450 and BD 800 and above which leads us to recommend loan policies targeting these categories and fulfilling their needs.

5-2-7 Further studies should be made to include practical studies on consumer awareness and Repayment attitudes towards consumer loans.

5-3 Limitation:

The attitudes were measured through responses received from 100 consumers and from some official statistics, which are published periodically. The attitudes towards repayment of loans were not measured in this research due to the sensitivity and confidentiality of such information, hence the expectation that we'll be faced are reluctance and denial by consumers in their responses. The question of sensitivity and what people consider to be confidential information is a very important limiting factor, not only for this research, but also for any studies conducted in societies like ours, and particularly in Bahrain with its small society. However finding ways of obtaining such information are important and would help evaluation loans consequences and policies. It is worth to mention also that there are no detailed published information on repayments of loans status

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APPENDICES

**TOTAL BANKS LENDING TO RESIDENTS /
CONSUMER LOANS (IN MILLION)**

YEAR	TOTAL LENDING	TOTAL CONSUMER LOANS	PERCENTAGE OF CONSUMER LOANS TO THE TOTAL LENDING	PERCENTAGE INCREASE IN CONSUMER LOANS
1981	495	89	18.0%	-
1986	679	153	22.5%	72%
1996	944	308	32.6%	101%

Note : Total Consumer Loans increase from 1981 to 1996 (246%).

Source : BMA Annual Report 1981;1986;1996.

QUESTIONNAIRE

The Attitude of Bahraini Consumers Towards Loans

Dear Sir/Madam,

As part of my study in MBA programme at the university of Bahrain, I am carrying out a research on Bahraini consumer's attitude towards Loans. Therefore, a questionnaire was designed to understand your attitudes and views regarding this aspect.

I would be grateful, if you could complete this questionnaire, and mail it in the provided self addressed stamped envelope.

For enquiries, you may contact the undersigned.

Your response is highly appreciated.

RESEARCHER : LAYLA AL QOUZ
TEL: 244333
P.O. Box 5941
BAHRAIN

Questionnaire

The Attitude of Bahraini Consumers Towards Loans

- (1) Do you have Loan(s) with Banks or other financial Institution? Yes ☐ No ☐

If No, please go to question No. 4

- (2) Do you pay any Fees/Charges? Yes ☐ No ☐

- (3) a- Do you know how much interest is charged on your Loan? Yes ☐ No ☐
b- If No, why?

Not Provided ☐ Not Important ☐ Not easy to Understand ☐

Others, please Specify ☐ _____

- 4) a- Are you aware of Loans facilities offered by other Banks? Yes ☐ No ☐
b- If No, why?

Not Interested ☐ Time Consuming ☐ Happy with the existing Bank Facility ☐

Others, please Specify ☐ _____

(5) **GENERAL OPINION**

Please use one of the following code numbers to indicate your opinion about each of the following statements.

(Please Circle the appropriate answer)

Consumer Loans:

Strongly Disagree	Disagree	Not Certain	Agree	Strongly Agree
----------------------	----------	----------------	-------	-------------------

a - The perfect way to solve person's economic problems.	1	2	3	4	5
b - Put burdens on consumer income.	1	2	3	4	5
c - Support family and social needs.	1	2	3	4	5
d - Increase person's purchases/consumptions.	1	2	3	4	5
e - A good source for saving.	1	2	3	4	5
f - Restrict person's Freedom.	1	2	3	4	5
g - Easy to obtain.	1	2	3	4	5
h - Are not rationally utilized.	1	2	3	4	5

(6) **CONTROL**

- a- In Your opinion, what is the best way to control unnecessary consumptions? please tick one option or more, as appropriate.

Controlling
Loans

☐

Budgeting

☐

Rationalizing
Purchases

☐

Others, please
Specify

☐

- b- How people can control overtaking of Loans? Please tick one option or more as appropriate.

Self
Control

☐

Government
intervention

☐

Information
Media

☐

Others, please
Specify

☐

- c- Any suggestions or comments you would like to note.

GENERAL

The following questions will allow analysis of all responses, without identifying you personally.

