# CREDIT CARD USAGE IN THE BANKING INDUSTRY KENYA

**BY**

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**A MANAGEMENT RESEARCH PROJECT PRESENTED FOR PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF A MASTER OF BUSINESS ADMINISTRATION DEGREE**

## DECLARATION

I declare that, this project is my own original work and has not been presented for award of any degree in any University.

Signed: ____________________________ __________________

Francis Mulwa Timonah Date:

D61/79957/2012

This research project has been submitted for the course examination with my approval as the University supervisor.

Signed: ___________________________ __________________

Supervisor: Dr. Litondo Date

## DEDICATION

I wish to dedicate this thesis to my family for their support, encouragement and prayers, classmates and lecturers of the MBA class year 2012/2014.

May God bless you all

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## ACKNOWLEDGEMENTS

I take this opportunity to thank God for good health and for bringing me this far. I also want to extend special gratitude to my supervisor Dr. Kate Litondo, for the great partnership we made. The guidance, encouragement and patience in reading, correcting, re-reading and refining this work is commendable. I am thankful to my colleagues and classmates for their encouragement and support as well as University of Nairobi for the opportunity to pursue the MBA program.

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**ABSTRACT**

Technological advancement has brought significant changes to banking worldwide. Kenya is not an exception to this development in the banking industry. Bank customers have adopted the use of Credit card as the credit card has evolved into one of the most accepted, convenient and profitable financial products around the world. It is accepted by millions of consumers and merchants around the world as a routine means of payment for all variety of products and services. This study sought to examine the posited associations between credit card ownership and usage and demographic characteristics of cardholders in the context of Kenya. The study will be guided by the following research objectives: to establish the extent credit card usage ; to determine Challenges of using Credit Cards; to establish the benefits of using the Credit card and to analyze the factors leading the usage of the Credit card. The study will employ a descriptive research design to achieve the objectives of the study. The study will focus on Kenyan Commercial Bank as is the largest bank in the region and have aggressively pushed for the adoption and usage of Credit cards in Kenya. The study identified a population size of 70 respondents who will constitute 50 customers who frequent Nairobi City centre branches per day and 20 Members of staff. The study will use a structured questionnaire to gather primary data from the respondents. The collected data will be analyzed with the assistance of the SPSS software program and the data will be presented using means, frequencies and percentages in tables, pies and graphs.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Kaynak and Harcar (2001) noted that credit card companies issue their cards to a pre-selected group of individuals. Thus, the demographics of credit card users by and large reflect card issuer policies and criteria. In the growth stages of a credit card market, card companies initially target those likely to have substantial repayment capacity and be seen as trendsetters. This group is typically well-educated, earning high income, and employed in occupations that are esteemed and offer opportunity for spending on business travel, meals, and entertainment. As that market segment becomes saturated, card issuers relax eligibility standards and reach out to other demographic groups such as those with low income or college students (Hayhoe et al., 2000; Kaynak & Harcar, 2001; Masuo et al., 2004; Xiao et al., 1993).

Previous research has examined the relationship between credit card usage and gender, education, income, age, and ethnicity. Findings for gender have been somewhat inconclusive. In an early study of credit card users, White (1975) found that single males in the US were more likely to use credit cards than females. In contrast, analyzing data from a random sample drawn from a metropolitan area in the US, Adcock et al., (1977) determined that credit card users were more likely to be female. And, in a study of Turkish consumers, Kaynak et al., (1995) found no significant difference in card holders by gender.

Humphrey et al., (2001) supports the fact the introduction and use of electronic payment instruments holds the promise of broad benefit to both business and consumers in the form of reduced costs, greater convenience and more secure, reliable means of payment and settlement for a potentially vast range of goods and services offered worldwide over the internet or other electronic networks. One such benefit is that electronic payments enable bank customers to handle their daily financial transactions without having to visit their local bank branch. Electronic payments products could save merchants time and expense in handling cash (Appiah & Agyemang, 2006).

According to Humphrey, Pulley and Vesala (2000), the resource cost of a nation's payment system can account for 3 percent of its GDP. Since most electronic payments cost only about one-third to one-half as much as paper-based non-cash payment, it is obvious that the social cost of a payment system could be considerably reduced if it is automated (Appiah & Agyemang, 2007).

### 1.1.1 Credit Card Usage

Credit card usage is gaining wide spread acceptance globally and has become one of the preferred mode of payment. A credit card system is an internetworking of hardware components at the various transaction points that have been carefully chosen so that they work well together with application software components or programs that support the system. The development of the credit card is probably the most significant phenomenon of the modern banking sense.

The first decade of the 21st century has witnessed a major card technology revolution, i.e. the widespread replacement of 40-year-old magnetic stripe technology on debit and credit payment cards with microprocessor chip cards, commonly known as the chip or ‘chip and PIN’ introduction. The fact that the majority of card payment transactions on the globe still rely on magnetic stripe technology means that the chip and magnetic stripe have to coexist in the global payments systems: chip cards still need to carry magnetic stripes to be globally accepted, and chip POS terminals still need to accept magnetic-stripe-only cards

The main purpose of deploying chip technology in payment cards has been to reduce fraud in its various forms at the point of sale (POS) and automated teller machine (ATM), mainly counterfeit and lost and stolen. The success of all these deployments with regard to reducing domestic fraud is undisputed. The picture is not so clear for cross-border transactions however. The reason for this is that, while adoption of chip technology has reached close to 100 per cent in some national markets or regions, it is nowhere near completion in others. Most prominently, the biggest payment market, ie the US, has not made the decision to migrate seriously to chip technology (MasterCard, 2009). As a consequence, the superior security of chip is undermined by the on-going existence of the less secure magnetic stripe infrastructure and the fact that issuers - for the sake of customer convenience - so far have not removed the magnetic stripe (SEPA, 2006).

The value of transactions effected through cards in the year to June 2013 increased by 6.4 percent and 79.1 percent from Ksh673.34 billion to Ksh716.44 billion and Ksh762.23 billion to Ksh1,365.43 billion for acquirers and issuers, respectively. Correspondingly, withdrawals increased by 95.7 percent and41.7 percent from 148.8 million withdrawals to 291.22 million withdrawals and 219.98 million withdrawals to 311.83 million withdrawals for acquirers and issuers, respectively. The growing usage of cards signifies a growing shift from cash based payments to non-cash payments by the public. The total number of cards in use rose by 10.0 percent from 9.9million cards in June 2012 to 10.9 million cards in June 2013 (CBK, 2013)

### 1.1.2 Banking Industry in Kenya

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act, and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. The Central Bank of Kenya, which falls under the Ministry of Finance, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. Central Bank of Kenya publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines

The banking sector has embraced changes occurring in Information Technology with most banks having already achieved branchless banking as a result of the adoption of communications options. According to The Central Bank Annual Supervision report (2003), the increased utilization of modern information and communications technology has for example led to several banks acquiring ATMs as part of their branchless development strategy measures. The Central Bank notes that advancement in Information and Communications Technology (ICT) in the banking industry has enhanced efficiency and improved customer service.

