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Syed Faheem Hasan Bukhari ^α, Ayesha Ismail ^σ, Fareed Shaukat Memon ^ρ & Malick M. Abu Rehan Alvi ^ω

Abstract- The aim of this research is to identify the factors responsible for the usage and adoption of credit card. It's an explanatory research, structured questionnaire was used to collect the data. Moreover, non-probability convenience sampling method was used. Research findings indicates that awareness has the highest impact in creating a huge market for credit card. Also, cost factor is correlated with the usage of credit card; there exists a relationship between these two variables. Moreover, the providers of this service should lower the interest rate. The facilities provided by the bank like easy access to money, availability of cash and international acceptance is another feature that should be more focused. Individual's life style and religious aspect has the lowest impact and have the weakest relation with the usage of credit cards. This research will help the consumer bankers, to develop an improved product proposition and better communication plan.

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1. INTRODUCTION

Credit card is a beneficial financial instrument which helps consumers to get financial resources for current consumption redeemable in future date. The first type of credit card was made on 8th February, 1950. It was known as the Diners club card. These diners card were used for the credit purchase which was issued in the early twentieth century in the USA. These cards were basically used for travelling and entertainment purpose. Later on it gave the idea of an international card that can be used for credit purchase around the world. Due to this, credit card emerged at a very fast pace around the globe. Most of the studies on credit cards have been done in developed economies. Credit cards are popular as a medium for exchange of transactions. Credit cards make it easy for the household and personal spending to take place even in many developing countries (Watkins, 2000). The benefit of using credit card which attracts most of the customers is its acceptability around the globe. It also relieves the need to carry much cash, maintains an accurate purchase record, facilitates refunding of

merchandise, it entertains customers by awarding attractive reward points which can be redeemed and in case of theft it gives an option to reverse the transaction.

Apart from all the benefits listed above there is a major drawback of credit card is that it leads to a common habit known as "Compulsive Buying". Consumers of credit cards become victim of excessive purchase on debt that has an adverse impact such as addictive shopping and unnecessary debt. Multiple research proved that a card holder would spend more compared to using cash in an identical situation (Feinberg R. A., 1986), (Hirschman, 1979), (Prelec & Semeter, 2001). Though it facilitates the benefit of delaying payments, but these delays or default ends up with a penalty of huge interests which piles up your payments. Mismanagement and Misuse of this facility is a major downside. The worst case scenario of this debt can take months, years or even decades to overcome the financial burden. According to the *USA Federal Reserve Board's Survey of 2007* related to Consumer Finance, 46.1% of families carry these kinds of credit debts. The result of this debt leads to bankruptcy. For instance in the year 2009-2010 the personal bankruptcy filing was about 1.6 million but it is down by 12% in the year 2013 from its previous year and the statistics show that the current personal bankruptcy is around 1.1 million. (States, 2009-2013).

This is why most consumers refer credit cards as debt trap rather than looking at it as an ease. (Sudhagar, July - Aug, 2012). The high use of credit card led the people in failing to pay their debts and interest, which were seen as a huge factor in changing the perception and usage pattern of card holders.

a) Problem Settings

The trend of credit purchase was started by retail stores and oil companies worldwide who helped in identifying their customers and increase their sales. (Scott III, 2007). A trend that evolved by the retail stores and oil companies is now major medium of transaction for the household and personal spending worldwide (Warwick & Mansfield, 2000). It has evolved to such an extent that the credit card now even dominates the virtual world as a major source of financial transactions (Thomas, Oliver, & Hand, 2005).

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International market for credit card is growing constantly over the period. Banks sold \$5.5 billion of credit card portfolio alone in year 2010. (NEESON, January 2012). Credit card business has been proved to be a very profitable business for banks all over the world. North American credit card industry, with a customer base of 600 million people, earned a total of 895 million pre-tax profits in year 2009. (NEESON, January 2012). On the other hand, Europe experienced a declining trend in the profit pools. Western Europe market fell by 30 percent from 2008 to 2009 totaling \$6.9 billion.

Middle East which is both economically and culturally diversified faced a major challenge of credit card defaulters. The two largest consumer markets of credit cards include South Africa and UAE faced a credit loss of 9.5% and 18%, in 2009 respectively. In the race to occupy a larger market share of credit consumers, they reduced their policies and even offered their services to expatriate. During the economic crisis these expatriates were forced to leave their job and the country, so they defaulted on their debt payments which resulted in the huge loss of 2009 (NEESON, January 2012).

