



The Journal of **ARSYM**

A Publication of Students' Research of the
Annual Research Symposium in Management

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The Journal of ARSYM (JARSYM) is a refereed journal published bi-annually by the Faculty of Business Studies & Finance, Wayamba University of Sri Lanka. The aim of the JARSYM is to disseminate high-quality research findings on a variety of timely topics generated by the undergraduate and postgraduate researchers in the Wayamba University of Sri Lanka. Furthermore, it opens up avenues for the undergraduates involved in the industry to share their inventions, state-of-the-art discoveries and novel ideas. The main philosophy behind the JARSYM is to enhance the research culture within the faculty, thereby within the Wayamba University. All research articles submitted are double blind reviewed prior to publishing. Views expressed in the research articles are not the views of the Faculty of Business Studies and Finance, Wayamba University of Sri Lanka or the Editorial Board.

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The Journal of ARSYM (JARSYM) is a refereed bi-annual journal committed to publish undergraduate research papers of the Faculty of Business Studies and Finance, Wayamba University of Sri Lanka. The JARSYM publishes theoretical and empirical papers spanning all the major research fields in business studies and finance. The aim of the JARSYM is to facilitate and encourage undergraduates by providing a platform to impart and share knowledge in the form of high quality and unique research papers.

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Determinants of Customers' Attitudes towards Credit Card Usage: Special Reference to Middle Level Employees in Sri Lanka

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ABSTRACT

The main aim of this study was to identify the determinants of attitude towards credit card usage of salaried employees in Sri Lanka. Although many empirical researches are found regarding credit card usage of individuals in many other countries, in Sri Lankan context it is evident that lack of research works have been carried out on investigating the attitude of individuals of using a credit card for their spending purposes. Therefore, to investigate the factors affecting the customers attitude towards usage of credit cards, the study collected primary data from 320 middle level salaried employees in Sri Lanka by delivering a structured questionnaire. The sample was collected based on the convenient sampling method. Perceived usefulness, financial knowledge and social influence were identified as the independent variables and credit card usage was considered as the dependent variable of the research model. Accordingly, three hypotheses were tested using correlation test regression analysis to investigate the significance of the relationship between the identified variables. Based on the analysis it was revealed that perceived usefulness, customer's financial knowledge shows a significant positive relationship with the dependent variable "Credit Card Usage" of middle level employees in Sri Lanka. The results of the study would be beneficial to Banks and other Credit Card issuing institutions when making strategic decisions related to the development and promotion of the product

Keywords: Credit Card Usage, Customer Attitude, Perceived Usefulness, Financial Knowledge

1. INTRODUCTION

Today's fast- paced world is increasingly characterized by technology-facilitated transactions. The world is moving to a cashless society. People tend to do many transactions using online platforms rather than visiting a physical store to fulfill their needs. In this kind of situation credit cards play a vital role as the mode of payment when performing the transactions. A credit card can be identified as a rectangular plastic card offered by a bank or other financial institution which lets the customer borrow funds from a pre- approved limit agreed with the issuer to pay for the purchases. Based on the customer's credit history and credit score, the bank/ credit card issuer is deciding the credit limit which can be offered to the particular customer. The credit card is considered as a competitive banking product that enhances the financial transactions of the bank and enhances the financial position of the bank (Ismail, Amin, Shayeri &

Hashmi, 2014). The use of credit cards is very much important to the people who are having the problem of high income- consumption gap. In Sri Lanka most of the people fall into middle income earners. According to the World Bank's new country classification by income level, Sri Lanka is in the category of Upper-middle income country based on per capita income. So the middle-income earners tend to purchase credit cards to fill the income- consumption gap. Nowadays not only Sri Lanka but also the whole world is suffering from the corona virus and the COVID pandemic. Since it is spread through droplets of infected persons to healthy persons directly or surfaces. And paper money is a good media for the virus to be spread. So nowadays people tend to avoid paper cash and use much of e- cash. Previously people visited the market place and bought what they wanted and paid for them. But during the pandemic situation that occurs after 2020 it is much difficult to visit the market place. Therefore, people were attracted to online shopping platforms to buy their needs, staying at home. As the payment method people have to use different types of bank cards (Hashem, 2020).

