

A problem of financial crisis on saudi arabia

[Business](#), [Marketing](#)



The study is based on the effect of the financial crisis on Saudi Arabia ability to buy homes. The research will give a background analysis of the financial crisis citing its causes and the extremes to establish the topic. The study will elaborate how the aspect of financial crisis trickles down the housing industry through the citizens of Saudi Arabia among other organizations who have interest in buying homes. This study will require both primary and secondary sources of information. Research tool will be designed to facilitate the data collection from a target population. In the same survey, secondary sources of data such as journals and articles based on past research will be analyzed to give an overview of the financial crisis and the literature limitations.

Objectives of the research

The general objective of the study is to establish the actual effect of the financial crisis on young Saudi ability to buy homes. To achieve the general objective; specific objectives will guide the research. Among the specific objectives of the study are:-

- To establish the causes of financial crisis in Saudi Arabia
- To analyze the impacts of the financial crisis on individuals and various sectors who have interest in buying homes.
- To determine how the impacts of financial crisis trickle down to individuals and various sectors related to housing in Saudi Arabia.
- To establish possible solutions to mitigate the effect of the financial crisis on young Saudi ability to buy homes.

Research questions

- In an attempt to meet the objectives of the study, the research must answer the following questions:-
- What are the causes of financial crisis witnessed In Saudi Arabia?
- What are the impacts of the financial crisis on individuals and various sectors that have interest in buying homes?
- How do the impacts of financial crisis trickle down to individuals and various sectors related to housing in Saudi Arabia?
- Which are the possible solutions to mitigate the effect of the financial crisis on young Saudi ability to buy homes?

Academic importance of the research

The research on the effect of the financial crisis in young Saudi ability to buy homes is essential in various aspects. From the study, the nature and causes of the financial crisis will be established. The researcher will have a better understanding of financial crisis from a global perspective. The scholars will get a better understanding of how financial crisis has affected the economy and other industries such as the housing industry. The research will trigger further research on the various ways to handle financial crisis and eliminate its negative impacts on the people able to buy homes.

Importance of the research to the practitioners

The study is paramount to various industries. For instance, the housing industry will get a better understanding of the factors that affect their customers' ability to buy homes. From this understanding, the industry can establish ways of mitigating these effects. The analysts of the economy will get a better understanding of the impact of economic crisis on other sectors,

some been the housing industry. Individuals and parties who have interest in buying homes will also get a clear understanding of some of the factors limiting their goals and ability to buy houses, hence establish measures to mitigate some of these factors such as financial crisis.

Literature review

The financial crisis has been a significant threat to various nations. Its various effects across various sectors of the economy have raised concerns, triggering intensive research to measure its intensity, the cause and establish various ways of curbing the situation (Campello et al., 2010).

Economists define financial crisis as an economic situation that leads to the loss of nominal value of any financial asset. Among the factors associated with the financial crisis is bank crisis, where the depositors withdraw their savings in a run. Bank crisis makes the depositors lose their savings, while the bank runs bankrupt and cannot support economic activities through leading and leasing money. Leverage may also result in the financial crisis in a nation (Mishkin, 1992). This is the most documented cause of financial crisis in economic history. When busies organizations borrow money to purchase assets, they are optimistic that the asset will appreciate, and upon the payment of interest and tax deductions, the business will remain with profits. If the company fails, the assets fail to appreciate, and the borrowed capital cannot be recovered. Extensive business failure leads to financial crisis.

The decline in Gross Domestic Product (GDP) is another factor associated with the financial crisis. Negative GDP may be caused by some factors such as a decline in production in the industries, political instability, poor

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investment and decline in people purchasing power. Extension of a negative economic growth lasting for half a year is referred to as a recession. The severe recession may cause economic depression and eventual financial crisis. Various economic sectors are interrelated. They depend on each other, and one factor can result in another, and give financial crisis as the final product (Espinoza & Prasad, 2010).

Saudi Arabia is a victim of the financial crisis over the last decade. Research shows that the cause of financial crisis in Saudi is as a result of the global financial crisis. The economy of Saudi is dependent on fuel. Since the 21st century, Saudi has maintained 20% of the global fuel market share (Espinoza & Prasad, 2010). Most of the banks among other investors enjoy financial stability from the sale of fuels. This has trickled down to other sectors of production such as housing and manufacturing industries, with the fuel sale enabling banks to support leverage. However, the 2008 economic downturn across the world was a major blow to the fuel wells and general economy of Saudi Arabia. There was extreme fluctuation in oil prices from \$147 per barrel to \$38 per barrel (Neaime, 2012). This was caused by the campaign alternative sources of energy such as the green energy and the slow phase of industrialization in significant markets of Saudi Arabia fuels.