In Asia pacific, credit card business is even more lucrative. Hong Kong, with only 7 million consumer base, earned a total of 725 million pre-tax profits. (NEESON, January 2012) This demographics shows that there is large business potential for credit cards in Developing regions of the world including Pakistan and India. It has been found that Indian credit card market has shown a growth of 30 – 40 percent annually. Furthermore the number of credit card holders is 27.5 million reported by the credit card issuers (Sudhagar, July - Aug, 2012). There is a new force in credit card market with the presence of internet and online purchasing. People use credit cards for their online payments.

b) *Credit Card Industry Outlook | Pakistan Perspective*

The penetration rate in Pakistan has been very low given that it is in the market for over 20 years. Initially credit cards all over the world was targeted to the elite class and so was the case in Pakistan which slowed its growth rate as the population of high income class in Pakistan is less than 10%. Owning a credit card during that time was considered as a symbol of royalty. But recently, extending middle class in Pakistan shows a large potential for credit card market. The right path to approach that middle class is proper image building and awareness of credit card services to potential consumers.

The trend has been changing over the period. There are wide number of credit card users in Pakistan. An estimate tells that total number of credit card holders in Pakistan is about 22 hundred thousand, in which 9 hundred thousand are active users. There are number

of foreign and local banks which are providing their services in this regard. Habib Bank pioneered the launch and introduced a gold card in Pakistan which proved to be unsuccessful. Allied bank then followed the trend and reintroduced credit card as Master Card but also failed in attracting attention. In the year 1994 Citibank revolutionized the market by introducing its credit card known as the Visa Card. This was the turning point for the credit card industry in the history of Pakistan. Awareness was created about plastic money among the people of Pakistan. (Khalid, Butt, Murtaza, & Khizar, 2013). Today, nearly all banks offer credit card services to its customers.

In this research, consumer perceptions, understanding and perception about credit card and its services are studied. Customers tend to use those products which, in their perception, add value to their lives. The value that credit card provides focus on using future cash flow in present time with interest fee. Stavins signifies that consumers are sensitive not only to the fee (interest rates) of credit card usage but also to the value of other enhancements like frequent use awards, extended warranties, expedited dispute resolution or automobile rental insurance. (Stavins, 1996) Our research will cover almost every area that would enrich the user experience of credit card usage and, ultimately, increase the volume credit card transactions.

In Pakistan, people are more attracted toward use of Debit cards than that of credit card. We will study credit card usage and adoption in order to find out the psychological, cultural and functional barriers that a potential consumer or credit card holder would face. Trends in Pakistan are being changed as there is more diffusion of internet and globalization in the country. The country is more open to international trade which ensures economic stability and cultural transformation in the country. A big chunk of people can afford global life style in this developing part of the world. People are using electronic banking for their day to day transactions due to its high convenience and 24/7 availability. There is high use of debit card in Pakistan i.e. 235.25 billion in FY2010 as compared to only 17 billion uses credit cards in the same year. This shows a wide difference in these two closely related instruments (Dar, 2010). The difference shows that there is negative psychology toward credit card usage despite of its convenience as compared to rigid domain of debit card.

c) *Research Objectives*

- Ascertain the awareness of credit card among the users.
- Determine the extent to which interest payments lead in resisting the adoption of credit cards.
- Analyze the impact of security and availability of cash on its credit card holders.

- Examine the influence of lifestyle on the usage and adoption of credit cards.
- Identify how religious belief drives away from credit card practices.

II. LITERATURE REVIEW

a) *Credit Card Orientation, Product, History*

Credit card is the product that allows its users to borrow money for payment from a merchant and pay back in future date. Credit card is an automated way to offer consumers credit that would be paid by banks. Credit cards were firstly evolved after 1920 when oil companies and other big firms started issuing cards which ensure future payment by the consumers. (Encyclopedia britannica, n.d.) But its wide use started from 1938 when companies started accepting each other's' cards. (Belis, n.d.) Banks started issuing credit cards in year 1946, when John Biggins of the Flatbush National Bank of Brooklyn launched its first credit card. With the evolution of modern technologies, Credit cards were issued in Plastic hard card which bears particular numeric values contains 16 digits. It includes user's information which is directly connected with main database of the company. The barcode stripe is detected by the detecting skimmers which are placed by the banks and it consists of user information.

Numerous researches have been done on the frequent use and adoption of credit card internationally but there are limited researches conducted on the low usage of plastic money in a developing country like Pakistan and the gap is yet to be identified. This provides us with an opportunity to identify why people are reluctant in adopting plastic money even though it offers many features and benefits.

b) *Developed Countries*

In most of developed countries the usage of credit card has been high compared to the developing countries. They act as a vital payment tool for the consumers all over the world (Feinberg A.1986), (Brenthal, Crockett, & Rose, 2005). American Banker Association estimated that every second around 10,000 payment card transactions are made all over the world. In the past ten years the value and amount of card – based payments has accelerated in various developed countries such as US, U.K (Settlements, 2003), (Klee, 2006). Consumers are more likely to pay for their groceries with credit card in various supermarkets such as Tesco, Asda and Sainsbury (Guibourg & Segendorff, 2007), (Humphrey, Willeson, Bergendahl, & Lindbolm, 2006), (Amromin & Chakravorti, 2009) indicates that the use of cash has declined in many countries and there is a significant drop off. A research done on the credit card usage among the affluent users in China concludes that the Chinese are comfortable being accompanied by using credit card (Wothington, Stewart, & Lu, 2007).