- (7) **SEX** Male ☐ Female ☐
- (8) **AGE GROUP** 20-35 ☐ 36-50 ☐ Over ☐
Years Years 50
- (9) **MARITAL STATUS** Married ☐ Single ☐
- (10) **QUALIFICATION** Below High ☐ High ☐ University ☐
School School
Other's please ☐ _____
Specify
- (11) **MONTHLY INCOME** BD150-BD300 ☐ BD301-BD450 ☐
BD451-BD800 ☐ Over BD800 ☐
- (12) **NUMBER OF LOANS TAKEN** One ☐ Two ☐ Three & More ☐
- (13) **OUTSTANDING TOTAL DEBT** BD ☐ BD5000- ☐ BD10000- ☐
APPROXIMATELY (TOTAL LOANS) 1000-4999 1999 14999
BD15000- ☐ 20000 and ☐
1999 Over

(14) **PURPOSE OF LOANS**

Build a
House

Purchase
furniture or a Car

Settle other
Loans

Travel

save Money

Emergency

Others, please
Specify

(15) **LOAN GRANTED TO
YOU AGAINST**

Mortgage of
Land/House

Salary
Transfer

Guarantor

Others, please
Specify

Thank you for your kind Co-operation.

قرض عبر الهاتف

عند حاجتك
الفورية للنقد
اتصل بنا وسنستلم
طلبك

من الساعة ٧:٣٠ صباحاً
وحتى الساعة ٥:٠٠ مساءً
عبر الهاتف على الرقم المجاني

٨٠١٨٠٢

ستاندرد تشارترد بنك

Standard  Chartered

AKHBAR ALKHALEEJ (1996)

BAHRAIN

APPENDIX 3

الوقت المناسب للحصول على قرض سيارة!

اربح جوائز رائعة!
١ كيلو جرام من الذهب
٥ عطلات الى سنغافورة
١٠ كاميرات فيديو (هاند كام)
من سوني
٢٠ جهاز تليفون متنقل من نوكيا

احصل على فرصة من سنغافورة سنغافورة
من ١ يونيو ٢٠٠١ - ٣١ ديسمبر ١٩٩٦ وقد تم
الحوار الى ٣٦ في المئة الذي سدد شريك ١٠
من سنغافورة سنغافورة سنغافورة

إذا قم بالاتصال بنا
على الهاتف المجاني

الآن!

APPENDIX 4

ALNIALEEJ (1997)
ABU DHABI

Standard Chartered

هناك العديد من الأسباب التي تجعل من القرض العقاري من بنك البحرين الوطني أكثر اغراءً...

وهذا هو أحد أهم الأسباب



فقط

فائدة

لذا عندما تحتاج إلى قرض لشراء عقار أو أرض
أو حتى لتوسعة منزلك الحالي، يادر بزيارة أحد
مروعتنا المنتشرة في البلاد أو الاتصال مباشرة بأي
من الأرقام الهاتفية التالية: ٢٠٥٥٠٦، ٢٠٥٥٣١، ٢٠٥٦٨١، ٢٠٥٦١٥.

**بنك
البحرين
الوطني**



مزايا مغرية

- الحد الأقصى للقرض ٨٠٠,٠٠٠ د.ب أو ٥٠ صمم
الراتب الشهري أيهما أقل.
- فترة سداد القرض على أقساط تصل إلى ١٥ عاماً.
- ٢٠٪ فقط من قيمة العقار أو الأرض كدفعة أولى مقدمة.
- فائدة سنوية تبلغ ١٠٪ فقط وهي الأقل في البحرين
حالياً.
- لا رسوم خفية. فقط هناك رسوم إدارية رمزية تدفع
مرة واحدة.

لماذا تلجأ للحصول على قرض عقاري بأسعار
فائدة أعلى في الوقت الذي يمكنك الحصول على
أفضل الصفقات من بنك البحرين الوطني؟

إن نسبة الفائدة المصرفية التي نتقاضاها والتي
تبلغ ١٠٪ فقط هي الأقل في البحرين بالفعل.

نعرف على العديد من الأسباب التي تجعل من
القرض العقاري من بنك البحرين الوطني أكثر
اغراءً:

ALAYAM (1997)

BAHRAIN

APPENDIX 5