Factors Influencing the Use of Credit Cards Usage among Sri Lankan Working Adults

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Author’s contribution

The sole author designed, analyzed, interpreted and prepared the manuscript.

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ABSTRACT

The usage of credit cards is becoming highly attached to peoples’ daily lifestyles and credit cards have a greater impact on busy peoples’ rapidly changing lifestyles. In Sri Lanka the usage is still low compared to other countries such as Korea, UK, US and Singapore. There is still capacity to increase the usage of credit cards and there must be factors which influence the usage of credit cards, thus, identifying factors which influence the credit card usage among Sri Lankan working adults are of greater extent. Therefore, this paper focuses on reviewing the literature focusing on the factors influencing the credit card usage which result in the intention to use credit cards. The paper examines the factors: Perceived Ease of Use, Perceived Usefulness, Age, Gender, Monthly Income, Personal Financial Knowledge, Personal Attitude and Educational Level. The factors were constructed in relation to the Technology Acceptance Model, the Theory of Planned Behavior and several other factors from the literature. The main research strategy used was the literature review with some attention given to practices based on Sri Lankan context. Paper discusses different scenarios guiding future research directions. Paper conclude research avenues by highlighting future research directions for the extended studies.

Keywords: Credit card usage; influencing factors; technology acceptance model; theory of planned behaviour; Sri Lanka.

1. INTRODUCTION

Sri Lankans daily lifestyles are changing rapidly, and the cost of living is soaring [1]. To adapt for rapid changes in lifestyles and as an aid for soaring cost of living, Sri Lankans tend to use credit cards [1]. According to SLBA [2], the statistics indicate that, the Credit Card habit is widespread and are being used by more and more people of all segments of the society. The credit card has become a very convenient and popular instrument to obtain cash and credit [2] and people consider it as an important step to improve the quality of life in this dynamic society which reduces financial distress and financial pressures.
Gamage [3] points out that, credit card penetration is 70 percent in Korea and UK, 44 percent in Singapore, 65 percent in USA, 7 percent in China and 3 percent in India, but in Sri Lanka it is just 0.4 percent. There is a capacity to increase the usage of credit cards, thus, should popularize which will promote businesses and the government to benefit from the indirect taxation coming-out from the usage of these cards [4]. According to CBSL [5], the total number of active credit cards in use as at end March 2019 in Sri Lanka was 1,720,078. According to Suthaharan [6], "Sri Lanka’s credit card penetration is only 5%, even though 74% of the population own a bank account according to World Bank Global Financial Inclusion Data. Even though Sri Lanka’s credit card penetration is considered to be fairly sufficient, it is comparatively low to its Southeast Asian counterparts. Differentiation is key when banks appeal to various consumer segments in order to expand in this highly competitive market. Credit cards need to offer an experience that truly stands out, amidst the overcrowding of choices and disruption in the marketplace".

Sri Lankans may use credit cards as a temporary tool to solve their economical and financial problems and to overcome financial burdens within a limited time frame. Many researchers on other countries such as Pebe et al. [7], Jusoh and Lin [3], Safakli [8] are focusing on identifying various dimensions and factors influencing the credit card usage. Hence, in Sri Lankan context identifying the factors which influence the credit card usage are of greater extent. Financial institutions and businesses can benefit through establishing marketing strategies and gain competitive advantage by focusing on the critical factors. This papers aim is to address the research question, what are the critical factors influence the credit card usage among Sri Lankan working adults.

1.1 Limitations and Key Assumptions

The scope of the research is to develop a conceptual framework for factors influencing the credit card usage among Sri Lankan working adults. The limitations and key assumptions include:

- Lack of previous research on influencing factors of credit card use in Sri Lankan context.
- The research is only based on the Sri Lankan context.
- The research sample is not bias.

2. REVIEW OF LITERATURE

2.1 Theoretical Review

There are various dimensions of variables identified by previous researchers. Among them Technology Acceptance Model (TAM) which was introduced by Davis [9] and Theory of Reasoned Action (TRA) developed in Social Psychology by Fishbein and Ajzen [10] are focused on the technology. The theory of reasoned action has "received considerable and, for the most part, justifiable attention within the field of consumer behavior... not only does the model appear to predict consumer intentions and behavior quite well, it also provides a relatively simple basis for identifying where and how to target consumers' behavioral change attempts" [11]. TAM has an excellent reputation with regard to its robustness, parsimony and explanatory power [12] and TRA postulates that beliefs affect attitude which influences intention, while intention in turn brings about behaviors [10].