This is reflected particularly in the increased use of ATM cards resulting from broadening of ATM network, including additional ATM machines and a wider network of merchants that accept payment through credit cards. Several banks have also entered into the Internet Banking and established websites. Internet banking however is still at its infancy and more in terms of utilization is expected in this sector. The study will select a representative sample of five commercial banks across all the tiers.

## 1.2 Problem Statement

Globally, credit card ownership and usage have increased substantially in recent decades (Wickramasinghe & Gurugamage, 2009). This trend reflects the growing popularity of the credit card as a preferred mode of payment for goods and services in lieu of cash, checks and other forms of payment (Abdul-Muhmin & Umar, 2007). The credit card offers consumers the benefit of acquiring and using goods and services without paying for them with cash, thus removing the burden of carrying cash (Foscht et al., 2010). The credit card also offers consumers access to credit without having to go through elaborate paper work as is the case with a loan. Despite these benefits, credit card ownership and usage have been associated with increased consumer debt and unplanned spending (Thomas et al., 2010; Norum, 2008). Research shows that debt associated with credit card usage has been on the rise in recent decades and that credit card related debt account for a substantial share of household spending (Wickramasinghe & Gurugamage, 2009). This has raised concern amongst policy-makers regarding the potential adverse effects on consumers and the economy at large (Norum, 2008).

Extensive research has been conducted on credit card ownership and usage behavior in recent years (Kaynak et al., 1995; Sharpe et al., 2012). This studies reflects similarities and differences in credit card ownership and usage among nations (Kaynak et al., 1995). The research also indicates that credit card ownership and usage are largely influenced by demographic characteristics of users such as gender, age, education level, income, marital status, ethnic background, culture and attitude towards debt (Abdul-Muhmin & Umar, 2007; Wickramasinghe & Gurugamage, 2009). Furthermore research indicates that credit card ownership influences usage behaviour and vice versa (Abdul-Muhmin & Umar, 2007; Wickramasinghe & Gurugamage, 2009). For example, studies have found that the number of credit cards owned increases the frequency of use or amount of purchases charged to the credit card (Gan et al., 2008; Abdul-Muhmin & Umar, 2007). Similarly, the number of credit card owed is influenced by how the card is used. For example, research has shown that those who use the credit card as a convenient way to pay for goods and services are more likely to own fewer cards than those use it as a source of revolving credit (Wickramasinghe & Gurugamage, 2009; Kaynak et al. 1995).

However, the accumulated knowledge on credit card ownership and usage is largely based on studies undertaken in middle and high income countries such as Malaysia, Singapore, Saudi Arabia, China and USA. Low income countries particularly in Africa have attracted little research attention. Despite the recent upgrading of Kenya to middle income status, few studies for example Okiro (2013) has been conducted in this area in the country to date. Moreover, this study investigates the usage patterns of credit card owners and online banking. Kairaria (2014) did a study on the characteristics of credit card users and non-users in Nairobi, Kenya and found out that clients used credit cards for convenience while those who didn't use them did so because of the costs. The study does not include other variables of interest and in particular demographic variables that previous studies have found to be influencing credit card usage. The present study addresses these research gaps by investigating the posited associations between credit card ownership and usage and demographic characteristics of cardholders in the context of Kenya.

The study will therefore seek to answer the following questions: What is the extend of Credit card usage?; what problems do they encounter in the use of credit Cards? and what are the benefits of owning a credit card?

**1.3 Objectives of the Study**

The general objective of the study is to investigate the usage of the Credit cards in the banking industry specifically to

(i) Establish the extent of credit card usage by bank customers
(ii) Determine Challenges the employees encounter when using Credit Cards
(iii) Establish the benefits of using the Credit card
(iv) Analyze the factors leading the usage of the Credit card by Customers

**1.4 Value/Importance of the Study**

This study will be helpful for card issuing companies to adopt such strategies that will reduce the impact of perceived barriers, for the purpose of meeting nationwide as well as worldwide competition. The card issuer may get momentous information from the findings of this research that will be accommodating in designing their marketing strategies, which will position their product high in customer’s mind.

Developing economies have witnessed increased consumer spending and growth in income levels but regular use of credit cards is limited; especially in the Kenyan context. Understanding the lifestyle variables affecting credit card usage can help companies in targeting decisions. The country has a growing middle class that has been spending on services, real estate, and consumer durables. The current research can provide valuable insights not only to credit card companies but also to other companies targeting Kenyan middle class for making purchases through credit cards. Further, increased use of credit cards could lead to increase in online shopping. The findings related to understanding the factors that influence credit card use in Kenya, can be of immense help to banks as well as organizations selling products and services in the Kenyan market.

# CHAPTER TWO: LITERATURE REVIEW

## 2.1 Introduction

This chapter summarizes the information from other researchers who had carried out their research in the same sphere of study. The study specifically covers the theoretical discussions, Credit card usage, Empirical review and conceptual framework.

## 2.2 Theoretical Framework

Credit card adoption in a developing country may be considered from more than one theoretical perspective, specifically economics and marketing. Lancaster's model of consumer demand proposes that consumers do not demand a good, per se, but rather desire the various characteristics that good offers them (Lancaster, 1966). This model provides a useful conceptual framework for study of credit card adoption and use. Participants in a recent interview of early credit card adopters in China listed several card features that were of interest to them (Worthington et al., 2011). Credit cards provide a convenient payment mechanism, especially for on-line purchases. Credit cards can be safer to carry than large amounts of cash. Monthly statements provide a record of transactions. Some cards offer use incentives such as purchase discounts or points that can be exchanged for goods or services. Credit card use is visible and can give users some degree of social status.

Credit cards also offer payment flexibility. When credit card balances are paid in full each month, no interest charges are incurred. If a balance is carried forward, the credit card becomes an unsecured line of credit and interest accrues on the unpaid balance. Typically such debt is of relative short duration. Participants in Worthington et al.'s (2011) study enjoyed being able to make purchases when cash was not available. They acknowledged, however, if careful attention is not paid to the amount of credit used, overspending could occur.

Existing studies of consumer credit use have typically drawn on the life cycle/permanent income hypothesis (LCH/PIH) from economics as a theoretical framework (see, for example, Kim and DeVaney 2001, Lyons and Hunt 2003; Lyons 2003). This hypothesis proposes that current household consumption is based on a fraction of households' permanent income (Friedman 1957) or wealth (Ando and Modigliani 1963). Households are assumed to be able to estimate their consumption over the long run and to choose a smooth level of consumption over their life time to maximize utility. Debt financing facilitates consumption smoothing. Households are expected to borrow when the household head is young, repay debt and save during mid-life and save during the retirement years. Thus, the LCH/PIH highlights the relationship between life cycle stage and demand for credit (Baek and Hong 2004).

Marketing theory highlights the importance of information and experience in the adoption of innovation. Wozniak (1987) describes adopting an innovation as a ‘‘reallocation decision made in response to disequilibria’’ that was created by changed opportunities and risks in the market (p. 102). Although Wozniak was referring to innovation in general, his observation has relevance to the introduction of a new payment mechanism in a developing market economy.

