

# Exploring the Barriers towards the Adoption of Credit Cards Usage in Pakistan

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## Abstract

Credit card is a widely used financial instrument in consumer financing, facilitating consumers to full fill their number of desires. The purpose of this research is to present an explanatory perception into the current and non-users of credit card. The aim is to recognize the diverse factors that becomes the basis of low adoption and usage rate of credit card among the Pakistani population. Moreover, this paper also aims to highlight the barriers responsible in the diminutive growth of a potential credit card market in Pakistan. This research is explanatory in nature wherein structured questionnaire was used to collect the data. Moreover, non-probability convenience sampling method was adopted as a sampling technique. Furthermore, structured questionnaire was adapted from the base study and distributed among 302 current and non-credit card users. The research indicates that, to create and tap a large market credit card financial institutions should focus on cost and improve the security of credit cards. Findings further reveals that religious belief has a huge impact towards the decline of credit card usage. Consumer bankers dealing with credit card proposition should focus on aggressive brand promotion which will end up in changing the consumer perception. Furthermore, cost/financial charges are highly correlated with the usage of credit card and thus barrier in credit card usage. Therefore, credit cards issuers should keep the stated factors in mind for easy penetration. This research will be instrumental for credit card issuers, advertising agencies responsible for developing the content of credit card communication and can be used in academics to understand this area from both micro and macro perspective.

**Keywords:** Credit Card, Adaptation, Consumer Finance.

## Introduction

As per the norms and culture dictated by our society, we are forced to update our lifestyle according to the society in which we live in. With scarce resources every person wants to upgrade their life style and this has lead to get quick and easy access to services. This idea has lead to different and easy medium which is more easy to use. Considering the consumer needs, plastic money was introduced. Credit cards are one of the forms of plastic money. In last two decades, credit cards have become important as a mode of payment among buyers and sellers. The usage of credit cards have increased drastically all over the world and it's not limited to upper or middle class. Because of this growth of credit card market, there is a huge competition among the issuers of credit cards.

Credit cards are a popular medium of payment for consumers today. In the USA, it has been identified as the second most popular non-cash instrument (Chakravorti, 2003). The use of credit cards has already become a convenient way to expand purchasing power (Braunsberger et al., 2004; Foscht et al., 2010). Durkin (2000) asserts that "in modern commerce, credit cards serve as a payment device in lieu of cash or checks for millions of routine purchases as well as for many transactions that would otherwise be inconvenient or perhaps impossible". The liberalization of the monetary sectors in Asia has resulted in the rapid spread of credit card companies and financial companies providing other types of consumer credit. In Pakistan, although paper based transactions are more common, the use of electronic instruments is gradually increasing. In addition to a number of other factors, the electronic transactions are extensively dependant on their accessibility via alternate delivery channels.

In Pakistan, many people hesitate to use credit cards and think it's not fruitful or against Islamic teachings as it includes interest in it. Some people also do not use this because they think that banks include so many hidden charges in the credit card. The State Bank of Pakistan has taken several measures for the security of the credit cards. According to SBP report the trend of number of cardholders is increasing. But the major segment of people is attracted towards debit cards. Acceptance of credit cards among the general audience has been quite low in comparison to debit cards and ATM cards. Still major proportion of population is not having credit card or avoid to use it even they have adequate resources and affordability of credit cards. In fourth quarter of FY2013-2014 the credit cards showed a significant drop of 11.4% and 14.40% (from 1,270,775 to 1,087,772) in first quarter of FY2014-2015.

### **Pakistan Card Business Industry outlook**

Pakistan's credit card industry was on track for high growth in 2005 when banks began an aggressive consumer finance marketing campaign to lure the country's emerging middle-class. However, the pace of consumer banking loan portfolios has slowed down dramatically since and remained flat over the past few years due to the rising risk of non-performing loans (Kamil, 2014)

The business of credit cards has been declining in Pakistan as their holdings dropped significantly during the last quarter (October-December) of the previous calendar year, as per State Bank report. "The number of plastic cards (Debit, Credit and ATM Only Cards) reached 22.38 million showing a decline of 4.2 per cent compared with that in the previous quarter, as per SBP 'Payment Systems Review' report for the quarter. "The credit cards showed a significant drop of 11.4pc compared to the last quarter," said the report. Banks have been identifying that the credit cards are limited to a particular segment of society. In fact, banks do not offer credit cards to the general public, and getting a credit card has been made difficult. "In contribution of Plastic Cards, Debit Cards have the highest share of 89.6pc," (Dawn, 2014)