c) *Credit card usage in Pakistan*

Credit card was launched in Pakistan by HBL but it gained recognition after 1990's with the launch of Citibank Pakistan Visa Card. (KeithTimimi, 2010) after successful launch of credit card by Citibank, Muslim commercial bank also followed the example. Nearly all banks in Pakistan offer credit cards to their users. These banks include Allied bank, National Bank, HSBC, Standard chartered bank, and HBL. (KeithTimimi, 2010) Today credit card has large base of consumers. A big chunk of finance resources has been invested on credit cards.

d) *Theory on usage of Banking Products*

The importance of credit cards, both as a payment and short-term financing medium to today's consumers, is no longer debatable (Chakravorti & Emmons, 2000); (Hayhoe, Leach, Turner, Bruin, & Lawrence, 2000) But, in contrast, users of financial services are usually cautious about new financial utility because of hidden charges, high cost and high induced demand by its users.

Their fears are valid, as finance is the most delicate and crucial aspect of one's life. In case of Credit card, its usage is the function of consumer own choice rather than by induced demand created by credit card issuer through advertising. According to Thomas, Ninety percent of respondent agree to some extent that overspending cause by credit card usage is due to consumers' side not of card issuer. (Thomas A. Durkin, 1970–2000). In this way it is established that credit card issuers have not to worry about drawing more credit by credit card users in short times. The whole discussion establishes the fact that if a user is clear about the right usage of credit card for their financial well-being, issuers are not required to induce any demand in the form of advertising. The critical role in credit card usage plays by the awareness in consumers about its utility.

A number of factors have been identified based on the previous literature. This study comprises of various variables which plays a substantial role and influences the consumer to adopt plastic money. The factors are classified into five categories. These categories include Awareness, Function, Cost, Lifestyle and Religious belief which leads to the usage and adoption of credit cards in context to Pakistan.

e) *Awareness of Credit Card*

Awareness of any product plays a vital role in purchasing and consumption behavior of consumers. There is usually a positive relationship between awareness and usage of product. (Khalid, Safdar Butt, & Murtaza, Perceived Barriers in the Adoption & Usage of Credit Cards in Pakistan Banking Industry, March, 2013). According to Delener, promotion of credit card services is very necessary to boost its usage especially among Hispanic and Asian consumers. (Delener & Katzenstein, 1994). There must be awareness programs

that enable consumers to think about these products in new ways. We can see that big organizations or even small SMEs use credit as their potential way to growth in competitive markets. The same concept can also be valid on individual consumers, who could enhance their life style and aptitude by using financial instruments for their financial needs.

The lower level of awareness is the foremost reason for consumers' turnover. Consumers, in the end, are amazed at different charges inflicting upon them at the end of year. Therefore, Durkin insists that users of credit card must be informed thoroughly in the time of issuance. (Durkin & Price, 2000) This approach really help consumer in setting their mindset that prevent any future misconception over fee and interest rate costs. Awareness is the keyword that would decrease the consumer turnover and increase the credit card usage volume in the long run.

f) *Functional dimensions*

According to Chakarvarti, Credit card is widely accepted among the consumers due to the convenience it provides to its users. Credit card had lowered the popularity of carrying cash, checks, and disbursement/transaction mechanisms. (Chakravorti & Emmons, 2000) Over the time Credit card has turned into more extensive use by financial transaction over telephone and internet. Consumers enjoy payment facilities that are offered by plastic cards which are more rapid and convenient when compared to cash (Klee, 2006), (Borzekowski, Kiser, & Ahmed, 2008). Furthermore the speed of transaction, records of transaction, reliability, dispute resolution and ease of use have a huge impact and influences the adoption of credit cards (Amromin & Chakravorti, 2009) (Jonker & Kosse, 2013).

It was noted that consumers greatly prefer these factors that is the speed, security and convenience that are offered by plastic money and they do not have the need to carry cash anymore (Wothington, Stewart, & Lu, 2007), (Chirapanda & Yoopetch, 2008).

(Chan, 1997) identified that non-monetary benefits have an impact on usage of credit cards. He defined the non-monetary benefits as ancillary functions such as the benefit of ATM services at various locations. He suggested that card issuing company should provide a better service regarding the complaints of their customers.

The geographic dispersion of ATM's also influences the consumer towards adoption of credit cards (Berger & DeYoung, 2006). By introducing ATM technologies, banks have been successful in attracting customer towards adopting credit cards (Markose & Loke, 2003). Various studies have been done on the consumer's perception in using credit cards, some researchers are of the view that plastic cards enable the

customers to pay their bills, get free access to ATM and manage their budget on their spending (Soman, 2001) (Massoud & Bernhardt, 2006), yet others are of the view that customer feels uncomfortable while using credit cards (Lin, Shih, & Sher, 2007).