Prior to introduction of plastic cards in general and credit cards in particular, Kenyan consumers transacted business in cash, due both to underdeveloped capital markets. The credit card brought technological innovation to the consumer payment market, creating new opportunities as well as uncertainties. Advantages such as convenience in making payments and reduced need to carry cash could entice credit card adoption. Conversely, uncertainty regarding the process and outcome of card use as well as a cultural aversion to debt could discourage adoption.

Barker and Sekerkaya (1992) underscored the fact that credit card take up in developing countries differs markedly from that of developed markets. Developing countries lack technological infrastructure for credit card use such as ATMs or point of sale systems that both support and encourage credit card use. This fact tends to slow widespread distribution of credit cards. In addition, they noted: Use of the credit card requires the buyers to act in drastically new ways, change their way of thinking and modify their behaviour (sic) patterns radically in developing countries…. In an environment where cheque (sic) usage is rather limited, the credit card is both a prestigious novelty and a source of risk for the consumer… (Barker & Sekerkaya, 1992: p. 28).

Their observation echoes Wozniak’s comment regarding innovation. Before consumers can change thought and behavior, product information is needed. Thus, in this study consumer credit card knowledge is also considered as a factor influencing credit card take-up.

## 2.3 The Concept of Credit Card

The spread of credit card ownership and usage has increased over the last ten years. A review of literature on credit card reveals that most studies have been undertaken in developed country settings. Credit cards were first issued in the USA in the early twentieth century.

Since then, they have become a major system for exchange of transactions (or payments) that stimulates household and personal spending even in many developing countries of the world (Watkins, 2000).

Mitchell and Mickel (1999) define credit cards as a source of money which enables the customer to make payments later. The advancement of technology has made credit cards a convenient mode of transaction (Phau & Woo, 2008). John Biggins, a consumer credit specialist introduced the concept of credit card. The credit card was introduced as a credit plan called "Charge-It" in the year 1946. This was in a form of scrip which facilitated customers to make payments to the merchants or traders. After the transaction, the scrip was deposited in the bank and the payments were advanced to the trader (Gnanapushpam, 2007). The credit card serves the function of making precautionary money easily available to customers for transactions, and since credit cards have a "grace period", customers' can make the payment of the balance at the end of the month (Brito & Hartley, 1995). It was just a matter of time before such credit facility was made available to individuals through credit cards.

### 2.3.1 Challenges of Credit Card Usage

Credit card misuse refers to excessive and irresponsible spending using credit card that causes credit card debt (Norvilitis et al., 2006; Palan et al., 2011; Sidoti & Devasagayam, 2010). Consumers are more likely to misuse their credit cards if they see money as a source of prestige (Tokunaga, 1993) and they will buy the luxury products using credit cards in pursuit of their desires (Wang et al., 2011). Similarly, individuals with low self-esteem purchase expensive luxury goods on credit to repair their self-worth (Pettit & Sivanathan, 2011). Credit card misuse is also more likely among individuals who are impulsive buyers (Pirog & Roberts, 2007), students with need-based financial aids (Lyons, 2004), and compulsive buyers (d'Astous, 1990; Faber & O'Guinn, 1992; Ritzer 1995).

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**2.3.2 Benefits of Credit Card Usage**

The pattern of use of credit card differs according to different socio economic groups. Slocum and Mathews (1969) found that lower socio-economic classes used their credit cards for installment financing, whereas higher socio-economic group for convenience. Canner and Cyrnak (1986) added that the factors of convenience are positively co-related with income, age and relative financial liquidity. Thus, convenience, easy acceptance and improvement in standard of living and instant purchasing power are widely accepted as reasons for credit card use. Slocum and Mathews (1970) state that social class and income can be considered as indicators of consumer credit behavior. In their studies Mathews and Slocum (1969) and Slocum and Mathews (1970) focused on use pattern of credit cards and found that cardholders with low income and socioeconomic status use cards to generate revolving credit more frequently than do rich and high status card holders.

Xiao et al., (1995) indicated that in terms of other financial behaviors, individuals and families with high income tend to be more willing to use credit cards. Cox and Jappelli (1993) found that the demand for credit is positively related to permanent earnings and net worth and negatively related to income and age. Duca and Rosenthal (1993) revealed that the credit demand of young households is positively related to wealth, income and household size. In support of this, Slocum and Mathews (1970) did a survey in USA with sample size of 2032 commercial bank credit card holders and found social class and income as the indicator, of consumer credit behavior.

### 2.3.3 Credit card Usage Factors

There is a wide array of literature available in examining the use of credit card across the world. The major reasons as revealed from these studies are socio-economic reasons, safety and security etc. However, the authors have made a modest attempt to review the literature across three aspects of credit cards starting with the reason for credit card use, its preference from origin and major reasons for accepting a particular bank group's credit card from the rest.

Zelizer (1994) suggested that men and women are different from each other in terms of perceiving, using and valuing money. In another study Lea et al., (1995) found that debtors are more likely to be women than men. Adding to these Xiao et al., (1995) found that men have more favorable attitudes than women in terms of credit cards use. Gender and marital status are the significant determinants for the use of credit card (Kinsey, 1981; Slocum & Mathew, 1970). At the same time bachelors (single male) are major user of credit card than female (White, 1975; Adcock et al., 1977). Contrasting the above finding, some research papers depicted that females used their credit card more frequently (Arora, 1987) and have higher average number of credit cards than male (Hayhoe et al., 1999; Armstrong & Craven, 1993).

In his research Erdem (2008) found that factors that affect probability of credit card user default are total credit card debt to income ratio and the proportional payment of expenses with credit cards. The variables like number of children, level of education, subjective norm, perceived behavioral control and attitude toward the behavior were found to be effective in the formation of the behavioral intention and again education has the largest impact on the formation of behavioral intention. The variables for education, marital status, number of children, having a working spouse and the gender have impact on the behavioral intention. Some research papers revealed that credit card holder usually overspend compared to those who use cash or cheque (Soman, 2001; Fenberg, 1986; Hirschman, 1979). In contrast, Danes and Hira (1990) found that middle-income families used credit cards more than higher income families.

The credit card selection is mainly influenced by low annual fee, a low interest rate found by Chan (1997) done in Hongkong and Gan et al., (2006). Adding to this, Durkin, 2000 revealed that credit cards are used as a source of revolving credit. Convenience users are mostly coming under high income, older adults and they used to pay their credit card balance in full as stated by Moschis, (1990). It has been concluded by Gan, Maysami and Koh (2006) in Singapore from a sample of 636 that respondents are more inclined to multiple card holding because of discounts, promotions and perks offered by different banks and they are less loyal compared to single card holder. Females view credit card as a status symbol. Regarding the use of credit card it was found that multiple card holders use their card for petrol and medical dental expenses and less frequent user use that for utility bills and entertainment. They also suggested further study on general attitudes of cardholders towards credit debts and whether debts can be controlled and help can be taken from any other sources.