### **Problem Statement**

In almost last two decades, the usage of credit card has gained a lot of popularity in urban Pakistan. Consumer banking (credit card) is now one of the key branches in banking system of Pakistan. Since last few years, decline in credit card usage has been observed (Dawn, 2014) Consumers are more attracted towards debit cards as compared to credit cards and consumers feel reluctant in using the credit cards. In fourth quarter of FY2013-2014 the credit cards showed a significant drop of 11.4% and 14.40% (from 1,270,775 to 1,087,772) in first quarter of FY2014-2015. This research is focused on the identification of factors like demographics, socio-psycho, religious belief, cost and security as barrier in adaptation of credit cards usage.

### **Research Objectives**

1. Identify the role of demographics towards the adoption of credit card as a mode of payment.
2. Ascertain the relationship and impact of religious beliefs towards credit card adoption.
3. Understand the impact and relationship of cost associated with credit card adoption.
4. Highlight the effect and relationship of socio psycho factors towards credit card adoption.
5. Analyze the influence and correlation of security toward credit card adoption.

### **Literature Review**

There is substantial research on credit card usage and adoption internationally but we find very limited research done locally in Pakistan. In Pakistan, research work done does not provide insight on consumer's attitude towards plastic money. That's why there is need to explore the factors which acts as barriers towards adoption of plastic money especially credit cards and which factors do they consider unfavorable for the credit card usage. Based on the previous literature review, we have identified number of factors. In our research, we have used those factors to examine the barriers in use and adoption of the credit cards. These factors are divided into four categories. These categories are demographics, cost, socio-psycho factors and security. These categories are further divided into different variables in the perspective of Pakistan. The findings regarding those main variables based on main publications are summarized below.

### **Demographic**

The demographic factor includes age, income, gender, occupation and marital status.

### **Age**

There are numerous findings regarding the age of credit card holders have been documented. There has been mixed findings regarding the age of credit card holders. Delvin et al (2007) found that the more the age the more number of cards a person possesses. According to one more study, college students or young card holders are more responsible for the credit card debt as compared to older age card holders. Young people think that they have more life to repay the debt as compared to senior card holders. Similarly Chirapanda and Yoopetch (2008); Delener and Katzenstein (1994) make the case that the middle age people are more likely to use credit cards.

### **Income**

Several studies have looked the affect of income on usage and adoption of credit cards. But findings do not draw a fine line of conclusion. According to researchers Mandel (1972) and Kinsey (1981), people from different income groups see pros and cons of using credit cards differently. That's why people with higher income have more credit cards (Delvin et al), because of high income they pay off their debts easily (Balasundram and Ronald, 2006). Solcum (1972) says that people with low income make purchasing decisions wisely that's why they use credit cards less frequently. According to Peterson's (1976) case, there is a positive relationship between credit

card usage and high income level which means people with high income have high concentration of using credit cards.

### **Gender**

The females of lower and middle class see credit card as a symbol of status that's why more females have credit cards as compared to males (Gan, Maysami, and Koh, 2008). Another study found that single males use credit cards more frequently as compared to females (Solcum and Methew 1972). Delener and Katzenstein (1994) found that females use more credit cards in Asian culture.

### **Marital Status**

There is contradictory view in regarding the marital status of the credit card users. It depends on the cultural background as well. In general, Gan, Maysami, and Koh, (2008) study found that married people have more number of credit cards as compared to single person. But in Asian culture, single people use credit cards more.

### **Occupation**

There is significant relationship between occupation and usage of credit cards as occupation directly influences the consumption behaviour. Occupation is directly related to the usage and adoption of credit cards. People who are self employed or are executives use credit cards more. However, according to Delener and Katzenstein (1994) found that in Asian culture labor class uses credit cards more.