In earlier days only the elite category of people such as Businessmen & professionals had the opportunity to carry a credit card on them as having a credit card was concerned as a prestige which could obtain for a person who earns a high income for a month. But within the last few years the commercial banking sector gradually broke these scenarios in the society by broadening their target customers. Most of the banks have relaxed many conditions on purchasing a credit card and it has paved an opportunity even for a person who earns an average income of 25000 or above to hold a card designed according to his income level. According to the latest report of the Central Bank of Sri Lanka (CBSL) on credit card issued by Licensed Commercial Banks (LCBs), the number of active credit cards in the country increased to nearly 1,884,341 in September 2020 from 1,870,827 in August 2020. Though there is an increase of active credit cards, most recently the total outstanding balance of all credit cards has fallen down in September 2020 to Rs.mn 117,534 from Rs.mn 118,100 in August 2020. It is a huge decrease of Rs.mn 566 (Payments bulletin, 2020)

It is evident from the figures that Commercial banks both state and private, have identified the potential of offering credit cards to the increasing number of salaried employees who have recently entered the job market of the country. Banks have introduced affordable offers along with attractive benefits targeting different categories of income earners in the country. In this kind of a context a clear need arises for the credit card providers and associated authorities to identify the factors that influence the usage of credit cards by their target customers. Though Several research studies have been undertaken in local and foreign context to examine consumer attitudes towards credit card usage among employees, college students, university academics, professionals and household individuals (Ismail et al., 2014; Ahmed, 2020; Sriyalatha,2016; Perera, 2020), researcher identified a vacuum in the existing literature as few studies have been carried out targeting the employees in Sri Lanka who are earning a middle level income (Rs 30,000-Rs 100,000) and do not belong to the category of professionals or high income earners. To infuse the gap, this study

aims to investigate the determinants affecting the credit card usage specifically concentrating the middle level income earners of Sri Lanka.

2. LITERATURE REVIEW

2.1 Usage of Credit Cards

Credit cards are a major tool for the purchases and the financing of customers. And disposable income increased faster than credit card debt increases concern among policy makers. Increasing the debt on the credit for the recovery of consumer spending is generally considered as a factor for economic stimulus. The introduction of credit and debit cards has encouraged consumers to maximize consumer decision-making by providing a secure and quick access to all funds by depositing a loan or loan. Vendors benefit from having less cash on hand and using checks in the system as they have access to a larger pool of customers with guaranteed payments. Cards also play an important role in e-commerce due to their inherent efficiencies. It is clear that credit cards play an important role in an economy. In Moody's Report 2016, this process has been discussed. They introduced the economic cycle explains the process of economic growth continued to be funded by credit cards. This demonstrates that the increase in consumption due to higher output due to increased use of credit cards and finally it facilitates a reduction in the unemployment employment economy. However, economists threaten those high levels of debt could limit spending in the future and ultimately slow down economic growth (Moody's Analytics, 2016).

Much of previous research on the use of credit cards has focused on the difference between credit cards and other forms of payment for consumer spending. A common finding from this research is that using credit cards when deciding to buy can cost more than cash or checks (Feinberg, 1986; Hirschman, 1979; Rick et al., 2008). Brito and Hartley (1995) Show that credit card liquidation services provide creditors with the opportunity to save money and avoid costs. Furthermore, they found that because of the low transaction cost, credit cards are more attractive than bank loans. To take a loan from a financial institution people have to bear a comparably high effort and more time. Because of this convenience many credit card holders are willing to pay high interest on outstanding credit card balances. Due to the secure and unrestricted nature of credit cards, creditors are more likely to default on credit cards than other secured loans such as home loans, car loans and installment loans. In other words, since no collateral can be withdrawn from the card issuer, a loan repayment from a credit card cannot be made after default or bankruptcy. As a result, banks eliminate this risk by charging high interest rates and service charges for credit loans, making it more expensive for consumers to take out unsecured loans than secured loans. Many employees have gone bankrupt due to high credit card costs and the inability to repay loans early in their service life (Ismail et al, 2014). People are facing economic and financial problems and they have to overcome those financial burdens within a limited time frame, as a temporary tool for solving those problems Sri Lankans may use credit cards (Velananda, 2020). Consumers use credit cards as a means of payment and choose to pay interest on the unpaid balance. When customers use credit as a

credit currency, credit cards compete with bank loans and other forms of financing. As a result, incremental borrowing accounts for a significant and growing share of consumer debt.

