

The Effect of Consumer Attitudes on Credit Card Usage in Kenya

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Abstract

Despite the fact that credit card services have been provided in Kenya for some time, the growth in usage has been rather slow. The purpose of this paper is to find out how consumer attitudes towards credit cards affects their usage. A cross-sectional survey was conducted by administering a structured questionnaire to 395 respondents. Stratified random sampling was used and the respondents were picked at large shopping malls in Nairobi. The findings reveal that consumer attitudes – cognitive aspects, affective aspects and behavioural aspects affect credit card usage. The findings provide information that bank managers can use to guide them as they work towards influencing consumer attitudes towards credit cards. This paper makes a valuable contribution since very few studies have been done on attitudes and credit card usage in Kenya.

Key words: *Attitudes, credit card, commercial banks, Kenya*

1. INTRODUCTION

Credit cards were first introduced in Kenya in 1967 by Diners Club Africa. Later Royal Card took over the franchise and in the 1980s more cards were introduced. Currently there are fifteen banks that issue credit cards (Financial Access Survey, 2013). In addition, there are charge cards that are issued by some companies. Both cards allow consumers to make purchases and pay for them later. Charge cards can only be used to make purchases in the retail outlets that have issued them and the customer is supposed to pay the entire amount due at the end of the billing period. Bank credit cards can be used to carry out transactions in a wide range of retail outlets and so are

referred to as general purpose cards (Garcia, 1980). Cards whose use is restricted to the issuers' outlets are known as retail cards or private label cards. This study focusses on bank credit cards. Consumers are driven to acquire credit cards by different reasons. Some people use credit cards as an ego booster since they think it is prestigious to own one. Slocum and Mathews (1970) identify two categories of credit card holders. Installment users are those who do not pay the entire credit balance during the billing cycle, thereby accruing interest charges. Convenience users pay the balance due within the billing period and so do not incur any interest charges. While installment users view credit cards as a source of short term credit, for convenience users, the ability to operate without carrying cash is the key motivator for owning credit cards. Durkin (2000) observed that convenience users are likely to have more favourable attitudes towards credit cards than installment users.

The usage of credit cards in Kenya has grown over the years, but at a very low pace. As at May 2016, the number of credit cards was 221,050. This is a very small percentage of the number of people that use bank services which was 5.4 million in 2013 (Financial Access Survey, 2013). The banking sector is very competitive and thus in their efforts to look for a competitive edge, banks have introduced various services. The credit card service is one of them and this has been made possible by improved technology. The low rate of credit card adoption in the country therefore is a concern to banks. Finding out how attitudes of consumers affect credit card usage is necessary because attitudes affect behaviour. Research has shown that as credit card use increases, the number of people who default and therefore suffer negative consequences increases. This contributes towards the negative attitude manifested by both credit card holders and non-credit card holders. Since credit cards provide an easy option to access short term credit, it requires consumers to have self-control so that they do not accumulate unmanageable loans that lead to bankruptcy. Banks try to address this challenge by maintaining credit limits based on consumers' financial abilities. By reducing the chances of consumers defaulting, they may minimize cases of default that lead to painful experiences. If consumers perceive the credit card limit as unreasonable, this may affect their attitude towards the credit card service. So the limit should not be so low that it creates dissatisfaction among consumers.

There have been many studies aimed at establishing the effect of demographic variables on credit card usage (Rutherford & DeVaney, 2009; Mansfield et al., 2014; Khare, 2013). Some

researchers (Subramaniam & Marimuthu, 2010; Zinman, 2009) have shown that there is a relationship between marketing practices and credit card usage. Other studies (Godwin, 1998; Kaynak & Harcar, 2001; Phlau & Woo, 2008) have revealed that consumer attitudes affect credit card usage.

This study examines the attitudes that bank customers have towards credit card usage. Attitudes are analyzed using the Cognitive, Affective, behaviour model. The indicators used for credit card usage are number of cards owned, frequency of use, types of purchases made using credit cards, value of purchases, payment of credit balance, redemption of reward points and debt owed.