Credit, specifically credit derived from credit cards, has been studied in terms of one's attitude toward credit (Canner & Cyrnak 1985; Godwin, 1998; Norton, 1993) as well as the correlation between one's attitude toward credit and their usage of credit (Chien & DeVaney, 2001). Kim and DeVaney (2001) linked various factors, such as education, credit card interest rates, credit limits, and attitudes, as positively correlated to having outstanding balances on credit cards. With the exception of Kim and DeVaney, little emphasis has been applied to a theoretical foundation of credit card usage. Rutherford and DeVaney (2009) utilized and emphasized the use of the Theory of Planned Behavior to explain the use of credit cards. The Theory of Planned Behaviour suggests an outcome can be predicted by one's intention based on specific attitudes. Rutherford and DeVaney (2009) found convenience credit card users, those who had a card but did not revolve their line, felt credit card usage was bad (i.e., had a negative perception of credit use). Alternatively, revolving credit card users had a positive attitude toward credit and felt it acceptable to use their cards for things like vacations. However, the literature lacks depth in determining how credit card attitudes were formulated.

## 2.4 Empirical Review

Kaynak and Harcar (2001) noted that credit card companies issue their cards to a pre-selected group of individuals. Thus, the demographics of credit card users by and large reflect card issuer policies and criteria. In the growth stages of a credit card market, card companies initially target those likely to have substantial repayment capacity and be seen as trendsetters. This group is typically well-educated, earning high income, and employed in occupations that are esteemed and offer opportunity for spending on business travel, meals, and entertainment. As that market segment becomes saturated, card issuers relax eligibility standards and reach out to other demographic groups such as those with low income or college students (Hayhoe et al. 2000; Kaynak and Harcar 2001; Masuo et al. 2004; Xiao et al. 1993).

Previous research has examined the relationship between credit card usage and gender, education, income, age, and ethnicity. Findings for gender have been somewhat inconclusive. In an early study of credit card users, White (1975) found that single males in the US were more likely to use credit cards than females. In contrast, analysing data from a random sample drawn from a metropolitan area in the US, Adcock et al. (1977) determined that credit card users were more likely to be female. And, in a study of Turkish consumers, Kaynak et al. (1995) found no significant difference in card holders by gender.

Education level of card holders can be an artifact of the stage of the credit card market in a given locale. Still, there does appear to be a positive relationship between education and credit card use. As previously noted, in the growth stage of the credit card market, the highly educated are courted as customers (Kaynak and Harcar 2001). This fact is affirmed in research by Danes and Hira (1990) who found a significant and positive relationship between degree of credit card use and respondent level of higher education and knowledge of consumer credit. As this preferred market became saturated, credit card issuers began to market cards to riskier groups in terms of repayment potential, including those with relatively low income and education and college students (Kaynak and Harcar 2001).

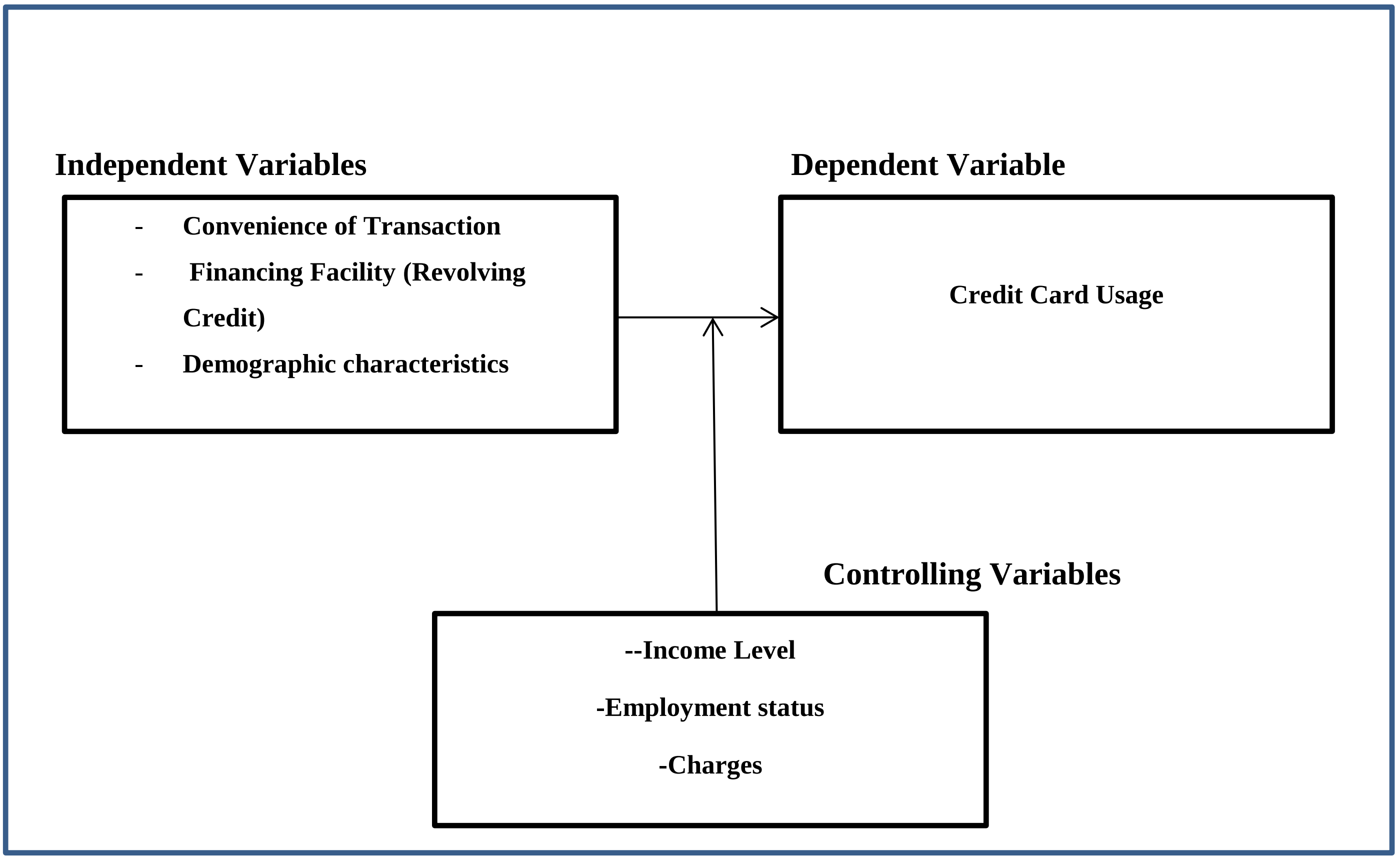
Income has generally been found to have a positive relationship with credit card use (Adcock et al., 1977; Wang et al., 2011; Wasberg et al., 1992). However, as credit card issuers have reached out to a broader demographic, some researchers have found that lower income households use credit cards more than higher income families (Danes and Hira 1990). Credit cards can provide lower income households a line of credit that is either easier to access or lower cost than other potential sources of credit.

Researchers that have surveyed individuals across the lifespan regarding credit card possession and use have generally found that middle-aged household heads were more likely to have and use credit cards. At older ages, however, credit card possession was relatively less frequent (Adcock et al., 1977). In a developing economy, however, the early adopters of credit cards are more likely to be young (Baek and Hong, 2004; Kaynak et al., 1995).