A survey conducted by (usage and attitude survey about credit and T & E cards, 1990) which was on Greek card holder's attitude towards credit card. The cardholders were found with both positive and negative attitudes. The most positive attitude was from the need to not carry cash which provided an additional safety. Another positive attitude was from the availability of foreign currency. However the disadvantage was the fear of fraud such as card could be stolen/misplaced and misused. The perception that easy availability of money leads to an excessive purchase is another negative attitude.

g) *Cost – Interest, Payback time*

According to Stavins, consumers are more sensitive toward interest rates on Credit card purchasing along with offers, and gift prizes that automobile or other companies give on usage of particular brand of credit card, which the banks have been using as promotion of their product. (Jonah, 1996) But, on the other hand, Ausubel proves that interest rate is not a determining factor in purchasing pattern through Credit Card. (Ausubel & Lawrence, 1991). By above argument we could deduct that interest rates are important in choosing a certain brand of credit card but availing credit on credit card (while purchasing) is not affected by fluctuation in interest rates. The main challenge for bankers is to keep their interest rate lower and clear enough that consumers feel confidence in availing the opportunity that is offered by the credit card issuer.

Consumers of banking services in Pakistan have yet to realize the potential of credit card utility to them. Many past consumers have forfeited the use of credit card because of high interest rates fees and lack of confidence in electronic banking system. The fear of high interest rate charging is one of the greatest distress that credit card users experience all over the world. In USA, the most developed nation, most of credit cards (around 80 percent) believe that percentage rates on outstanding balances are too high. (Thomas A. Durkin, 1970–2000)

Credit card users generally perceive the use of credit card as a financial burden rather a facilitating tool for their financial needs. There is plenty of research which is oriented to know the basic problems faced by credit card users in the form of high fees. High cost of credit card can be bifurcated into following dimensions,

h) *Interest rates*

Interest rate serves as one of the most negative motivator for credit card use. Consumers are usually unresponsive to high interest rates (Lawrence, 1991) but they are reluctant to use credit card due to increased

debt in long term. A researcher is of suggestion that government should imply an interest cap on credit card outstanding amount. (Chirapanda & Yoopetch, 2008) This interest cap could be the positive reinforcement for credit card consumers. Otherwise an increase in interest rate cause an immediate increase in debt (gross & Souleles, NBER working papaer series) and therefore play a negative part in credit card usage in long term.

i) *Annual fee*

An annual fee is also charged by issuer of credit card in addition to interest fee for credit card services. The yearly charging also affects the selection of a particular credit card brand. Normally high annual fee discourage consumers to use a particular credit card or premium offers on credit card by the same issuer. (Chirapanda & Yoopetch, 2008)

j) *Credit limit*

Credit limit is the tool by which issuer make sure that there credit would be recovered in following time period and consumers would not exceed taking loans out of its credit worthiness. Normally high credit limits on one's credit card induce consumers to a particular brand. (Chirapanda & Yoopetch, 2008)

k) *Switching Cost*

According to Ansubel, Credit card issuers exercise market power due to the fact that consumers are usually unresponsive to higher interest rate. (Ausubel & Lawrence, 1991)

l) *Impact of consumer Life style on credit card adoption*

Consumer life style has a high impact on credit card purchasing behavior. Credit card usage is not only preferable for high class, but for middle and lower middle classes too. One study shows that low income users use credit card for future installment features and easy credit availability rather than for safety, convenience or identification purposes. (Jeans, 1979) Previous researchers have found that the card users are divided among two types of holders. Those who use credit card for the convenience purpose (transactor), whereas others use it for the benefit of easy installments and for emergency purposes only (revolver) (Wothington, Stewart, & Lu, 2007).

These cards were classified based on their users and were divided into two categories that is Main card and Subsidiary card. Main card represents those who use often and for the purpose of convenience whereas subsidiary card represents those who use less often and only when the occasion arises that is emergency purposes (Devlin, Wothington, & Gerrard, 2007).

(Gan, Mayrami, & Koh, 2008) classified users into high socio class and low socio class. High socio class find it convenient to transact through credit card rather than paying cash and low socio class use it for

financing purpose. It was concluded by (Plummer, 1971) that lifestyle played a vital role in directing the usage of credit card. According to him demographic was the key driver, as people with high income, well education, middle aged and professional fragment are more likely to adopt for their day to day transaction. The latest fashion, technologies and gadgets has driven the younger generation towards a high life style. They are more inclined towards unnecessary shopping to remain up to date with latest trends (Hausman, 2000). Young adults are brand conscious and tend to spend more on luxury item and dispensable good, so credit card gives them the option of having easy money (Yang, 2007). Thus the luxurious life style of today's youth has led to the high usage of credit card. Concluded by (Devlin, Wothington, & Gerrard, 2007) that about 7% of the total population was using their cards more frequently because of the attractive design of the card that pleased them.

m) *Religious belief*

Credit card usage is also affected by the religious and cultural factors. Religious controversies over interest rates influence the behavior of potential consumer of credit card, especially in Pakistan. Moreover, being in debt has also had a negative attribution in Pakistani culture. (Afshan, Ayesha Amanullah, & Madiha , 2009).