### **Security**

In recent times electronic payment has brought lot of changes. Credit card is the most common method used as mode of payment. Its simplicity has made it popular. Along with the convenience, it has increased credit card frauds. In developing countries, there is more rates of credit card frauds and less prevention measures has been taken to overcome this problem. Security is in two forms, as against credit card frauds and in the case of card lost or stolen. Fraud is growing problem associated with credit cards. As credit card gives unsecured credit line which is managed by consumer which increases the chances of fraud. When the credit card is stolen or lost, illegal purchase can be made until card holder reports complain to the bank. Complain can be made to the bank through 24 hours helpline. There have been numerous researches done on credit cards fraud. There was a research conducted by Jithendra Dara et al to study the ways in which banks want to reduce the problems of credit card transactions. To detect fraudulent transactions, he proposed an e-payment system.

### **Religious Belief**

Religious belief also plays an important role in adaptation of credit card usage. Most of the people hesitate to use credit cards because they think them against the teachings of Islam as they include the element of Riba (interest). There are contradictory statements whether person can use the credit card if he pays within the time limit. Some scholars says that the cost charged on credit cards is kind of riba which is charged regardless of the fact that you pay the bill on time or not. In Pakistan, majority population consist of Muslims. As Muslims have to follow Islamic standards known as Shariah, a concept of Islamic Banking has emerged. Islamic banks offered interest free credit cards. Islamic credit cards charge a fixed fee instead of interest. Islamic credit card cannot be used for purchasing of alcohols, tobacco, and pork. Even some scholars are even against the Islamic credit cards as well.

### **Cost of a Credit Card**

Credit cards have millions of customers if we were to put its target market in numbers. Credit cards facilitate people in various ways. It helps people make secure payments, gives them benefit of purchasing expensive goods and services and lends in a helping hand in making ends meet at the culmination of a month. On the other hand, the final bill one pays on their credit card is highly dependent on the type of card that is being used in addition to how it is used. If, for example, the user pays the monthly bill on time, he/she will get away with paying surcharge (or interest) on what the user owes. Likewise, if the consumer does not pay full amount, it is obvious that a penalty will be placed in terms of an extra surcharge, often known as interest. This is how credit card holders can be penalized:

### **Credit Card Fees**

Gold and platinum credit cards pitch in extra benefits to the consumer. Travel insurance and concierge services are examples of such extra benefits. Dependent on these extra benefits, the annual fee varies widely. As a consumer, one needs to be aware of how much exactly they need to pay. For the first year, this extra fee is usually waived off for the first year, but henceforth after the first year, the fees become applicable. At this point, consumer awareness is important.

### **Interest Charges**

If the user does not pay owing balance in full, an extra penalty surcharge will be applicable on the consumer. This extra surcharge is termed as interest in the banking language. There are credit cards where 0% introductory rate is applicable on purchases or balance transfers. The amount of interest the user pays on the credit card, depends on the card one has but the usual percentage stands at 18%. This percentage reflects the annual percentage rate (APR). So for the card user, it is best that they pay their bills on time. The second option available is a 0% deal where 0% is applied on balance transfers. In this deal too, interest might be charged on large purchases even if the user clears the cost every month. In addition, if the user uses an ATM to take out a cash advance, interest at 28% will be charged even if the balance is paid up at the end of the month. The cash withdrawal fee stands at 2% for credit card holders.

### **Additional Fees**

If the user plans on using the credit card abroad, then he needs to be aware of the additional fees that might be charged by the bank. A transaction fee of 2.99% is applied by the credit card provider each time the card is used in a place other than the home country. An additional 3% is charged every time the user cashes out from an international ATM. Even if the user has a 0% balance transfer, he or she may be charged with interest.

### **Charges on Balance Transfer**

Credit card providers charge up to 3% to users who switch a credit card from one to another card. It will be more cost effective to transfer to a 0% introductory rate while making balance transfer. The user should also, defiantly, keep an eye on credit card deals since competition is increasing amongst credit card providers.

### **Debt Trap**

Credit cards are just another form of liability for the user. The user knows that it is a card which allows them to purchase before they pay. Each month, if the users do not pay up their credit card bill, it will start adding up to a large amount each month. The debt will spiral up, leading to a debt trap.