2. RESEARCH PROBLEM

Consumer behaviour is influenced by psychological, social and economic determinants (Solomon et al, 2010). One of the psychological factors is attitudes. Although credit card usage in Kenya has grown over the years, the growth has been rather slow. It is thus necessary for banks that issue credit cards to identify factors that influence credit card usage. Godwin (1998) attributed the increase in credit card payments to a change of attitudes towards credit. Kaynak and Harcar (2001) found that attitudes of credit card owners in Turkey influence usage of credit cards. This study examines how consumer attitudes affect credit card usage in Kenya. Studies done on credit card usage have concentrated mainly on effect of demographic variables (Chan, 1997; Fogel & Schneider, 2006; Timonah, 2014). This study expands knowledge on credit card usage in Kenya by investigating the effect of consumer attitudes.

3. OBJECTIVES

The study was guided by the following objectives:

- i) To determine the effect of cognitive aspects of attitudes on credit card usage.
- ii) To establish the effect of affective aspects of attitudes on credit card usage.
- iii) To determine the effects of behavioural aspects of attitudes on credit card usage.

4. LITERATURE REVIEW

The use of credit cards as a mode of payment has grown in popularity around the world, the rate of growth has not been uniform. Kenya is one of the countries that has experienced a slow growth. Credit card users have been categorized into installment users and convenience users (Slocum & Matthews, 1970). Convenience users clear the entire balance due within the billing

period, while installment users maintain a balance and so have to pay interest. Although type of use may be a matter of choice, installment use may be occasioned by financial constraints that prevent a user from paying all the credit accumulated within the billing cycle. Convenience users may desist from maintaining credit balances because of their attitudes towards debt. Chakravorti (2003) identifies the key players in the credit card market as card associations, acquirers and merchants. Card associations hold the franchises and they license card issuers to use their brands. Some of these are, Visa International, MasterCard, Euro Pay, Diners Club and American Express. Acquirers are the institutions that issue credit cards to customers and banks fall in this category. Merchants are outlets that are willing to accept credit card payments and they sign contracts with the acquirers.

Several studies have been done to analyze credit card usage and various perspectives have been examined. Chan (1997) investigated demographic and attitudinal differences between active and inactive credit card holders in Hong Kong. Income was found to be the most important demographic variable influencing credit card usage. Teoh, Chong and Yong (2013) explored the factors that influence credit card spending behaviour in Malaysia. They identified the key factors to be age, income, marital status and payment policies. Liu and Brock (2009) sought to establish the factors that affect redemption of reward points by credit card holders in China. They established that low redemption rates were as a result of lack of awareness and low level of interest towards the rewards scheme. Rutherford and DeVaney (2009) used the theory of planned behaviour to study convenience use of credit cards in USA. Plau and Woo (2008) compared compulsive and non-compulsive buying by young Australians with respect to the relationship between money attitudes and credit card usage. Their conclusion was that compulsive buyers tended to perceive money as a source of power and prestige and used credit cards more frequently.

An attitude is defined as the degree to which a person has a favourable or unfavourable evaluation of the object in question (Ajzen, 1991). Fazio (1986) defines attitude as a learned association between an object and an evaluation. This definition conforms to the uni-dimensional view of attitudes in that it excludes beliefs and intentions. Attitudes are major determinant of consumer behaviour and several studies have been done to examine attitudes towards credit. Some of these studies (Zhu & Meeks, 1994; Chien & DeVaney, 2001) used single item measures

of attitude. These are limiting in that they do not reveal specific attitude elements that are useful in shaping attitudes. Furthermore, theoretical evidence from psychology and other social sciences suggest that attitude is a multi-dimensional construct. Abdul-Muhmin and Umar (2007) used a multi-item measure of attitudes towards credit use to determine attitudes towards credit and credit cards in Saudi Arabia.

In this study, the Cognitive, Affective, Behaviour (CAB) model which is a multi-item model was applied. This model classifies attitudes into affective, cognitive and behavioural components. The cognitive component covers a person's beliefs about an attitude object, while the affective component addresses the emotions and the behavioural component refers to the actions taken. For each of these attitude aspects various statements are used to determine consumers' specific attitudes and these are then summated to get an overall attitude score.

To establish the consumers' attitudes towards credit card usage, the following hypotheses were developed:

H1: There is a significant relationship between cognitive aspects of attitudes and credit card usage.

H2: There is a significant relationship between affective aspects of attitudes and credit card usage.

H3: There is a significant relationship between behavioural aspects of attitudes and credit card usage.

The conceptual framework from which the hypotheses were derived is presented in Figure 1.