Key principle of Islam prohibits usury (Riba); there have been many debates on whether credit cards are acceptable if the consumer pays their due amount before interest is charged on the credit purchase, which would avoid paying interest. The other debate states that usage of credit card is prohibited even if the holder pays his due amount before the interest is charged. Due to this prohibition of interest, the concept of Islamic Banking has emerged, which provides Riba free services to Muslims (Rahman, 2003). Hence religion has an impact on the usage of credit card as Pakistanis being Muslim tends to avoid the merger of interest in their earnings.

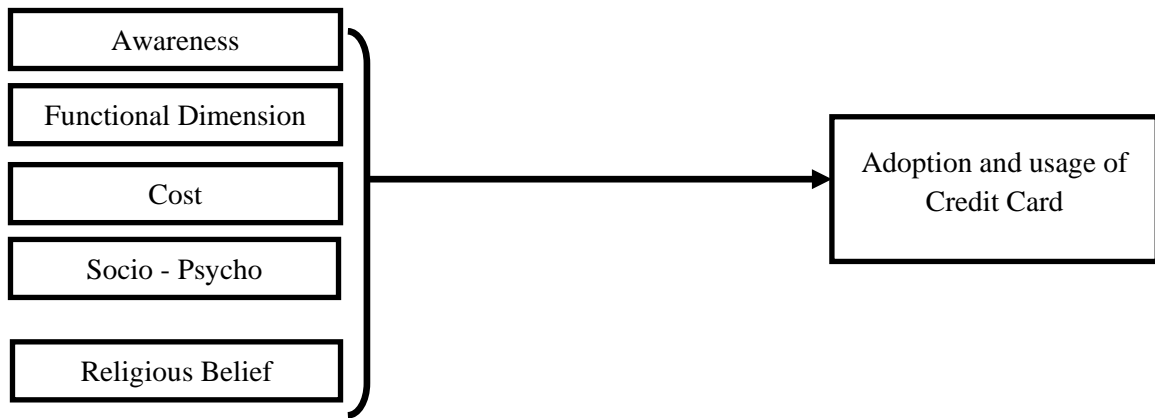


Figure 1 : Conceptual Framework

III. RESEARCH DESIGN

In order to achieve the objectives, research design acts as a blue print and guides the researcher. This research is Quantitative in nature and Explanatory approach is used. The reason of using an explanatory approach is that it helped in clarifying the misconception of credit cards among its holders. With the help of statistical tools we adopted and modified the close ended questionnaires that helped us in quantifying our research.

a) Population

The total Population of Pakistan is 220 million. Out of which 2.6 million are having a bank account in a commercial bank. These figures are available on the website of State bank of Pakistan. Among these 2.6 million bank accounts holders, only 0.9 Million are active credit card users. The population for our research is the active as well as inactive card holders. We conducted the research within the geographical boundary of Karachi. The reason for choosing Karachi as the city is that, it is within our reach and because of the budget constraint to keep the cost within our feasibility.

b) Sample and Sampling Method

Quantitative studies usually have a larger sample size as compare to the Qualitative studies. We have used a sophisticated approach of calculating the sample size which is the Confidence Interval Approach at a $\pm 10\%$ margin of error with 95% confidence level which gave us a sample size of 96. However we distributed around 105 questionnaires as we were not sure how many individual will respond, so just to be on the safe side we distributed a few more than the targeted number. The random sampling method is used with close ended questionnaires which were provided to the active and inactive credit card users to find out the underlying factors that lead them towards the usage or adoption of credit cards or drive them away from using the credit cards. The participants are selected on the basis of Random sampling approach under Non-

Probability sampling techniques which was done on the basis of convenient sampling. The reason for selecting this approach is that we approached those individual who were within our geographical boundary and were easily accessible and available.

c) Research Instrument

Primary as well as the secondary data was used. Primary data was collected by approaching the banks and credit card holders. It was collected by one on one interaction with active users and inactive users. Close ended questionnaire and survey are used as data collection instrument in order to collect primary data. The nature of the questionnaire is unbiased and specific in nature and is more cost effective and is suitable for the studies of large sample size in comparison to interviews. The questionnaire is divided into two parts; the first part consists of the demographics, which helped us in identifying the type of users of credit cards i.e. the credit card market. The second part consists of 19 statements that includes independent and dependent variables on Likert scale ranging from 1 to 5. 1 is for Strongly Disagree and 5 is for Strongly Agree. These questions were asked from the selected sample. The questionnaire is adopted from the literature review and is further modified by adding some questions that covers the aspect of our research. Whereas secondary data is collected from published article journals posted on the internet.

d) Research Hypothesis

H_A : Awareness has a positive impact on the usage and adoption of credit cards.

H_A : If Functional dimension is high it has an impact on the usage of credit cards.