## 2.4 Conceptual Framework

The conceptual framework provides a relationship between the dependent and the independent variable. The framework is used in research to outline possible courses of action or preferred approach to the research subject (Mugenda & Mugenda, 2003). The independent variables are the Challenges facing the Credit card usage The research will be descriptive in nature. The framework therefore shows the relationship between the dependent and the independent variable while noting the intervening variables. Control variables are those that literature tells us can also affect card usage

**Figure 2.7.1 Conceptual Framework**




Source: Researcher

# CHAPTER THREE: RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter outlines the methodology that was used in the research study. It describes the type of research design used, the target population and sample size, sampling design, the data collection instruments, data analysis and presentation of the research findings.

## 3.2 Research Design

In order to meet the required goal of the research study, the researcher will apply a descriptive research design. Descriptive designs are used in preliminary and exploratory studies to allow the researcher to gather information, summarize, present and interpret it for the purpose of classification (Orodho, 2002).

Lee (2007) observes that a descriptive survey research is intended to produce statistical information, which is useful in the information researched. The descriptive research design is preferred in this study because it allows for analysis of different variables at the same time and thus will enable the researcher identify the usage of the credit cards, the use of the descriptive research design lead to a better understanding of the phenomenon being studied and help to view issues and problems from the perspective of those being studied.

## 3.3 Population of the Study and Sample size

The target population was the Banking industry in Kenya while the study population was the customers of KCB Bank Group. The bank is chosen for this study because according to the Wikipedia (2010), it is the largest financial services group with an asset base valued above $3.5 Billion. The study identified a population size of 70 respondents who will constitute 50 customers who frequent Nairobi City centre branches per day and 20 Members of staff.

## 3.4 Sample and Sampling Design

The sampling technique used is systematic random sampling; the questionnaires were given at an interval of every one customer and members of staff

## 3.5 Data Collection and Data Analysis Procedure

The research will be done in such a way that the researcher will prepare a questionnaire to collect data from the respondents. The researcher will seek permission from the management of the bank and afterwards get a letter from the University's postgraduate department as a confirmation of the purpose of the research. The researcher will then distribute the questionnaires and a brief introduction for the purpose of the research to the banks customers and staff and collect the questionnaires once the respondents have finished filling them in.

According to Breakwell (2006), descriptive research design is commonly represented by use of frequency charts, bar graphs, and pie charts to tabulate the information gathered appropriately. Statistical Package for Social Sciences (SPSS) will be used to analyze the data. This package is known for its efficiency and ability to handle large amounts of data. Given its wide spectrum for statistical procedures purposefully designed for social science, it will be developed as an appropriate holding frame to come up with reliable results according to the responses in the questionnaires. Inferential statistics will also be used for the objective where by regression model will be employed

## CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF FINDINGS

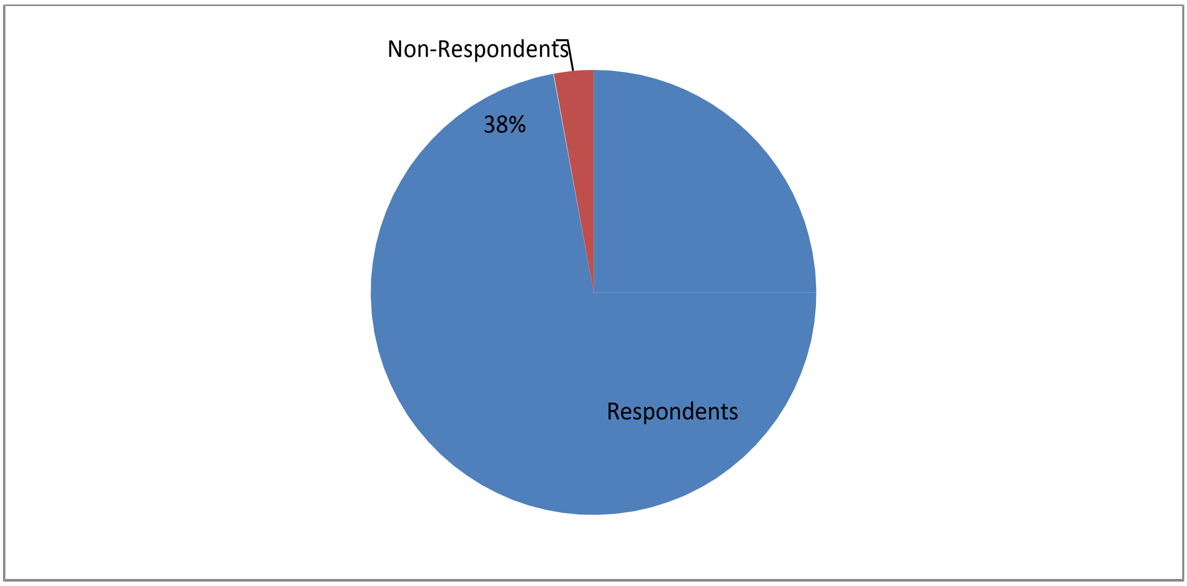
### 4.1 Introduction

This chapter presents the analysis and findings of the study as set out in the research methodology. The research data was gathered exclusively through questionnaires as the primary research instrument. The questionnaires were designed in line with the research objectives of the study.

### 4.2Response Rate

The study had a sample size of 70 respondents in collecting data, 68 out of the 70 target respondents filled in and returned the questionnaire resulting in a 97.1% response rate. This is shown in Figure 4.1 and this response rate was considered acceptable. This is an acceptable rate for data analysis and reporting because it is more than 50% of the responses. The response was within the recommended threshold of 70 percent. According to Mugenda and Mugenda (2008), a response rate of 70 percent is acceptable as representative of the sampled population. Babbie (2004) also claims that a response rate of 50% is considered adequate, that which is at 60% as good and 70% as very good also supports this opinion.

**Figure 4.2 Response Rate**



## 4.3 General Information

The study sought to determine some general characteristics and differences between the respondents. The results are illustrated in the following sections.

## 4.4 Gender of the Respondents

The study sought to determine the gender of the respondents. The results are shown in Table 4.1

**Table 4.1 Gender of the Respondents**

| | Frequency | Percent |
|---|---|---|
| Male | 21 | 30.9 |
| Female | 47 | 69.1 |
| Total | 68 | 100.0 |

The findings indicate that most of the respondents (69.1%) were female while 30.9% were male. This indicates that most of the respondents who participated in the study were female.

## 4.5 Age of the Respondents

The study sought to determine the age of the respondents. The results are shown in Table 4.2

**Table 4.2 Age of the Respondents**

| | Frequency | Percent |
|---|---|---|
| 21-30 years | 22 | 32.4 |
| 31-40 years | 19 | 27.9 |
| 41- 50 years | 19 | 27.9 |
| Above 50 years | 8 | 11.8 |
| Total | 68 | 100.0 |

The findings indicate that 32.4% of the respondents were aged 21-30 years, 27.9% are aged 31-40 years, and 27.9% are aged 41-50 years while 1.8% is aged above 50 years. This indicates that the study had varied age groups in the response rates but a majority of the respondents were aged between 21 to 30 years.