The global crisis led to decline in the GDP of the nation. In the same year (2008), the financial crisis led to a massive decline of major financial institutions, among the list been the Lehman Brothers. The remaining institutions faced a major challenge of accessing funds from foreign banks and investors due to the decline of major economic activities such as oil

drilling and manufacturing industries. A survey powered by surveymonkey.com associates the financial crisis with unemployment. The decline and closure of major business organizations led to lack of employment among the Saudis (Hasan & Dridi, 2011). Another result of the financial crisis is the decline in purchasing power. This has affected major business in Saudi Arabia, with land housing been a victim of circumstances.

The financial crisis in Saudi has undermined the ability of Saudis to buy homes. According to the social housing and national housing federation, 85% of Saudis are average earners (Niblock, 2015). The financial crisis has led to unemployment, with the few employed Saudis languishing in low income. The financial crisis has reduced leveraging business among various financial institutions due to fear of liquidity, and lack of foreign funding. This has widened the gap between the supply and demand in social housing. People are willing to buy houses, but the economic status does not support. The crisis has led to the credit crunch. Research shows that the availability of money for credit from financial institutions has been limited since economic decline, and the situation is worsening over the years ((Niblock, 2015).

Although the social housing has reduced the prices of houses over the last decade, the houses have not yet been affordable to most Saudis. The existing few homeowners are struggling to pay for their houses. According to a research by Opoku & Abdul-Muhmin (2010), one in every 150 homeowners has over three month's house debt. A report by bdullatif Alissa Group Holding Cooperation shows that there has been a great decline in the sale of homes over the last ten years. The financial crisis has led to house owners

selling their apartments, with Over 4500 houses been repossessed between 2008 and 2017 (Opoku & Abdul-Muhmin, 2010). The reduction of house prices has reduced the income in the social housing industry, posing a threat to its closure in cases of prolonged financial crisis.

According to the minister of housing Majed al-Hogail, a severe impact of the financial crisis has been felt in the real estate industry and the housing ministry in general. A lot of flats built in the last five years are standing empty due to the inability of the Saudis to buy homes. According to research, the housing industry is at risk since people can no longer afford houses. However, various housing agencies are anticipating building more houses. According to the chief executive of shelter Adam Sampson, more than 110, 000 homes will be made this year. However, the whole sector admits the decline in sales of houses, citing the limited buying power in their target market (House, 2012).

Literature limitations

Most of the past research is centered towards the financial crisis in Saudi. Most scholars such as Wilson & Graham (2016) discuss this element at a wider scope, tackling only the key areas of the economy such as the industrial sector, business and trade. These research shifts to affected sectors, for instance, the housing sector. However, there is little discussion on how financial crisis in Saudi Arabia has changed the people's life. According to research by Wilson & Graham (2016), financial crisis is mostly linked to financial institutions, with a wide gap where the researchers do not discuss the purchasing power of the first victims, who are the people. Humans undertake economic activities, and any economic default will first

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affect the human's life. However, over 70% of the research bases their economic analysis on organizations and how the financial crisis has caused the collapse of business and decline of the economy. The study will bridge the gap and give an evaluation of how the financial crisis has impacted on the Saudis ability to buy homes.

Proposed research design

The study incorporates different complex issues that are correlated. The research will employ the case study design to establish the effects of financial crisis on young Saudi ability to buy homes. The topic of the financial crisis and its impact is diverse and inexhaustible. The study will narrow down to the case of young Saudi ability to buy homes. This makes the topic easily researchable. Case study approach to the research will help answer the questions guiding the study (Yin, 2017). Although the research may not fully exhaust the topic on effects of financial crisis on Saudi ability to buy homes, it will elaborate on the topic in compliance with the research hypothesis. By use of the case study, the research will avoid generalization. The arguments will be tied to a particular case, making the research more specific and less bias. The case study design will create a room for further research on the same phenomena but in a different approach. The case study approach will be combined with descriptive research design to exhaust the research topic adequately (Yin, 2017). As the case study approach narrows down to a particular phenomenon, the descriptive design will answer the research topic, what are the effects of financial crisis on young Saudi ability to buy homes? Using the descriptive approach will help collect information concerning the current status concerning the variables.

Other scholars have used a similar approach in the past research. A descriptive approach has provided the causes of the financial crisis and how they impact on various economic sectors. This is essential secondary source that will avail vital information to establish the research. (Soy, 2015). However, the literature from the past research has generalized the issue of financial crisis, taking a wider scope on its impact to various economic sectors. In the current research, a case study will be employed to make the arguments specific to a particular phenomenon, in this case, the Saudi ability to buy homes.