H_A : The greater the cost the lower the usage of credit card

H_A : Religious belief has a negative relation with adoption of credit cards.

H_A : Socio – Psycho has a positive relation with usage and adoption of credit cards.

IV. RESULTS FINDINGS AND ANALYSIS

a) Reliability

Case Processing Summary

| | | N | % |
|-------|-----------------------|----|-------|
| Cases | Valid | 26 | 96.3 |
| | Excluded ^a | 1 | 3.7 |
| | Total | 27 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

| Cronbach's Alpha | N of Items |
|------------------|------------|
| .885 | 19 |

The Reliability test helps in measuring the degree to which the variables and results are unbiased. It helps in determining the consistency among the various variables that are Awareness, Cost, Functional Dimension, Religious Belief and Socio-psycho. Hence Cronbach's Alpha is used for the measurement of reliability and consistency. The above results show that we have obtained the value of Cronbach Alpha of 0.885. The minimum desired value should be 0.7. Hence the reliability and consistency of the statistical data is

proved to be very high. The results of the study provide evidence of the construct validity of the test as the study measure the constructs that theoretically linked with each other and the construct which are not theoretically related with each other, in fact observed to be linked that means there are convergent between the similar constructs, and also observed to not be linked that reflect the discrimination between the dissimilar constructs.

b) Descriptive Analysis

Descriptive Statistics

| | N | Minimum | Maximum | Mean | Std. Deviation |
|------------------------------------|-----|---------|---------|------|----------------|
| Lower the Probability (U) | 103 | 1 | 5 | 3.55 | 1.398 |
| Leads to overspending (U) | 103 | 1 | 5 | 3.83 | 1.344 |
| Ease of Payment (U) | 103 | 1 | 5 | 4.13 | 1.126 |
| Fault of customer (A) | 103 | 1 | 5 | 4.02 | 1.244 |
| Lack of information (A) | 103 | 1 | 5 | 3.62 | 1.173 |
| Complexity of information (A) | 103 | 1 | 5 | 3.66 | 1.090 |
| Insufficient Credit limit (C) | 103 | 1 | 5 | 3.11 | 1.275 |
| High interest Rate (C) | 103 | 1 | 5 | 3.81 | 1.197 |
| Long Application approval (C) | 103 | 1 | 5 | 3.47 | 1.092 |
| Outstanding Balance (C) | 103 | 1 | 5 | 3.26 | 1.212 |
| Stolen Card (F) | 103 | 1 | 5 | 2.88 | 1.140 |
| Online Payments (F) | 103 | 1 | 5 | 3.83 | 1.172 |
| Wide acceptance (F) | 103 | 1 | 5 | 3.97 | 1.080 |
| Against Islamic Value (R) | 103 | 1 | 5 | 3.06 | 1.399 |
| Avoid interest (R) | 103 | 1 | 5 | 3.48 | 1.420 |
| Negative Debt attribution (R) | 103 | 1 | 5 | 3.44 | 1.391 |
| Islamic Bank over Conventional (R) | 103 | 1 | 5 | 2.98 | 1.414 |
| Luxury Purchase (S) | 103 | 1 | 5 | 3.73 | 1.262 |
| Emergency Purchase | 103 | 1 | 5 | 4.46 | .968 |
| Valid N (listwise) | 103 | | | | |

The descriptive analysis above shows that the mean of all the variables is above 3, that means the population that we selected for our research is agreeable with the research that we are conducting and have mostly agreed, whereas the question related to Islamic Bank over Conventional with a mean of 2.98 shows that the population have mostly responded with Neutral answer.

The Standard Deviation on the other hand which is above 0.5, shows that the opinion of our population varies a lot, this may be due to taking a very diverse population from different sector that resulted in variation of responses. Here it is rightly said that the distribution is slightly diverse

c) *Correlations*

Correlations

| | | Usage | Awareness | Cost | Functional Dimension | Religious belief | Socio_Psycho |
|-------|---------------------|-------|-----------|--------|----------------------|------------------|--------------|
| Usage | Pearson Correlation | 1 | .492** | .358** | .472** | .247* | .248* |
| | Sig. (2-tailed) | | .000 | .000 | .000 | .012 | .011 |
| | N | 103 | 103 | 103 | 103 | 103 | 103 |

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

* . Correlation is significant at the 0.05 level (2-tailed).

d) *Awareness*

Since the significance level is 0.01 & the correlation is 0.492 we have enough evidence to reject the null hypothesis. The results reflect that as the awareness regarding the credit cards increases, the usage of credit cards will also be augmented and vice versa. Therefore there is a positive relationship between Awareness of credit card with its usage.

e) *Cost*

Since the significance level is 0.01 & the correlation is 0.358. This shows that cost is positively correlated with the adoption and usage of credit card. This show that there is a positive relationship between the two variables and both the variables are correlated. Change in cost will affect the usage and adoption of the credit cards.

f) *Functional Dimension*

The level of significance is at 0.01 & correlation is 0.472. This shows that Functional Dimension is

i) *Regression*

positively correlated with adoption and usage of credit card. Function has a high impact on credit cards usage.

g) *Religious Belief*

Since the Significance level is at 0.05 & the correlation is 0.247. This shows that religious belief has an impact on the Usage of credit card but not to the higher extent. This means that the change in one variable is not highly correlated with the change in another variable. It shows that there is an existence of relationship between the two variables.

h) *Socio Psycho*

Since the significance level is at 0.05 & correlation is 0.248. We have enough evidence to reject the null hypothesis means there is an existence of positive relationship between socio psycho and usage of credit cards. The statistics above perhaps indicate that the variables are not highly correlated but they share the positive bonding.