### 4.6 Marital Status of the Respondents

The study sought to determine the marital status of the respondents. The results are shown in Table 4.3

**Table 4.3 Marital Status of the Respondents**

| | Frequency | Percent |
|---|---|---|
| Married | 46 | 67.6 |
| Single | 22 | 32.4 |
| Total | 68 | 100.0 |

The findings indicate that the majority of the respondents (67.6%) were married while only 32.4% were single. This indicates that the majority of the respondents who participated in the study were married.

### 4.7 Respondents Highest Academic Qualification Obtained

The study sought to determine the highest academic qualification of the respondents. The results are shown in Table 4.4

**Table 4.4 Respondents Highest Academic Qualification Obtained**

| | Frequency | Percent |
|---|---|---|
| Diploma | 33 | 48.5 |
| Degree | 29 | 42.6 |
| Master's Degree | 6 | 8.8 |
| Total | 68 | 100.0 |

The findings indicate that 48.5% of the respondents had diplomas, 42.6% had degrees while 8.8% of them had Master's degree. This indicates that all the respondents who participated were quite educated to understand the questions of the study and the all the elements of credit cards.

### 4.8 Employment Status of the Respondents

The study sought to determine the employment status of the respondents. The results are shown in Table 4.5

**Table 4.5 Employment Status of the Respondents**

| | Frequency | Percent |
|---|---|---|
| Permanent | 39 | 57.4 |
| Contract | 29 | 42.6 |
| Total | 68 | 100.0 |

The findings indicate that most of the respondents (57.4%) were on permanent employment while 42.6% were on contract employment. This indicates that all the respondents were employed in one way or another thus had a monthly income.

### 4.9 Respondents Monthly Income Levels

The study sought to determine the monthly income levels of the respondents. The results are shown in Table 4.6

**Table 4.6 Respondents Monthly Income Levels**

| | Frequency | Percent |
|---|---|---|
| < 50,000 | 18 | 26.5 |
| 50,000 - 100,000 | 35 | 51.5 |
| 100,000 – 200,000 | 9 | 13.2 |
| Above 200,000 | 6 | 8.8 |
| Total | 68 | 100.0 |

The findings indicate that most of the respondents (51.5%) earned 50,000 - 100,000 per month, 26.5% earned <50,000 per month, 13.2% earned 100,000-200,000 per month while 8.8% earned above 200,000 per month. This indicates that most of the respondents could be classified as belonging to the middle class i.e. earning a salary of 50 to 100 thousand

### 4.10 Ownership of a Credit Card

The study sought to determine if the respondents had credit cards. The results are shown in Table 4.7

**Table 4.7 Ownership of a Credit Card**

| | Frequency | Percent |
|---|---|---|
| Yes | 31 | 45.6 |
| No | 37 | 54.4 |
| Total | 68 | 100.0 |

The findings indicate that most of the respondents (54.4%) did not have credit cards while 45.6% of the respondents had credit cards.

## 4.11 Reasons for Getting a Credit Card

The study sought to determine what made the respondents to acquire credit cards. The results are shown in Table 4.8

**Table 4.8Reasons for Getting a Credit Card**

| | **Frequency** | **Percent** |
|---|---|---|
| Convenience while transacting | 22 | 32.4 |
| Ease of use | 21 | 30.9 |
| Source for revolving credit | 25 | 36.8 |
| Total | 68 | 100.0 |

The findings indicate that 36.8% of the respondents acquired credit cards to have a source for revolving credit, 32.4% for convenience while transacting while 30.9% did it for ease of use.

## 4.12 Reasons for Not Getting a Credit Card

The study sought to determine what made the respondents to not acquire credit cards. The results are shown in Table 4.9

**Table 4.9 Reasons for Not Getting a Credit Card**

| | Frequency | Percent |
|---|---|---|
| Safety | 3 | 4.4 |
| High threshold and complicated process | 18 | 26.5 |
| Possibility to overspend | 47 | 69.1 |
| Total | 68 | 100.0 |

The findings indicate that the majority of the respondents (69.1%) did not get the possibility to overspend, 26.5% because of high threshold and complicated process and 4.4% for safety reasons this shows that banks need to do more to assure customers of their card safety.

## 4.13 Length of Time using Credit Card

The study sought to determine how long the respondents have had credit cards. The results are shown in Table 4.10

**Table 4.10 Length of Time using Credit Card**

| | Frequency | Percent |
|---|---|---|
| Less than six months | 25 | 36.8 |
| More than six months | 43 | 63.2 |
| Total | 68 | 100.0 |

The findings indicate that the majority of the respondents (63.2%) had had credit cards for more than six months while 36.8% had had theme for less than 6 months.

## 4.14 Time Respondents Use Credit Cards

The study sought to determine when the respondents use their credit cards. The results are shown in Table 4.11

**Table 4.11 Time Respondents Use Credit Cards**

| | **Frequency** | **Percent** |
|---|---|---|
| Beginning of the Month | 17 | 25.0 |
| End Month | 23 | 33.8 |
| During Emergencies | 28 | 41.2 |
| Total | 68 | 100.0 |

The findings indicate that most of the respondents (41.2%) used their credit cards d uring emergencies, 33.8% at the end of the month and 25% at the beginning of the month.

## 4.15 Credit Card Benefits

The study sought to determine the benefits that the respondents got from their credit cards. The results are shown in Table 4.12

**Table 4.12 Credit Card Benefits**

| | Not at all | small extent | moderate extent | large extent | very large extent | Mean | Std Deviation |
|---|---|---|---|---|---|---|---|
| Buy Advance, Pay Later | 11 | 21 | 17 | 17 | 2 | 2.6765 | 1.11223 |
| No Cash, Eliminated the trouble of change | 10 | 22 | 17 | 18 | 1 | 2.6765 | 1.07121 |
| Convenience while travelling | 11 | 22 | 14 | 20 | 1 | 2.6765 | 1.11223 |
| Credit Card Installment on large Consumption | 8 | 21 | 12 | 26 | 1 | 2.8676 | 1.10500 |
| Online Payment is safe and convenient | 10 | 20 | 16 | 22 | 1 | 2.7353 | 1.07367 |
| Good Credit history / Rating | 6 | 25 | 16 | 21 | 1 | 2.7647 | .99428 |
| Universal acceptance | 28 | 11 | 7 | 16 | 6 | 2.4265 | 1.44879 |
| Fixed Interest rates | 12 | 22 | 12 | 20 | 2 | 2.6765 | 1.16467 |
| Special offers | 10 | 22 | 16 | 20 | | 2.6765 | 1.05719 |
| Useful in Emergencies | 9 | 17 | 15 | 24 | 3 | 2.9265 | 1.15016 |

The findings indicate that the respondents indicated that universal acceptance was a credit card benefit to a small extent to them as shown by a mean of 2.4265 while a high number of the respondents indicated that credit cards were useful in the event of emergencies with a mean of 2.9265 this can show that the respondents don't have adequate income to sustain them through emergencies

## 4.16 Challenges of Using Credit Cards

The study sought to determine the challenges of using credit cards. The results are shown in Table 4.13