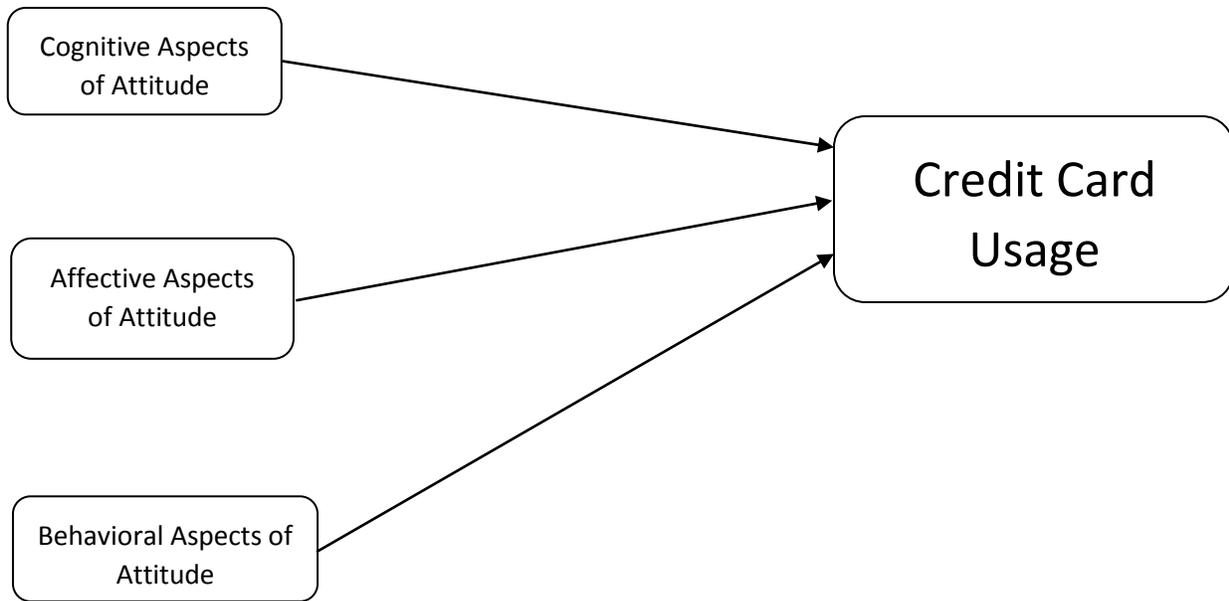


Figure 1: Conceptual Model

The development of the model is guided by consumer behaviour theories in which attitudes are recognized as key determinants of consumer behaviour. Using the Cognitive, Affect, Behaviour (CAB) model of attitudes, it is conceptualized that the three attitude components affect credit card usage.

5. METHODOLOGY

The study used a descriptive, cross-sectional research design. The data was collected from the sample at a specific time. The research design enabled quantitative descriptions of attitudes and credit card usage to be done. The population focused on was all persons in Nairobi who possess at least one credit card. Nairobi was ideal because it has the highest usage rate for bank services in the country and the study was on bank credit cards. To select respondents, stratified random sampling was used. First, clustering was done based on sub-counties within Nairobi County. In the second stage, clustering was done based on divisions. The respondents were approached in large shopping malls and the target was individual card holders. The malls have many retail outlets and thus they are patronized by many people, thus they provided an easy access to respondents. Douglas and Craig (1983) state that the mall intercept technique provides a sample free of any systemic bias. Out of the 395 questionnaires distributed, 361 were filled and returned.

A structured questionnaire was used to collect primary data. The sections and number of questions were based on the hypotheses. The questionnaire was divided into three sections. Section 1 had four questions on the demographic profile of the respondents covering age, gender, marital status and income. Section 2 focused on consumer attitudes under the sub-headings of cognitive aspects, affective aspects and behavioural aspects. Section 3 elicited data on credit card usage with respect to ownership, usage, redemption of reward points and payment of credit balance. In section 2, a 5-point Likert scale ranging from 'not at all' (score of 1) to 'to a very large extent' (score of 5) was used to measure attitudes. Every fifth person confirmed to have a credit card at the selected malls was interviewed.

The data collected was coded and run using Statistical Program for Social Sciences version 20. Descriptive statistics such as frequencies, percentages, mean scores and standard deviation were computed to explain the variables of interest. Mean scores of the variables were correlated and regressed to ascertain their relationships. The Pearson Correlation Coefficient was used to determine relationship between the variables and Analysis of Variance tests were carried out to test the hypotheses.