### **Concealed Costs**

Costs like late payment charges are added to the bill along with interest if the user does not pay up on time. So the user not only pays the interest, but also ends up paying late payment surcharge if payment is made late. In addition, if the user exceeds the credit card limit, a penalty will be charged. Moreover, there is a 2% fee that the user will need to pay off (s) the cashed out money from the ATM. These are all costs that are hidden, until the user starts using the credit card.

### **Picking the Right Card**

All the costs mentioned up there, indicate to one thing. It all boils down to choosing the right type of credit card. The user definitely will not enjoy paying more money so buying a 0% purchase card or perhaps getting extra protection on purchases or earning reward points will be a better option. Perhaps if the user has built on too much debt on the credit card, he or she will require a 0% balance transfer offer. Money Supermarket's compares services independently, free of cost so the consumer can find the right card by quickly comparing hundreds of deals on the market. To find out which cards you'd be accepted for without affecting your credit score, try our quick and easy card search.

### ***Socio-Psycho Factor***

Duesen Berry (1949) explained an aspect of people's behavior on the basis of savings and debt. The concept he highlighted stressed on the fact that the consumption of people is directly propositional to each other. They would only save money in case of any being left after spending. In the same way if there was any lack of money they would borrow it and spend it to be on the same level to that of their peers (Livingstone and Lunt, 1991). The influence of reference groups on the behaviour of consumer can never be underestimated in this regard (Cynamon and fazzari). Family members, peers, friends and role models do have a great influence on the behavior of consumers (Cant et al, 2006). According to a survey conducted in UK, the main reason for consumer indebtedness was as a result of internal and external pressure due to which consumers were forced to maintain a certain standard of living (Elliot, 2003). Different forms of marketing and advertising has highly contributed in changing the overall needs and wants of consumers. Those things that they were previously considering a necessity has developed and changed into needs. People would still invest in things they consider as luxury to come up to the standard of their peers (Walker, 1992).

### **Application of Theory of Planned Behavior**

The 'Theory of Planned Behaviour' has been applied on the recent economic behavior and is a psychological

theory. But according to Niederle (2007), this theory is a broader aspect and can be used to explain the influence of more than 3 independent variables:

- Attitudes towards behavior
- Subjective norms and
- Perceived (and actual) behavioral control

These variables are viewed to influence the consumer's *intention* (to take credit), which further most likely leads to (credit taking) behavior (unless the actual behavior control hinders them from doing so. The consumption trends around the world imply that there is a change in attitudes towards credit usage in spending. Different studies have examined the impact that attitudes can have on behavior. A study that assessed borrowing and spending behavior in the US found a significant influence of attitude towards credit use in relation to the debt situation (Schooley and Worden 2010). Those who believed that it was acceptable to borrow for luxury items or to cover living expenses were much more likely to use consumer debt, and to have a higher consumer debt burden. Young households were especially more accepting towards using credit to purchase a luxury item rather than saving for the purchase.

Similarly, twice the percentage of those that had a positive balance on their credit card agreed that to borrow money for the purchase luxury items was acceptable, when compared to those who pay their credit balance in full each month. Households with less debt capacity (measured by uncertainty about their future income, or not owning a house) were significantly more positive to "borrow to purchase luxury items or to cover living expenses when income is cut" (Schooley and Worden 2010 p. 271). Livingstone and Lunt (1992) also found differences in attitudes towards credit and debt between those that owed more and those that had less debt. Those people with more debt had an ambivalent attitude of acceptance towards credit facilities. Even if they realized that debt brought them problems, they still thought it was better to make purchase on credit than to wait for the desired goods (Livingstone and Lunt 1992). In a study by Lea et al. (1995), it was found that debtors reported to be living in a community where debt was more common and tolerated, than the non-debtors in the study. This implies that a tolerance and acceptance from the community can have a significant effect on the consumers' credit usage and debt.