**Table 4.13 Challenges of Using Credit Cards**

| | Strongly Disagree | Disagree | Not certain | Agree | Strongly Agree | Mean | Std Deviation |
|---|---|---|---|---|---|---|---|
| Credit Card stimulates Overspending / impulse Buying | | | 30 | 29 | 9 | 3.6912 | .69663 |
| Penalty of cash advance | 1 | 12 | 8 | 33 | 14 | 3.6912 | 1.04034 |
| Interest increase after a late Pavment | | 5 | 12 | 36 | 15 | 3.8971 | .83111 |
| Card Security | 4 | 3 | 14 | 41 | 6 | 3.6176 | .93089 |
| Fees are too high | 6 | 2 | 2 | 26 | 32 | 4.1176 | 1.19113 |
| Confusing Terms and Conditions | 2 | | 11 | 40 | 15 | 3.9706 | .80984 |
| Credit costs money | | 3 | 10 | 42 | 13 | 3.9559 | .72140 |
| Overuse leads to poor Credit record/ rating | 2 | 10 | 6 | 38 | 12 | 3.7059 | 1.02300 |
| Reduces future buying power | | | | 36 | 32 | 4.4706 | .50285 |

The findings indicate that the respondents agreed that credit card reduces future buying power this is best explained by the high Mean of 4.47 and also by the fact that the cash advance fees in credit card are high. From the table above it explains that card holder's security is not a major challenge in acquiring credit card

### 4.17 Regression Analysis

The study sought to determine the relationship between the independent and the dependent variables. The results are shown in the following tables.

**Table 4.14 Model Summary**

| Model Summary$^{c}$ | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | |
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 2 | .478$^{b}$ | .228 | .124 | .45470 | .142 | 3.622 | 3 | 59 | .018 |
| Predictors: (Constant), Convenience of Transactions, financing facility, demographic characteristics (Gender, Age) | | | | | | | | | |
| Dependent Variable: Credit Card Usage | | | | | | | | | |

The 14.2% which is the percentage increase in the variation in the usage of credit card can be explained by the dependent variable in the Model i.e. Credit card usage thus We can conclude that income levels, employment status and credit card charges do moderate the relationship between convenience of transaction, financing facility, demographic characteristics and credit card usage.

**Table 4.15 ANOVA**

| ANOVA$^{c}$ | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 2 | Regression | 3.611 | 8 | .451 | 2.183 | .042$^{b}$ |
| | Residual | 12.198 | 59 | .207 | | |
| | Total | 15.809 | 67 | | | |
| b. Predictors: (Constant), convenience of Transactions, financing facility, demographic characteristics (Gender, Age, Education) | | | | | | |
| c. Dependent Variable: Credit Card Usage | | | | | | |

The **ANOVA** table tests whether the overall regression model is a good fit for the data. This indicates the statistical significance of the regression model that was run. Here, $p < 0.042$, which is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable (i.e., it is a good fit for the data).

**Table 4.16 Coefficients**

| Coefficients[a] | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | 95.0% Confidence Interval for B | | Collinearity Statistics | |
| | | B | Std. Error | Beta | | | Lower Bound | Upper Bound | Tolerance | VIF |
| 1 | (Constant) | .542 | .469 | | 1.154 | .253 | -.397 | 1.481 | | |
| | Financing Facility | .111 | .053 | .253 | 2.089 | .041 | .005 | .217 | .890 | 1.124 |
| | Gender | -.012 | .133 | -.011 | -.087 | .931 | -.277 | .254 | .811 | 1.234 |
| | Age | .003 | .056 | .007 | .061 | .952 | -.109 | .116 | .927 | 1.079 |
| | Convenience of Transactions | .150 | .123 | .146 | 1.225 | .025 | -.095 | .395 | .925 | 1.082 |
| | Education | .064 | .103 | .086 | .623 | .535 | -.142 | .270 | .689 | 1.452 |
| | Employment Status | -.062 | .134 | -.064 | -.464 | .644 | -.331 | .206 | .691 | 1.448 |
| | Income Levels | .217 | .067 | .389 | 3.256 | .002 | .084 | .350 | .916 | 1.092 |
| | Charges | .037 | .047 | .090 | .771 | .444 | -.058 | .131 | .969 | 1.032 |
| a. Dependent Variable: Credit Card Usage | | | | | | | | | | |

From the above table 4.16 there is evidence that major driver for credit card usage is the income levels where the percentage in 32.56 and as per the respondents questioned the Majority card holders are the middle income also acquiring cards for the purpose for financing facility this is also evident as per the respondents indicate that they mostly rely credit cards for Emergency use this is explained in Table 4.16 as the Variables that have a percentage of 1.96

## CHAPTER FIVE: DISCUSIONS, CONCLUSION, RECOMMENDATIONS

### 5.1 Introduction

This chapter provides the summary of the findings from chapter four, and it gives the conclusions and recommendations of the study based on the objectives of the study.

### 5.2 Summary

On the demographic characteristics, the study found out that most of the respondents (69.1%) were female while 30.9% were male. This indicates that most of the respondents who participated in the study were female. The study also found out that 32.4% of the respondents were aged 21-30 years, 27.9% are aged 31-40 years, 27.9% are aged 41-50 years while 1.8% are aged above 50 years. This indicates that the study had varied age groups in the response rates.

The study also found out that the majority of the respondents (67.6%) were married while only 32.4% were single. This indicates that the majority of the respondents who participated in the study were married. On the educational levels, the study found out that 48.5% of the respondents had diplomas, 42.6% had degrees while 8.8% of them had Master's degree. This indicates that all the respondents who participated were quite educated to understand the questions of the study and the all the elements of credit cards.

The study also found out that most of the respondents (57.4%) were on permanent employment while 42.6% were on contract employment. This indicates that all the respondents were employed in one way or another while most of the respondents (51.5%) earned 50,000 - 100,000 per month, 26.5% earned <50,000 per month, 13.2% earned 100,000-200,000 per month while 8.8% earned above 200,000 per month. This indicates that most of the respondents could be classified as belonging to the middle class.

On credit cards the study found out that most of the respondents (54.4%) did not have credit cards while 45.6% of the respondents had credit cards; 36.8% of the respondents acquired credit cards to have a source for revolving credit, 32.4% for convenience while transacting while 30.9% did it for ease. For those who did not get credit cards, the majority of them (69.1%) did not get for the possibility to overspend, 26.5% because of high threshold and complicated process and 4.4% for safety reasons.

The study found out that the majority of the respondents (63.2%) had had credit cards for more than six months while 36.8% had had theme for less than 6 months and most of the respondents (41.2%) used their credit cards during emergencies, 33.8% at the end of the month and 25% at the beginning of the month.

The study found out that the respondents indicated that universal acceptance was a credit card benefit to a small extent to them while they agreed to a moderate extent that buy advance, pay later, no cash, eliminated the trouble of change, convenience while travelling, credit card installment on large consumption, online payment is safe and convenient, good credit history/ rating, fixed interest rates, special offers and useful in emergencies.

The study also found out that the respondents agreed that credit card stimulates overspending/ impulse buying, penalty of cash advance, interest increase after a late payment, card security, fees are too high, confusing terms and conditions, credit costs money, overuse leads to poor credit record/ rating and reduces future buying power were the challenges of using credit cards by bank customers.