6. RESEARCH FINDINGS

Out of the 395 questionnaires administered, 361 were duly completed, giving a 91.3 response rate. The high response rate can be attributed to the fact that the data was collected from shopping malls that have retail outlets that attract many people. In addition, the data was collected in the months of November and December when there is heavy shopping associated with the Christmas festivities.

The respondents were asked to indicate the extent which they agreed with statements that reflected on their attitudes towards credit cards. The statements were based on the Cognition, Affect, Behaviour attitude model. A five-point Likert Scale was used to rate the responses as follows: 1- Not at all, 2- To a small extent, 3- To a moderate extent, 4- To a large extent, 5- To a very large extent. The findings are tabulated and discussed below.

Table 1: Cognitive aspects of attitudes

	Mean	Standard deviation	Coefficient of variation %
The use of credit of credit cards results in heavy debt	2.71	1.310	48.3
It is wrong for people to try to own things they cannot afford	2.71	1.408	51
I control my expenses more when I pay with cash than with credit card	3.22	1.397	43.3
It is good to have a credit card because one can buy and pay later	2.74	1.368	49.9
It is necessary to have a credit card when travelling abroad	3.26	1.232	37.8
It is safer to pay through credit card compared to other payment methods	3.56	1.189	33
Using credit cards is more convenient than cash payments	3.39	1.258	37.1
The cost of using credit cards is high	3.16	1.312	41.5
Using credit cards means you do not have to worry about carrying too much cash.	3.38	1.260	37.2
Overall	3.12	1.303	0.421

Table 1 presents a summary of the credit card holders' beliefs about cognitive aspects of credit card use. The respondents agreed to a large extent that it is necessary to have a credit card when one travels overseas, while they concurred to a moderate extent with statements noting that it is safer to use credit cards compared to other payments and that the use of credit cards saves one from the worry of carrying lots of money. Using a credit card when out of the country enables one to carry out transactions without having foreign currency. The respondents also agreed to a

moderate extent that heavy use of credit cards resulted in heavy debt. One can be a heavy user of credit cards and avoid being heavily indebted by paying credit balances promptly.

Table 2: Affective Aspects of Attitudes

	Mean Score	Standard deviation	Coefficient of variation %
I prefer to use a credit card regularly	2.68	1.097	40.9
My credit card makes me happy	2.72	1.081	39.7
I like using credit cards	2.71	1.089	40
I love to have a credit card	2.88	1.196	41.5
My credit card improves my status	2.59	1.194	42.7
Owning a credit card improves financial security	2.79	1.251	44.8
Overall	2.72	1.151	41.6

Table 2 presents a summary of the responses on affective aspects of attitudes. These are attitudes that consumers hold as a result of emotions. The average mean for affective aspects of attitudes is 2.7 showing that respondents agreed to a moderate extent with the statements testing emotional involvement. This mean is lower than that for cognitive aspects and this means that credit card holders are guided more by beliefs than emotions in their usage of credit cards.

Table 3: Behavioural Aspects of Attitudes

	Mean	Standard deviation	Coefficient of variation %
I prefer to buy things on credit	2.54	1.120	44.0
I use my credit card for emergencies	3.47	1.183	34.0
I occasionally use a credit card	3.18	1.184	37.2

	Mean	Standard deviation	Coefficient of variation %
I rarely use a credit card	2.76	1.232	44.6
I am planning to apply for a credit card	2.29	1.270	55.4
Overall	2.85	1.198	0.434

The behavioural aspects of attitudes are about the actions that consumers take or are likely to take regarding an attitude object. A summary of the responses on these aspects are presented in Table 3. The highest mean is for the statement on using credit cards for emergencies, while the lowest mean was on planning to apply for another credit card. A credit card provides a form of financial security by availing funds for unforeseen expenditures.

Pearson correlation analysis was done to find out if there was any association between marketing practices and credit card usage. The results are presented in Table 4.

Table 4: Pearson correlation coefficient results between consumer attitudes and credit card usage

Consumer attitudes	R	Significance
Cognitive aspects	0.337	0.000
Affective aspects	0.378	0.000
Behavioural aspects	0.424	0.000

The findings revealed a significant positive correlation between the three categories of attitudes and credit card usage. The difference among the correlation coefficients is minimal, suggesting that the effects of the attitude aspects on credit card usage are more or less equal. With the Variation Inflation Factor (VIF) values less than 10, the results rule out multicollinearity between the variables. Regression analysis was thus done to test the hypotheses and the results are shown in Table 5.