The literature recognizes the importance beyond the use of credit cards as a means of enhancing purchasing power or as a source of lifestyle-enhancing technology. For example, working and middle-class people with credit cards can have a level of participation in the contemporary consumer culture, which is different than what is possible without it. However, credit and bankruptcy reports underscore the importance of credit cards for the economy, as over-reliance on credit cards cause financial difficulties for creditors and many have a monthly unpaid balance (Wickramasinghe & Gurugamage, 2012).

2.2 Perceived Usefulness

Perceived usefulness can be derived from the concept of innovation expansion, which consists of two distinct components, short-term usefulness and long-term usefulness. It is defined as the extent to which users believe that using the system will enhance their learning abilities (Davis, 1989). Outcomes can be measured in terms of learning efficiency and effectiveness. TAM assumes that the perceived usefulness has a direct impact on the idea of using such systems in the future. The perceived ease of use and perceived usefulness is influencing the use of specific information systems (Pebe et al, 2012, Safakli, 2007). Sari and Rofaida (2011) showed that there was a positive attitude towards credit card use among all respondents, and that a positive attitude towards credit card use contributed the most to accepted use. Further study showed that using a credit card was a serious goal, and its ultimate goal was to spend money on general spending with a credit card. In addition, the researchers found that because respondents use credit cards wisely, using credit cards provides support and does not cause financial problems in the future. Credit cards are valued for non-cash payments and personal consumer loans (Chahal et al., 2014). Customers prefer to make more credit due to the uncertainty when carrying cash and for offering discounts or cash by famous brands (Dali et al., 2015). People use credit cards as it provides a long grace period. They can even withdraw money through credit cards as needed (Chahal et al., 2014). As a result, consumers are more likely to use credit cards on a daily basis as they appreciate their performance (Trinh et al., 2020).

Sriyalatha (2016) in her study identified that the most influential variable on attitude towards credit card usage is card used intention followed by perceived usefulness and availability of information. This is consistent with studies by Yahaya and Haji-Othman (2014) and Maya & Rofi (2011) that perceived ease of use and perceived usefulness of a credit card influences attitude towards usage of credit cards.

2.3 Social Influence

Social influence is the level at which a consumer understands that important people believe that a person should or should not follow a certain pattern of behavior (Ajzen, 1991, Venkatesh et al., 2003). Credit card features cannot be monitored and evaluated by customers, and their friends and colleagues often find it difficult to use and talk to them (Qureshi et al., 2018). Amin (2013)

argued that consumers tend to adopt and imitate the financial attitudes and behaviors of family members. In addition, media designed specifically to reach a large audience or audience has contributed to raising consumer awareness about credit cards. Empirical evidence suggests that the perspective of social groups can improve one's expected credit card usage (Ali et al., 2017, Amin, 2013, Nguyen and Cassidy, 2018, Trinh and Vuong, 2017, Varaprasad et al., 2013). However, Leong et al. (2013) suggested that social impact only indirectly affects the expected use of credit cards through perceived usefulness and perceived ease of use. In the research study which done by Hoang Nam Trinh, Hong Ha Tran, Duc Hoang Quan Vuong (2020) they found in their results of structural equation modeling reveal that consumers' perceived risk, perceived usefulness, social influence, and perceived ease of use are significantly determined by their desire to use a credit card.