Research method

Various research methods will be employed to effect case study and descriptive research design. Among these methods will be surveyed, qualitative and quantitative approach. The research topic has independent ad-dependent variables, which are the financial crisis and the Saudi ability to buy homes. The survey will be conducted in the respective target population to determine the relationship between these two variables. Before the full implementation of the review, a target population will be identified and scrutinized. The research information will be obtained from both secondary sources (studies from past research) and the primary sources (data collected from the survey respondents).

Target population

For the research to be meaningful, it will target individual Saudis and organizations interested in buying homes. This will eliminate bias and irrelevancy. The study will also incorporate other stakeholders in the housing department such as social housing agencies. These agencies will help in

analyzing the change in Saudi ability to buy homes about the financial crisis (Opoku & Abdul-Muhmin, 2010). However, there are millions of Saudis concerned with purchasing of homes. Equally, there are a significant number of agencies dealing with social housing within Saudi Arabia. This creates a broader target population that cannot be exhausted as a whole in single research. The top three housing agencies will part of the target population. These include Century21 Saudi real estate, Land Sterling Property consultant and Lamudi Saudi Arabia. Response from the three housing agencies will reflect the image of the industry and the nature of the Saudi ability to buy homes since the financial crisis saga. On the aspect of the individual approach, the research will only cover a section of one among the major cities. Riyadh has been the largest city in Saudi Arabia will form a better place for the study. The selected target population will make it easy for the research to cover within the limited scope.

Sample population

The Riyadh city is diverse. It is the most populated and the most significant city, with over 6.5 million residents. All these people cannot be covered in the research due to limited resources. A sample population will be selected to represent the entire population. Identification and selection of the sample population will include a sampling technique. The research will make use of stratified random sampling. This sampling technique covers three sections. At the first step, the target population, in this case, Riyadh city will be divided into subgroups/sections. Riyadh will be divided into three strata – An Nadhim (strata 1), ash shift (strata 2) and An Narjis (strata 3). Simple random sampling will then be employed to identify 25 respondents from

each stratum. This will make a total of 75 respondents on an individual approach. In general, the total sample population will comprise of 75 individuals and three housing agencies.

According to Soy, (2015), the selection of stratified sampling technique is essential in that; it ensures even representation of the target population. The respondents are randomly selected from all sections of the target population, giving an even representation of the area, unlike other methods of sampling which major on one section, hence giving bias information. Diversity is also expected from this form of sampling, where various opinions and views will be represented. The 75 individuals will be any willing individual who has a better understanding of the financial crisis, and it has affected their ability to buy a home. These may be individuals living in apartments, business people along the streets or any other person who the researcher interacts with. The research will major much on the individual Saudis. The research sample fits the research in that; the effect of the financial crisis on the young Saudi ability to buy homes is felt by the individuals who are interested in purchasing the homes. In a simple example, assume the financial crisis has led to unemployment. It is that jobless person who will be incapable of buying a home. In the research topic, Saudi represents Saudis.

Data collection tool

The most important part of any research is data collection. The reliability of research information depends on the mode of data collection. The study will employ both interviews and questionnaires for data collection to measure the effect of the financial crisis on young Saudi ability to buy homes.

Interviews will be conducted in various communication modes. In the case of

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the three housing agencies; Century21 Saudi real estate, Land Sterling Property consultant and Lamudi Saudi Arabia, telephone and online interviews will be conducted. Unstructured interview approached will be used in this case to collect qualitative data such as the effects of financial crisis on the ability of Saudis to buy homes. The unstructured interviews will also help probe the respondents a dig into the topic to get substantial information that may not be captured in other forms of interviews such as a structured interview. The interview approach is appropriate for clarifying elements in question which are not clear to the respondents.

Questionnaires will also be used alongside the interviews. A mixed questionnaire structure will be used. A greater percentage of the sample population is learned; hence the questionnaires will be in written format. Both open and closed-ended questions will be used. Open-ended questions will give a room for the respondents to express their opinions and elaborate vital elements such as the effect of the financial crisis on their ability to buy homes. The questionnaires will be administered to the respondents to answer within a strict timeline. The selected sample population covers a metropolitan area where people are busy. Some of the respondents may also be travelling. Hence the respondent will have to fill the questionnaire immediately and give it back to the researcher. The interaction between the respondent and the research is also significant in elaborating unclear parts of the poll. The study will also make use of this interaction to conduct a short interview gain more information related to the topic.