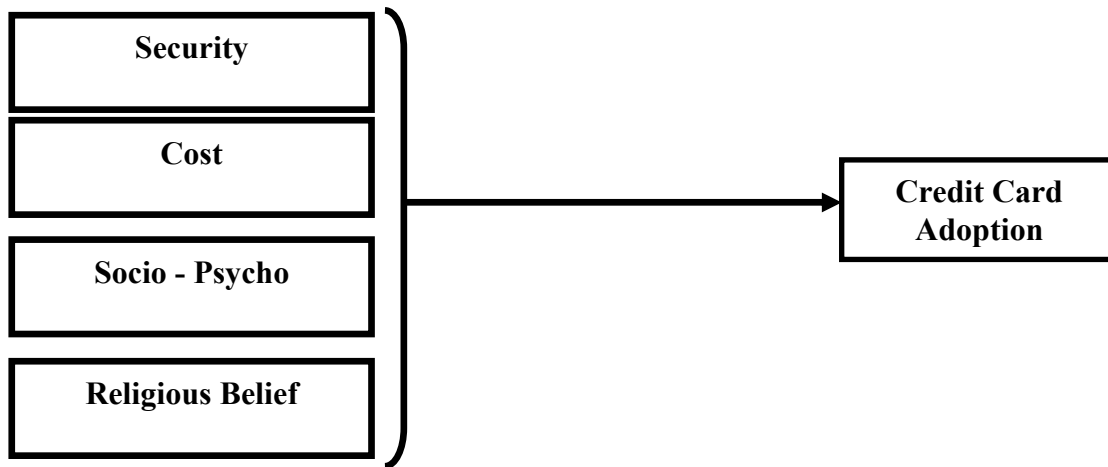
#### ***Credit Card Usage in Other Countries***

Credit card is used all over the world. The numbers of card holders are increasing tremendously. Developed countries use credit cards more as compared to the developing countries. In 2007, the use of credit cards in Asia Pacific was 30% of global transactions which \$1.3trillion. Japan was the highest credit card user by making transactions of \$209 billion, followed by South Korea \$203 billion.

Talking about the Pakistan's neighboring country India, credit card use is low as compared to China, Saudi Arabia and Turkey. The main reason for low usage rate of credit card is that 40% population does not bank account. Standard Chartered, HDFC, Axis Bank, State Bank of India, Bank of Baroda, CitiBank, MasterCard, Barclays Bank, Deutsche Bank, Canara Bank, and Diners' Club are major credit card providers. Customized services are offer in shape of premium card, gold credit cards, cash back credit cards, silver credit cards, business credit cards, airline credit cards, lifetime free credit cards, etc. (Economy Watch, 2010). In the years 1987-2000, there was considerable increase in the transactions made via credit cards. The transactions made via credit cards were increasing by 25% annually in those years.

Malaysia is one of the fastest growing economies in Asia, with GDP per capita of USD 14,700 in 2010. There are 24 credit cards issuers in Malaysia. Out of 24, 21 are banking institutions and others are non-banking institutions. The number of credit cards users has increased numerously in Malaysia. Credit card issuers in Malaysia have eased their policies to increase the users of credit cards. They have widened the benefits, lessening the qualifications of applying, and a more flexible payment policy.

**Figure 1 - Theoretical Framework**



**Research Design**

The research study is explanatory in nature and based on post - positivism philosophy whereby quantitative data is analyzed by using deductive analysis through a structured survey questionnaire as a research tool. Mono method is adopted on cross sectional basis to conclude the information from current and non-credit card users. Furthermore, the research was conducted within the geographical boundary of Karachi.

**Research Hypothesis**

- H0: Security of credit card has no significant impact and relationship with credit card adoption.
- H0: Cost associated with credit card has no impact and relationship with credit card adoption.
- H0: Socio Psycho factors has no significant relationship and influence over credit card adoption.
- H0: Religious beliefs have no impact and relation with credit card adoption.
- H0: Demographic as a moderating variable has no moderating effect over the credit card adoption.