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .581 ^a | .337 | .303 | .81734 |

a. Predictors: (Constant), Socio_Psycho, Religious_belief, Cost, Awareness, Functional_Dimension

ANOVA^b

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|--------------|----------------|----|-------------|-------|-------------------|
| 1 Regression | 32.947 | 5 | 6.589 | 9.864 | .000 ^a |

| | | | | | |
|----------|--------|-----|------|--|--|
| Residual | 64.801 | 97 | .668 | | |
| Total | 97.748 | 102 | | | |

a. Predictors: (Constant), Socio_Psycho, Religious_belief, Cost, Awareness, Functional_Dimension

b. Dependent Variable: Usage

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|----------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .787 | .491 | | 1.604 | .112 |
| | Awareness | .370 | .115 | .327 | 3.225 | .002 |
| | Cost | .321 | .104 | .293 | 3.077 | .003 |
| | Functional Dimension | .290 | .117 | .255 | 2.471 | .015 |
| | Religious belief | .104 | .082 | .113 | 1.276 | .205 |
| | Socio_Psycho | -.002 | .098 | -.002 | -.025 | .980 |

a. Dependent Variable: Usage

The table shows that our R is 0.581 that means high degree of relation among the variables. The independent variables in the model are explaining 33.7% impact on Usage and Adoption of Credit card in Pakistan

The F over here is greater than 2 which is 9.864 is significant at the 0.001. This show's that our model fits the population.

The coefficient |t| is greater than 2. We have confidence in the alternative hypothesis.

It is also evident that the highest beta is of awareness that is 0.370 with a significance level of 0.002. It has the highest significance level as compare to the rest of the independent variables. This means that awareness has the highest impact or is the most important element in the understanding and perception building of credit cards. The |t| of awareness is 3.225 which is greater than two, hence the null hypotheses is rejected. This shows that awareness has a positive impact on the usage and adoption of credit cards. And Awareness has a positive impact on the usage and adoption of credit cards has been proved from the results.

Whereas socio psycho has a negative relation with usage of credit card but with the significance level of 0.980 it implies that it isn't an important element to provide a reason for the usage of credit card. Hence we have enough evidence to accept the null hypothesis.

The positive of 0.290 beta of Functional Dimension with the significance level of 0.015 indicates that higher the facilities offered by the bank higher will be the adoption and usage of credit cards. The |t| of functional dimension is 2.471 which is greater than 2,

hence, we have enough evidence to reject the null hypotheses. So it has been proved that if Functional dimension is high it has an impact on the usage of credit cards.

Whereas Cost has a positive beta of 0.321 with a significance level of 0.003 and the |t| of Cost is 3.077 which is greater than 2, this means that the cost share inverse impact with the usage and adoption of credit cards i.e. if the cost of the credit cards lower than their usage and adoption will increase. It implies that Cost and Usage have an indirect relation, therefore we have reject the null hypothesis and accept that, the greater the cost the lower the usage of credit card.

On the other hand Religious belief have a positive beta of 0.104 with the significance level of 0.205, but the |t| test is less than 2 and is 1.276, therefore there is no sufficient evidence to reject the null hypothesis, so we can say that there is no negative relationship between the religious belief and the usage of credit cards.

V. DISCUSSION

This study was conducted for credit card holders in Pakistan to find out their underlying reasons and to understand their perception on the usage and adoption of credit cards. It is learned from the analysis that the factors that affect the consumer in accepting or rejecting the use of credit card may vary from one consumer to another, but it can be seen that awareness, cost, functional dimension, religious belief and socio-psycho are correlated with the usage and adoption of credit cards. But the study shows that awareness and

functional dimension has a very stronger impact in changing the perception and understanding among credit card holders. Cost also has an impact on the usage and adoption of credit card. Whereas the regression analysis proves that the impact of religious belief and socio psycho vary from positive to negative and does not show enough significance.

The data that we have collected and analyzed tell us that it is evident from the results that all the hypotheses that we have proposed are correlated and are true.

H_A : Awareness has a positive impact on the usage and adoption of credit cards.

H_A : If Functional dimension is high it has an impact on the usage of credit cards.

H_A : The greater the cost the lower the usage of credit card

H_A : Religious belief has a negative relation with adoption of credit cards.

H_A : Socio – Psycho has a positive relation with usage and adoption of credit cards.

