Abstract

The first plastic card in Kenya was launched in 1967 by Diners club Africa Limited (Mahinda, 1991). However, the peak in usage of plastic cards in Kenya was not realized until 1980’s. The development of the Kenya domestic plastic credit card market is mainly due to aggressive marketing of Diners Club Card. The objective of this study was to identify what challenges the industry is facing on the usage of plastic cards, identify the determinants of growth in usage of plastic cards in Kenya and document the current trends on use of plastic cards in Kenya. The research question for the study were i) What are the factors hindering the use of the plastic cards in Kenya? ii) What has been the customer’s response on introduction of credit and debit cards in Kenya? The research was carried out through descriptive survey method. A sample of all cardholders was required to represent the views of all cardholders and a representative sample of 30 Cardholders. The data collection instrument for the cardholders and non-Cardholders was a questionnaire and the instrument for data collection for the Card Issuers was an interview guide. Data analysis method was content analysis for the Cardholders and qualitative analysis for Card Issuer Managers. A total of 56 respondents were involved in the study out of the target 190, therefore generating approximately 30% response rate. The study found out that marketing is limited in that the products for example credit card are not a mass product. Vetting of new entrant in credit cards is very restrictive. Different banks who are majority issuers of these cards tend to segment their market and thus joint marketing promotions are of little help. Why customers do not apply for cards; they fear debt, some are risk averse, for debit cards- fear of technology, fear of fraud for both credit and debit through lost cards, carjacking Banks do not have well thought strategies on plastic money education to existing and potential customers in Kenya. Awareness campaigns by card Issuers on how plastic cards operate is lacking. Telecommunication network in Kenya is unreliable and is hindering card growth. The need for a national credit reference bureau is of paramount importance . The Kenyan judicial System is wanting and seems to frustrate card issuers on plastic money debts related cases. Still majority of Kenyans has the culture of wanting to hold money in form of physical currency notes and coins as opposed to plastic cards. This culture need to change in order for plastic cards to become deep rooted in Kenya.