The regression analysis indicates that the change in $R^2$ is reported as **.142**, which is a proportion and is the percentage increase in the variation explained by the addition of the interaction term. We can also see that this increase is statistically significant ($p <$ .018). We can conclude that income levels, employment status and credit card charges do moderate the relationship between convenience of transaction, financing facility, demographic characteristics and credit card usage. The **ANOVA** had a $p$ value of < 0.042, which is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable (i.e., it is a good fit for the data).

## 5.3 Conclusions

The study concludes that most of the respondents who participated in the study were female and there was distributed representation of all age groups in the response rates.

The study concludes that the majority of the respondents who participated in the study were married and that all the respondents who participated were quite educated to understand the questions of the study and the all the elements of credit cards.

The study concludes that all the respondents were employed in one way or another while most of the respondents (51.5%) earned 50,000 - 100,000 per month, and thus to the middle class.

On credit cards the study concludes that most of the respondents (54.4%) did not have credit cards while 45.6% of the respondents had credit cards; 36.8% of the respondents acquired credit cards to have a source for revolving credit, 32.4% for convenience while transacting while 30.9% did it for ease. For those who did not get credit cards, the majority of them (69.1%) did not get for the possibility to overspend, 26.5% because of high threshold and complicated process and 4.4% for safety reasons.

The study concludes that that the respondents indicated that universal acceptance was a credit card benefit to a small extent to them while they agreed to a moderate extent that buy advance, pay later, no cash, eliminated the trouble of change, convenience while travelling, credit card installment on large consumption, online payment is safe and convenient, good credit history / rating, fixed interest rates, special offers and useful in emergencies.

The study also concludes that the respondents agreed that credit card stimulates overspending/ impulse buying, penalty of cash advance, interest increase after a late payment, card security, fees are too high, confusing terms and conditions, credit costs money, overuse leads to poor credit record/ rating and reduces future buying power were the challenges of using credit cards by bank customers.

We can conclude that income levels, employment status and credit card charges do moderate the relationship between convenience of transaction, financing facility, demographic characteristics and credit card usage. The **ANOVA** had a *p* value of < 0.042, which is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable (i.e., it is a good fit for the data).

## 5.4 Recommendations

Based on the Percentage figures of the respondents i.e. 54.4% who did not have credit cards The Banking should also come up with training strategies on card education to existing and potential customers in Kenya and encourage usage of cards also a joint awareness campaign by financial institutions and card Issuers should be done on how plastic cards operate

The banking institutions needs to carry out market intelligence / Research on why more women have acquired credit card more than men this is attributed by the fact that 69.1% of the respondents were women and employ creative strategies to entice men on the usage of credit cards

In addition the industry should work hand in hand with the government to implement the wage policy that addresses the minimum wage payable. This will in effect ensure more a disposable income that would eventually influence the uptake of credit card.

### 5.5 Limitations of the Study

The findings of this study are applicable to Kenya commercial bank customers and staff who reside within the CBD Nairobi. Customers from other regions in Kenya may have a different factors / Drivers leading to credit card usage.

The study could also not manage to collect data from all the 70 respondents since sharing experiences on Credit card information is very sensitive and some customers were not willing to participate in this study for their own security.

### 5.6 Suggestion for Further Studies

This study was limited to Kenya Commercial Bank. This study therefore recommends further studies in other leading banks in Kenya located elsewhere other than in Nairobi. Further, the study only targeted employees and customers within Nairobi CBD There is need for further studies in other departments in the banks and across all cities in Kenya to make informed and valid conclusion regarding the Credit card usage within the banking industry in Kenya.

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## Appendix I: Research Questionnaire

### SECTION A: GENERAL INFORMATION

**Please provide your answer with a tick (□) in the appropriate box**

1. Gender:

☐ Male

☐ Female

2. Age:

☐ 21-30 years

☐ 31-40 years

☐ 41- 50 years

☐ Above 50 years

3. Marital status

☐ Married

☐ Single

4. Please indicate the highest academic qualification obtained: (Select only one option)

☐ Diploma

☐ Degree

☐ Master's Degree

☐ Doctorate Degree

☐ Other (Specify)………………………

5. Employment Status

☐ Permanent

☐ Contract

6. Monthly Income Levels: (Select only one option)

☐ < 50,000

☐ 50,000 - 100,000

☐ 100,000 – 200,000

☐ Above 200,000

7. Do you own a Credit Card?

☐ Yes

☐ No

If yes what made you acquire a Credit Card: (you may select one or more options)

☐ Convenience while transacting

☐ Ease of use

☐ Source for revolving credit

☐ Others (Specify)………………………

If No Reasons for not having Credit card: (you may select one or more options)

☐ Safety

☐ High threshold and complicated process

☐ Possibility to overspend

☐ Others (Specify)………………………

8. For how long have you use Credit Card?

☐ Less than six months

☐ More than six months

9. When do you use your credit card: (you may select one or more options)

☐

☐ Beginning of the Month

☐ End Month

☐ During Emergencies

☐ Others (Specify)………………………

**Section B: CREDIT CARD BENEFITS**

Kindly indicate the extent to which you agree with the following statements concerning benefits in Credit Card Usage

Use the scale: **1**= Not at all **2**= small extent **3**=moderate extent **4**= large extent **5**= very large extent

| **No.** | **Extent of Benefits in Credit Card Usage** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|---|
| 1 | Buy Advance, Pay Later | | | | | |
| 2 | No Cash, Eliminated the trouble of change | | | | | |
| 3 | Convenience while travelling | | | | | |
| 4 | Credit Card Installment on large Consumption | | | | | |
| 5 | Online Payment is safe and convenient | | | | | |
| 6 | Good Credit history / Rating | | | | | |
| 7 | Universal acceptance | | | | | |
| 8 | Fixed Interest rates | | | | | |
| 9 | Special offers | | | | | |
| 10 | Useful in Emergencies | | | | | |
| | <u>Others</u> | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |

**Section C: Challenges of using Credit Cards by Bank Employees**

Kindly indicate the extent to which you agree with the following statements concerning the Challenges of using Credit Card.

Use the scale: **1**= Strongly Disagree **2**= Disagree **3**= Not certain **4**=Agree **5**= Strongly Agree

| **No.** | **Challenges of using CREDIT Card.** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|---|
| 1 | Credit card stimulates overspending / impulse Buying | | | | | |
| 2 | Penalty of cash advance | | | | | |
| 3 | Interest increase after a late payment | | | | | |
| 4 | Card Security | | | | | |
| 5 | Fees are too high | | | | | |
| 6 | Confusing terms and Conditions | | | | | |
| 7 | Credit costs money | | | | | |
| 8 | Overuse leads to poor credit record/ rating | | | | | |
| 9 | Reduces future buying power | | | | | |
| | <u>Others</u> | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |

## Appendix II: Kenya Commercial Bank Branches in Nairobi CBD

1. Biashara Street Branch
2. Moi Avenue Branch (Kencom)
3. River road branch
4. University way Branch
5. Kipande house branch
6. Card Centre
7. Kimathi Street Branch