Sari and Rofaida (2011) defined Attitude is the amount of affection a person feels for accepting or rejecting any behavior measured with a two-pointer action scale on the scale of evaluation (example: good or bad, agree or refuse). They also stated that the subjective norm consists of two types of influences, interpersonal and external. Interpersonal influence is the influence of adoptive friends, family members, assistants, supervisors, and experienced individuals. External influence, on the other hand, is the influence of external media reports, special expert opinion, and other non-personal information considered by individuals in their conduct. Lujain, Gattan and Faleel (2021) indicate that the credit card holders are influenced by their emotions, in other words the positive emotional feelings towards credit usage motivate higher number of credit card purchases and increase credit card balances. Family influence is also considered as a factor influencing credit card usage. The main medium of learning to use credit effectively and the main source of financial knowledge are family influence and personal experience (Hilgert & Hogarth 2003). Parents, schools, peers, and the media are all part of learning and socializing from a teen's birth to adulthood (Mansfield et al. 2003). All of these factors affect a young person's debt awareness or awareness of the pros and cons of credit cards. Parents, schools, peers, and the media also play a role in influencing the consumer behavior of young adults. Among them, parents are the most influencing factor on teenager's credit card use behavior (Ismail et al. 2011).

2.4 Financial knowledge

As the findings of Ismail et al (2014), knowledge is an important factor that should be considered by banks offering credit cards. Further, the personal financial knowledge of the customer is a very important component in making decisions of the customer. For example, knowledge of credit card use may be useful in promoting personal finance education among high school and college students (Robb and Sharpe 2009). College students generally do not seem to have much knowledge of financial issues. However, they still seem to be the most effective credit card users. Thus, these findings raise the question of whether personal financial knowledge has an impact on consumer financial decision-making (Ismail et al, 2014). There are a number of methods that can be used to improve customer knowledge about credit card usage. For instance, banks can publish the latest information about credit cards, which should help

to elevate consumer knowledge and, thus, improve attitudes towards credit card usage. Various credit card issuers have set up extensive advertising campaigns using local media to compete fiercely and increase credit card usage. In addition, advertising through various media platforms such as television, radio, magazines and newspapers - as a means of targeting high-income professionals and white-collar workers and making them active cardholders (Ismail et al, 2014). Perera (2020) identified that there is a significant relationship among the category of financial literacy and the credit card usage. Further, in this research the researcher had concluded that there is a difference between credit card usages on financial literacy rate and, credit card users significantly have a high level of financial literacy rate. Perera (2016), in his study has mentioned that in the previous literature in many countries, financial literacy rate is a considerable factor among other factors which affect the usage of credit cards. Ahmed (2020) has studied that there is a significant relationship between consumers' behavior and their attitude toward the use of credit cards. It is also revealed that the majority of the consumers would prefer to use credit cards in their daily life to carry out a range of financial transactions.

Wickramasinghe and Gurugamage (2012) in their study found a significant link between the level of education and knowledge of complementary/ competitive credit card systems. In particular, highly educated users are more knowledgeable about complementary/ competitive credit card systems, and knowledge of complementary/ competitive credit card systems is positively linked to the use of credit cards for ease of transaction. Further credit card usage was found to be inversely related to credit risk knowledge and ease of transaction.

3. METHODOLOGY

Based on the theories and the review of literature, the researcher has developed a conceptual framework to find out the attitudes of credit card holders towards the credit card usage. The attitude dimensions, which are perceived usefulness, financial knowledge and social influence, are stated as independent variables and credit card usage assumed as the dependent variable.

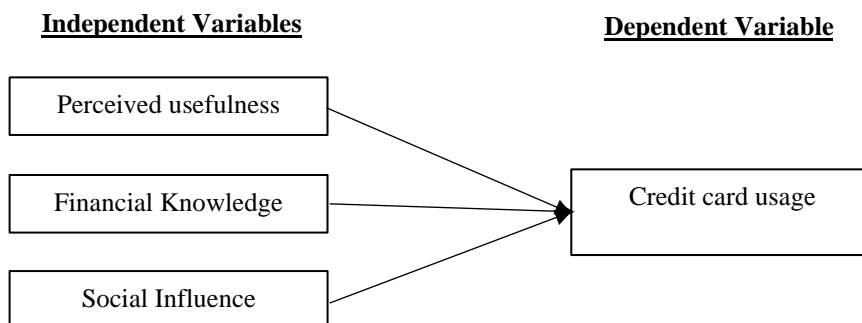


Figure 1: Conceptual Framework

Source: Researcher Constructed (2021)