From the results we conclude that all the variables have relation with each other but religious belief and socio – psycho are not highly correlated.

Awareness, functional dimension and cost have the highest impact in changing the perception and understanding of credit cardholders. This means that if the banks offer good facilities and high awareness is done for credit cards than individuals will be more inclined towards the high usage of credit cards. The bankers should lower their interest rates and increase their credit limit, because cost has an inverse effect on the usage and adoption of credit card.

Whereas the Religious belief shows that this variable is important but it does not majorly affect the decision of usage or adoption of credit cards among its user. Basically this variable has the lowest effect on the decision making of an individual.

But the result of socio psycho is negative which implies that this variable has no impact on the adoption and usage of credit cards. This means that no matter what the social class consumers belong to, they will still avail the facilities that a credit card provides.

From this research we have successfully identified 3 factors which have high impact on the usage of credit cards. The first factor is of creating high awareness about various benefits that the banks offer and how a consumer can avail all those benefits from using credit cards. The various promotions such as redeemable points and promotion which we get at various stores by using a particular banks credit card impacts highly on the consumers and attract them towards high use of plastic money. The other factor that affects the usage of credit cards is the functional dimension that is if the banks offer higher conveniences,

high facilities and ease of use and payment to its customers the more it will gain popularity. Customers these days look towards adopting things that make their life easier, so the ATM facilities and reliability offered by the banks will lead to the increase in its market share. The third factor that has a high impact on the holders of credit cards is the cost that the bankers charge; the bankers should adopt better risk management at the time of issuance of credit card which is more preferable than that of higher interest rates to cover the subsequent risk.

From this research we have helped in identifying the factors that the bankers and the marketers need to focus on more these days and this is what the customer is looking for in their product. The banks should focus on high promotion of its product and provide better facilities to attract and retain its customers.

Hence we have successfully achieved all the objectives by this study and we are able to identify the reasons that attract or repel the customers from the usage and adoption of credit cards. This study will help the bankers and marketers of banking products to identify better ways in attracting their customers.

VI. CONCLUSION

This research indicates the fact that, like many other products, awareness plays a key role in adoption of credit card facility. This shows the fact that consumers are more inclined to adopt a product if they are well aware of the product.

Different packages and discounts expand the volume of credit card usages. Banks should concentrate on providing packages like discounts on purchases, bulk purchases or advertising. Moreover, usage of credit card is also influenced by different cost factors like interest rate fee and volume of credit available for consumers. The study shows that volume of credit card usage is inversely proportional to the cost factors in credit card.

Religious factor have a low impact on the adoption of credit card facility and socio –psycho has negative impact. This shows that credit card facility is mainly dependent on the utility that it provides to its consumers. This also indicates that banks should enhance the convenience factors in advertising credit card to its consumers.

VII. RECOMMENDATIONS

In Pakistan, banks do not market its commercial banking products very well. Marketing of commercial products by banks is mostly oriented toward niche consumers who are already using some sort of credit cards or who are defunct credit card users. This approach has to be changed. Pakistan is gaining economic stability over the period. Therefore the large

untapped market of credit card can easily be exploited by banks in current economic scenario.

Banks should also advertise different packages on mass media. Banks usually use direct advertisement approach to current or previous customers through telemarketing. The scope of those advertisements should be expanded to public. As in case of HBL; banks could advertise discounts on purchasing petrol or dining through credit card on bill boards and newspaper. This will induce increasing demand, not only in current consumers but in potential consumers as well. Potential consumer would be attracted toward credit card through its enhanced features. Convenience should be given high importance, such as the technological service issues that a consumer faces should be reduced. Shortage of cash or the frequent ATM under progress does affect and this should be taken into consideration.

Highest interest rates in case of not paying credit back in due time, is the sure thing that hold back potential consumer from availing credit card facility. It is needed that credit criteria should be tightened with lowering the credit card interest rate fee. Normal 30 to 40 percent interest rate is highest for mitigating the risk of credit cards default. This would do nothing but hinder potential consumers as well as active consumers to use credit in bulk amount.

In Pakistan, there is a number of misperception regarding financial facility credit card offers to its consumers. This misperception stems out of complexity in issuance of credit card and fear of stealing credit card codes. These misperceptions must be addressed in a proper manner. Issuance process should be interactive with the help of bank agents. Also, the use of credit card codes must be prescribed at the time of issuance of credit card. This will enhance the volume of online transactions through safe credit card usage. It will also help in lowering the turnout ratio in long run.

It is very encouraging that credit card usage is not hampered by socio-psycho and religious beliefs of masses. People in Pakistan take credit card as a financial facility rather than a symbol of status. Banks could directly target consumers on the basis of credit facilities it provide for day to day consumption. This facility means that a consumer would not face shortage of cash in purchasing groceries or day to day necessities and family outing. The overstated credit, due to this, could be adjusted in next month with the clear perception of credit and consumption pattern by individual himself.

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