**Data Analysis & Findings**

**Table 1 - Demographic Frequency**

|              |               | Age       |         |               |                    |
|--------------|---------------|-----------|---------|---------------|--------------------|
|              |               | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid        | <b>18-25</b>  | 103       | 34.1    | 34.2          | 34.2               |
|              | <b>26-35</b>  | 95        | 31.5    | 31.6          | 65.8               |
|              | <b>36-45</b>  | 61        | 20.2    | 20.3          | 86.0               |
|              | <b>46-55</b>  | 32        | 10.6    | 10.6          | 96.7               |
|              | <b>56-65</b>  | 8         | 2.6     | 2.7           | 99.3               |
|              | <b>65+</b>    | 2         | .7      | .7            | 100.0              |
|              | <b>Total</b>  |           | 301     | 99.7          | 100.0              |
| Missing      | <b>System</b> | 1         | .3      |               |                    |
| <b>Total</b> |               | 302       | 100.0   |               |                    |

|              |               | Gender    |         |               |                    |
|--------------|---------------|-----------|---------|---------------|--------------------|
|              |               | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid        | <b>Male</b>   | 156       | 51.7    | 51.8          | 51.8               |
|              | <b>Female</b> | 145       | 48.0    | 48.2          | 100.0              |
|              | <b>Total</b>  | 301       | 99.7    | 100.0         |                    |
| Missing      | <b>System</b> | 1         | .3      |               |                    |
| <b>Total</b> |               | 302       | 100.0   |               |                    |



**Marital Status**

|         |         | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|---------|-----------|---------|---------------|--------------------|
| Valid   | Single  | 166       | 55.0    | 55.1          | 55.1               |
|         | Married | 135       | 44.7    | 44.9          | 100.0              |
|         | Total   | 301       | 99.7    | 100.0         |                    |
| Missing | System  | 1         | .3      |               |                    |
| Total   |         | 302       | 100.0   |               |                    |

**Profession**

|         |          | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|----------|-----------|---------|---------------|--------------------|
| Valid   | Business | 155       | 51.3    | 51.5          | 51.5               |
|         | Employed | 146       | 48.3    | 48.5          | 100.0              |
|         | Total    | 301       | 99.7    | 100.0         |                    |
| Missing | System   | 1         | .3      |               |                    |
| Total   |          | 302       | 100.0   |               |                    |

**Table 1e:**

**Income**

|         |         | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|---------|-----------|---------|---------------|--------------------|
| Valid   | 20-40   | 44        | 14.6    | 14.6          | 14.6               |
|         | 40-75   | 68        | 22.5    | 22.6          | 37.2               |
|         | 75-100  | 72        | 23.8    | 23.9          | 61.1               |
|         | 100-150 | 43        | 14.2    | 14.3          | 75.4               |
|         | 150-200 | 44        | 14.6    | 14.6          | 90.0               |
|         | 250+    | 30        | 9.9     | 10.0          | 100.0              |
|         | Total   | 301       | 99.7    | 100.0         |                    |
| Missing | System  | 1         | .3      |               |                    |
| Total   |         | 302       | 100.0   |               |                    |

**Table 2 - 2 Stage Least Square Method for Moderating Variable**

| ANOVA      |            |                |     |             |        |      |
|------------|------------|----------------|-----|-------------|--------|------|
|            |            | Sum of Squares | Df  | Mean Square | F      | Sig. |
| Equation 1 | Regression | 150.289        | 4   | 37.572      | 11.296 | .000 |
|            | Residual   | 971.267        | 292 | 3.326       |        |      |
|            | Total      | 1121.556       | 296 |             |        |      |

| Coefficients                |             |       |            |       |       |      |
|-----------------------------|-------------|-------|------------|-------|-------|------|
| Unstandardized Coefficients |             |       |            |       |       |      |
|                             |             | B     | Std. Error | Beta  | t     | Sig. |
| Equation 1                  | (Constant)  | -.198 | 1.061      |       | -.187 | .852 |
|                             | security    | 1.117 | 2.281      | 1.061 | .490  | .625 |
|                             | cost        | -.717 | 1.494      | -.537 | -.480 | .632 |
|                             | Sociofactor | 1.281 | .727       | 1.447 | 1.762 | .079 |
|                             | religious   | -.711 | 1.332      | -.604 | -.533 | .594 |

The stated table 2 shows that the sig value of all the demographic components like gender, marital status, age, profession and income are above .05 which means that, demographic components as a moderating variable has no moderating effect over the credit card adoption. Therefore, we accept the null hypothesis and reject the alternative hypothesis.

**Reliability Analysis**

The reliability analysis showed the reliability of the survey questionnaire, which enabled researcher to conduct the research and reach to a conclusion. The reliability analysis showed the value of Cronbach's alpha, of all the constructs are  $\geq 0.6$ , which means that the survey questionnaire is reliable enough to perform further analysis.