3.1 Hypothesis

H1: There is a significant positive impact of perceived usefulness on credit card usage

H2: There is a significant positive impact of customer's financial knowledge on credit card usage

H3: There is a significant positive impact of social influence on credit card usage

Out of the two types of approaches to research: Inductive and deductive (Saunders, Lewis and Thornhill, 2009), This study is involved with the deductive approach and has derived hypotheses based upon the conceptual framework which is based on literature. Further, the researcher has generalized the findings which have been achieved. In this research the researcher mainly uses primary data gathered by a sample of credit card users through a Google form of questionnaire which is developed to obtain information regarding the customer attitudes towards credit card usage. According to Alison Wolf (2016) the primary data is in the sense; new information collected directly from people you know specifically for your needs.

All the primary data was obtained from middle level salaried employees who are currently using credit cards for their spending purposes. In this research self-administered questionnaires and Google forms are used. This type of questionnaire is completed by the respondents on their own without an interview. It is a firsthand experience where information is developed and gathered by researchers. The questionnaire was selected as the data collection strategy due to several reasons. Thus, questionnaire was the possible method to collect reliable information while informing the respondents that they cannot be identified from the information they provide. Through the questionnaire's respondents were asked to denote their attitudes towards credit card usage in different parameters on a five-point rating scale. Particularly all respondents filled the questionnaire based on their opinion. The structured questionnaire used by the researcher for data collection of this study includes both self-constructed questions as well as questions which were referred and developed by authors of similar researchers.

Population of a study represents a large collection of individuals or objects which have similar characteristics. According to the Central Bank of Sri Lanka in 2020 the total number of active credit cards prevailing is 1,884,341 in number. Due to the large number in the populations, time constraint and complexity issues, researchers decided to collect data based on the convenient sampling by reaching a target of 400 middle level employees as the sample of the study. Out of the 400 questionnaires delivered, the researcher could obtain 320 responses during the time frame.

The regression analysis is the one of statistical methods that is used to estimate the relationship between variables. It is used to find out how the typical value of a dependent variable changes when any one of the independent variables is varied. The Simple purpose of this method is usually to predict the value of one variable corresponding to the given value of another variable.

Accordingly, the following regression model is formulated.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + U_i$$

Where,

Y	= Credit Card Usage
B ₀	= Constant Term
B ₁ , B ₂ , B ₃	= Coefficient of Variables
X _{1 s}	= Perceived Usefulness
X ₂	= Financial Knowledge
X ₃	= Social Influence
U _i	= Error Term

4. FINDINGS AND DISCUSSION

4.1 Demographic Profile

From the study findings, the majority of the respondents (56.9%) were female and others (43.1%) were male. The majority of the respondents (46.9%) were employed in the private sector, 30% of respondents employed in the public sector and the rest 23.1% were self-employed. The majority of the respondents (48.1%) were in the age range of 20-30, 42.5% of respondents were 31-50, and 6.9% were above 50 and the rest 2.5% were below 20. The majority of the respondents (45%) were degree holders, 21.9% of respondents had the O/L & A/L qualifications. Respondents who process diplomas and postgraduate degrees recorded an equal percentage of 15% and the rest 3.1% hold others' educational status. An equal percentage of 32.5% were taken by the respondents who had a monthly income in the range of Rs. 30,000- Rs. 50,000 and Rs. 50,000- Rs. 100,000. 18.8% of respondents were below Rs. 30,000 and 16.3% were above Rs. 100,000.

Based on the correlation analysis it was found that there is a significant positive relationship between perceived usefulness, customer knowledge and credit card usage. The coefficient values were recorded as +0.407, +0.543 respectively. The P values appeared as 0.000 which is less than 0.05 proving a significant positive relationship between the variables. Therefore, the results supported the acceptance of hypotheses H1 & H2.

However, in between social influence and credit card usage the Pearson correlation was recorded as +0.083 with an associated P value of 0.140 which is greater than 0.05. Therefore, the hypothesis H3 has to be rejected as it does not indicate a significant relationship between social influence and usage of credit cards. To test the hypothesis further the researcher employed a regression analysis and the results were stated in Table 1.