Table 5: Regression results of Consumer Attitudes and Credit Card Usage

Attitude	B	Standard Error	Beta	T	Significance
Cognitive aspects	0.083	0.030	0.145	2.774	0.000
Affective aspects	0.167	0.035	0.238	4.805	0.000
Behavioural	0.188	0.038	0.269	5.005	0.000

Note: F=40.130, R-squared=0.253

From the results, R squared is 0.253 and this indicates that consumer attitudes (cognitive aspects, affective aspects, behavioural aspects) explain 25.3% of credit card usage. The p-value of 0 indicates the presence of a strong significant association between consumer attitudes and credit card usage. The regression coefficients for all the attitude elements indicate a positive relationship with credit card usage. The r value for cognitive, affective and behavioural aspects was 0.378, 0.337 and 0.424 respectively. Thus H1, H2 and H3 were all supported by the study results.

7. CONCLUSION

Consumer attitudes were found to have an effect on credit card usage, contributing towards 25.3% of variability. This means that there are other variables that affect credit card usage. Chien and DeVaney (2001) introduced the concept of net effect of attitude on credit card usage. They define it as the influence of attitude on credit card use after the impact of other factors such as demographic and economic factors have been removed. For each of the attitude variables tested, there was a positive relationship with credit card usage. This is consistent with consumer behaviour theory. The Consumer Decision Model (Blackwell et al. 2001) includes attitudes as one of the individual influences on consumer behaviour. Other studies have established that there is a relationship between consumer attitudes and credit card usage. Kaynak and Harcar (2001) found that attitudes of credit card owners in Turkey influence their usage. Durkin (2000) noted

that consumer attitudes towards credit cards vary depending on their use of and experience with credit cards. He noted that less favourable attitudes are found among convenience users. This is consistent with the finding by Rutherford and DeVaney (2009) that convenience users of credit cards in USA believed that using credit cards was bad.

8. MARKETING IMPLICATIONS

The findings of this study have confirmed that if efforts are made to ensure that bank customers have favourable attitudes towards credit cards, usage may increase. Godwin (1998) attributed the growth in credit card use to change in attitudes towards credit. The results on the specific attitude aspects provide information that bank managers can use to guide them on how to change their customers' attitudes towards credit cards so that they are more favourable. There are consumers who fear using credit cards mainly because of the negative attitudes they have. For instance, many people believe that using credit cards results in heavy debt. The efforts to change attitudes should involve consumer education to increase their understanding. A study done by Ismail et al (2014) in Malaysia concluded that knowledge of credit cards influences attitudes towards credit card use. Consumer knowledge can be increased by publishing information about credit cards. Banks can also provide card information through mobile phones, given that almost all bank customers have the phones and banks store customer contacts. Other media such as television and radio also provide an avenue for disseminating information about credit cards. The study confirms that attitudes affect consumer behaviour and thus marketers are reminded that they should carry out attitude surveys regularly so that they can take action when they find out that their consumers' attitudes are not favourable.

9. LIMITATIONS AND FURTHER RESEARCH

The study has some limitations. First, the cross-sectional design used was limited in measuring the effect of attitudes on credit card usage over a long period of time. Secondly, the study sampled only credit card holders in Nairobi, leaving out credit card holders in other parts of the country. However, useful insights were generated that can aid decision making in the credit card market. Thirdly, the study focused only on bank credit cards leaving out other cards that allow purchases on credit. Charge cards also enable consumers to make purchases and pay later, but only from the retail outlet that has issued them and the consumers are not allowed to roll over the

outstanding balance. Fourthly, the study sought information from bank customers who own credit cards, leaving out non-credit card holders.

Future research should include respondents from all parts of the country to increase the generalizability of the study. Future studies should endeavour to find out if there is a difference between the credit card holders and non-credit card holders with respect to how attitudes affect credit card usage. A comparison of the attitudes of the two groups of consumers towards short term credit can also be done, given that credit cards provide short term credit. The study results revealed that only 25.3% of variability in credit card usage can be attributed to attitudes. Future studies on credit card usage should in addition to attitudes include other factors such as demographic and economic factors. Finding out how level of income affects credit card usage would be important as the information can be used to segment the credit card market. Since there may be differences among consumers in different countries, a study comparing the credit card market in Kenya with that in other countries would make a great contribution to the body of knowledge on credit cards.

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