**Table 3**

| Reliability Statistics |            |
|------------------------|------------|
| Cronbach's Alpha       | N of Items |
| .865                   | 24         |

**Correlation Analysis**

**Table 4**

|                          |                     | Crediterdusg | security | Cost   | Sociofactor | religious |
|--------------------------|---------------------|--------------|----------|--------|-------------|-----------|
| <b>Credit card usage</b> | Pearson Correlation | 1            | .504**   | .625** | .643**      | .603**    |
|                          | Sig. (2-tailed)     |              | .000     | .000   | .000        | .000      |
|                          | N                   | 300          | 297      | 300    | 300         | 300       |
| <b>Security</b>          | Pearson Correlation | .504**       | 1        | .544** | .432**      | .371**    |
|                          | Sig. (2-tailed)     | .000         |          | .000   | .000        | .000      |
|                          | N                   | 297          | 298      | 298    | 298         | 298       |
| <b>Cost</b>              | Pearson Correlation | .625**       | .544**   | 1      | .558**      | .563**    |
|                          | Sig. (2-tailed)     | .000         | .000     |        | .000        | .000      |
|                          | N                   | 300          | 298      | 301    | 301         | 301       |
| <b>Sociofactor</b>       | Pearson Correlation | .643**       | .432**   | .558** | 1           | .536**    |
|                          | Sig. (2-tailed)     | .000         | .000     | .000   |             | .000      |
|                          | N                   | 300          | 298      | 301    | 301         | 301       |
| <b>Religious</b>         | Pearson Correlation | .603**       | .371**   | .563** | .536**      | 1         |
|                          | Sig. (2-tailed)     | .000         | .000     | .000   | .000        |           |
|                          | N                   | 300          | 298      | 301    | 301         | 301       |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Security:** Since the significance level is  $\leq$  to 0.05, therefore we have enough evidence to reject the null hypothesis, Ho, and stated that Security of credit card and adoption of credit cards is strongly positively correlated.

**Cost:** Since the significance level is  $\leq$  to 0.05, therefore we have enough evidence to reject the null hypothesis, Ho, and stated that Cost of credit card and credit cards adoption is strongly positively correlated.

**Socio-Psycho:** Since the significance level is  $\leq$  to 0.05, therefore we have enough evidence to reject the null hypothesis, Ho, and stated that Socio-Psycho factor and adoption of credit cards is strongly positively correlated.

**Religious Belief:** Since the significance level is  $\leq$  to 0.05, therefore we have enough evidence to reject the null hypothesis, Ho, and stated that Religious Belief and adoption of credit cards is strongly positively correlated.

**Multiple Regression Analysis**

**Table 5**

| Model Summary |   |                   |                   |                            |        |
|---------------|---|-------------------|-------------------|----------------------------|--------|
| Model         | R | R Square          | Adjusted R Square | Std. Error of the Estimate |        |
| dimension0    | 1 | .754 <sup>a</sup> | .568              | .562                       | .81718 |

a. Predictors: (Constant), religious, security, Socio factor, cost

**Table 5b:**

| ANOVA <sup>b</sup> |                   |                |     |             |        |                   |
|--------------------|-------------------|----------------|-----|-------------|--------|-------------------|
| Model              |                   | Sum of Squares | df  | Mean Square | F      | Sig.              |
|                    | <b>Regression</b> | 256.138        | 4   | 64.034      | 95.890 | .000 <sup>a</sup> |
|                    | <b>Residual</b>   | 194.995        | 292 | .668        |        |                   |
|                    | <b>Total</b>      | 451.133        | 296 |             |        |                   |

a. Predictors: (Constant), religious, security, Sociofactor, cost



| ANOVA <sup>b</sup> |                   |                |     |             |        |                   |
|--------------------|-------------------|----------------|-----|-------------|--------|-------------------|
| Model              |                   | Sum of Squares | df  | Mean Square | F      | Sig.              |
|                    | <b>Regression</b> | 256.138        | 4   | 64.034      | 95.890 | .000 <sup>a</sup> |
|                    | <b>Residual</b>   | 194.995        | 292 | .668        |        |                   |
|                    | <b>Total</b>      | 451.133        | 296 |             |        |                   |