From studying the Table 1, it can be explained how much deviation occurs in a dependent variable when shifting one unit of independent variable. As per the above data coefficient between intention to use and credit card usage is +0.051 at (0.000) 5% significance level. It implies that one unit of change in intention to use will affect the increase in credit card usage by 0.051.

Table 1: Multiple Regression Analysis

	R	R square		Beta	Significance
Multiple regression	.578	.334	(Constant)	1.2	.000
			Perceived Usefulness	.051	.000
			Financial Knowledge	.357	.000
			Social Influence	-.027.	.0542

Source: Researcher constructed (2021)

The coefficient between customer knowledge and credit card usage is +0.357 and it is statistically significant (0.000) at 5% significance level. It implies that one unit of change in customer knowledge will affect the increase in credit card usage by 0.357. The coefficient of Social Influence is recorded as -0.027 for credit card usage. Yet, at 5% level of significance it cannot be identified as a significant variable since the p value is greater than 0.05.

So then according to the above results the regression model can be derived as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2$$

$$Y = 1.2 + 0.051 X_1 + 0.357 X_2$$

Where,

- Y = credit card usage
- X1 = Perceived usefulness
- X2 = Financial knowledge

Based on the results presented in table one it can be identified that the variables “Perceived Usefulness” and “Financial knowledge” show a positive significant relationship with the dependent variable “Credit Card Usage”. The Hypothesis H1 & H2 are accepted at a 5% level of significance hence the p value is recorded as .000 for both coefficients.

Table 2: Results of the Hypothesis Testing

Hypothesis	Description	Result
H1	There is a significant positive impact of perceived usefulness on credit card usage	Accepted
H2	There is a significant positive impact of customer’s financial knowledge on credit card usage	Accepted
H3	There is a significant positive impact of social influence on credit card usage	Rejected

Source: Researcher constructed (2021)

However, the variable social influence does not show a significant relationship with the credit card usage as it has a p value exceeding 0.05 proving the hypothesis is rejected. Therefore, the researcher concludes that the two dimensions namely “Perceived Usefulness” and “Financial knowledge” which were used to reflect attitude towards credit cards are proven to have a significant positive relationship with the usage of credit cards of middle level employees in Sri Lanka.

5. CONCLUSION

The main objective of this study was to identify the determinants of attitude towards credit card usage of middle level employees in Sri Lanka. To achieve the objective, a regression analysis was employed to find the relationship between the identified independent and dependent variables. According to the findings of the study it can be concluded that there is a significant positive impact from perceived usefulness and customer knowledge to the credit card usage of middle level income earners in Sri Lanka. This result is in line with the similar study carried by Sriyalatha (2016), Yahaya and Haji-Othman (2014) and Maya and Rofi (2011) which revealed that perceived usefulness of a credit card influences attitude towards usage of credit cards. According to the study it was revealed that social influence does not significantly affect the usage of credit cards. It reflects those opinions of other individuals regarding risk and cost factors would influence the attitude of limiting the usage of credit card of the individuals. However, the researcher suggests further investigation on the same factor since the results are in contrast with the findings of similar studies carried out for different categories of individuals. (Ali et al., 2017, Amin, 2013, Nguyen and Cassidy, 2018, Trinh and Vuong, 2017, Varaprasad et al., 2013). According to the findings of the study the customer's financial knowledge is the highest influencing factor to the credit card usage. Financial knowledge is an important factor that should be considered by banks when offering credit cards. A number of methods can be used to improve consumer knowledge about credit card usage. Banks can publish the latest information on credit cards, which can help improve customer knowledge and improve attitudes towards usage of credit cards. By understanding that perceived usefulness affects the credit card usage behavior, Banks can decide their credit card facilities and policies in a way that cardholders receive the ability of using their card on more occasions to fulfill their needs.

The study recommends future researchers to extend the analysis by incorporating more dimensions to test the attitude of cardholders who belong to different categories in terms of the level of income and other demographic factors. The sample size in this study was confined to 320 middle level income earning cardholders. Therefore, it is recommended to carry out further research by increasing the size of the sample to identify factors that were left unexplored due to the limitations of the study.

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