a. Predictors: (Constant), religious, security, Sociofactor, cost

b. Dependent Variable: creditcrdusg

**Table 5c:**

| Model              | Coefficients                |            |                           |        |      |
|--------------------|-----------------------------|------------|---------------------------|--------|------|
|                    | Unstandardized Coefficients |            | Standardized Coefficients | T      | Sig. |
|                    | B                           | Std. Error | Beta                      |        |      |
| 1 (Constant)       | -.509                       | .196       |                           | -2.593 | .010 |
| <b>security</b>    | .160                        | .049       | .152                      | 3.244  | .001 |
| <b>Cost</b>        | .300                        | .072       | .225                      | 4.186  | .000 |
| <b>Sociofactor</b> | .280                        | .044       | .317                      | 6.399  | .000 |
| <b>religious</b>   | .293                        | .058       | .249                      | 5.079  | .000 |

a. Dependent Variable: credit card usage

### Interpretation

- **Security**

Since the significance level  $< 0.05$ , therefore we have enough evidence to reject null hypothesis, and state that Security of Credit Cards has 16% impact on the adoption of credit card.

- **Cost**

Since the significance level  $< 0.05$ , therefore we have enough evidence to reject null hypothesis, and state that Security of Credit Cards has 30% impact on the adoption of credit card.

- **Socio-Psycho**

Since the significance level  $< 0.05$ , therefore we have enough evidence to reject null hypothesis, and state that Security of Credit Cards has 28% impact on the adoption of credit card.

- **Religious Belief**

Since the significance level  $< 0.05$ , therefore we have enough evidence to reject null hypothesis, and state that Security of Credit Cards has 29.3% impact on the adoption of credit card.

### Conclusion, Recommendation and Area of Further Research

It is observed by this study that a religious factor is the crucial element in the usage of credit card in Pakistan, people here are quiet more sensitive in this area and their preference are highly dependent upon their religious beliefs. Majority believe that Interest (riba) is involved in credit card proposition which discourages them to avail this service. The study shows that religious factor is highly correlated with adoption towards the credit card. On the other hand socio psycho factor has an impact on the usage of credit card. People don't use credit for their social status in their friends and family circle rather they use it for their convenience and at times of emergency. Cost related to the adoption of credit card and security issues especially in Karachi are also effecting the adoption rate of credit card and people are avoiding carrying credit cards with them due to high risk involved.

### Recommendation

Consumer banking needs to improve their cost structure so that more consumers can be added in their portfolio. The annual fees charged by the banks can be reduced. Also, late payment adds more cost for the consumers. Banks can send continuous reminder of the payment before due date and can give grace time for payment. Banks charges late payment fees on daily basis, which can be reduced by charging it on monthly or weekly basis. Banks can also waive the over limit fees.

Credit card issuers need to work on marketing campaigns which can highlight the security factor, enabling this brand team to win consumer confidence so that more users can be added in the credit card portfolio. If card is stolen or lost consumers find it difficult to get it blocked so banks can create an easy way of blocking their card. For example instead of calling and blocking the card, it should be done through a SMS.

Banks need to transform their product proposition and try to launch product which is closer to religious belief for example interest free credit cards. They should launch a credit card which is within the Islamic Shariah

Complaint. In other Muslim countries like Malaysia and Indonesia, Islamic credit cards are emerging at a very high rate and consumers happily using Islamic credit cards as it gives an opportunity to use credit card facility without any additional surcharge such as interest which is prohibited in Islam. In Pakistan, consumer banks should offer credit cards under Shariah complaint which will help them to increase their credit card consumer's portfolio.

### Area of Further Research

Despite of the valuable practical implication of this research, it has some limitations. Due to limited time constraint and resources, research was conducted in Karachi city only, so further research can be done in other cities of Pakistan like Lahore and Islamabad. Limited variables were incorporated in this research like cost, security, socio-psycho and religious belief. Therefore, more factors can be added in the future study. Qualitative study can also be done to understand the customer experiences and the reasons for not adopting the credit card as a mode of payment. These insights will be a valuable contribution in literature of marketing. Moreover, sample size can be increased to generalize the findings.

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