TAM model is lacking recognizing the individual differences, such as age, gender and educational levels [12,14]. Theory of Planned Behavior (TPB) model has been used to understand the facets of human perception that subsequently lead to their behavior in the acceptance of a good or service, this asserts the role played by perceived ease of use, perceived usefulness and subjective norms in the probability of system acceptance by users [15]. The two key factors in determining intention, which predict the development of an innovation and are present in all studies of TAM model development, are perceived usefulness (PU) and perceived ease of use (PEOU) [12,14].

Theory of Planned Behavior was developed by Ajzen [15], as a development of the Theory of Reasoned Action (TRA). Theory of Planned Behavior is based on the assumption that human beings are rational and can use information. The theory shows that intention to behave is the closest antecedent of a behavior. The stronger the person’s intention to show a certain behavior, the more successful he is expected to do so. Theory of Planned Behavior explains that the intention is a function of attitude toward the behavior, subjective norms of behavior and the perceived behavior control.

2.2 Empirical Review

Sari and Rofaida [16] defined attitude as the number of affections that one feels to accept or
reject any behavior that is measured with a procedure that places the individual at two poles of evaluative scale e.g., good or bad, agree or refuse. Sari and Rofaida [16] stated that subjective norm consists of two influence forms, interpersonal and external influences. Interpersonal influence is the influence of friends, family members, coworkers, supervisors and experienced individuals who has potentially to become adopter. Meanwhile the external influence is the influence from outside of organizations such as external reports in the media, expert opinion and other non-personal information considered by the individuals in conducting their behavior.

Intention defines as the desire to perform a behavior [16]. Intentions are not static and may change time by time. The wider interval of time, the intention of a person is more likely to change. Intention to do or not to do a behavior is a direct determinant of the action or behavior. By limiting the unexpected events, people are expected to act in accordance with their intentions. In context of the credit cards usage, the intention to use credit cards can be measured by intentions to keep using credit cards, intention to increase the nominal of transactions by credit card, intention to increase the frequency on using credit cards [16]. Preferences of lecturers for credit card usage and the respondents argued that credit card is a payment instrument which is easy and practical and having credit card is safer than carrying cash [17,4]. Especially research related to test the Planned Behavior theory on the credit card usage, Erdem [17] explains that subjective norm and attitude toward the behavior are the effective factors in forming the intention to behave.

2.2.1 Perceived ease of use

Perceived ease of use is the degree to which the individual considers that the usage of a particular technology does not entail extra effort; the greater the perceived complication, the lower the degree. This has a positive influence on perceived usefulness [13]. Ease of use can become non-significant over extended and sustained usage. Thus, perceived ease of use can be expected to be more salient only in the early stages of using a new technology [7,16].

Credit cards are used as a convenient tool to use credits and it is easy to use. People do not need to carry money all the time to do a transaction. Thus, the ease of use should have an impact on influencing the use of credit cards [16]. An individual might have a higher intention to adopt credit card usage if they think it is easy to operate, leading to this proposition. Therefore, perceived ease of use of credit card will have a positive effect on the users’ behavioral intention to use credit cards for their transaction [7,8,18]. Based on that, following hypothesis is constructed.
Hypothesis 1: Perceived ease of use has a positive effect on intention to use credit card.

2.2.2 Perceived usefulness

Perceived usefulness is derived from the Innovation Diffusion Theory which has two distinct aspects near-term usefulness and long-term usefulness. It is defined as the degree to which users believe that usage of the system would boost their learning capabilities [12]. Improvement in results can be measured by the efficiency and efficacy of learning. TAM postulates that perceived usefulness has a direct effect on intention to use those systems in the future. The usage of specific information systems is affected by perceived ease of use and perceived usefulness [12,7,8].

Studies of that Sari and Rofaida [16] stated that, for perceived usefulness indicators, the majority respondents gave high rate of credit card used as a source of funds in shortage of cash condition, while the use of credit cards purposed for emergencies was rated as lowest. Further, the study showed that respondents have a positive attitude towards the use of credit cards, where the perceived usefulness was the largest [16]. The past researches reveal that there is a positive feeling of perceived usefulness for behavioral intention. Thus, the following hypothesis can be constructed.

Hypothesis 2: Perceived usefulness has a positive effect on intention to use credit card.

2.2.3 Age

There is a study showing that there is significant relationship between age and credit card usage. When heads of households were younger, the probability of having a negative attitude toward installment debt declined and reaching the lowest point at age 43, and then increasing sharply. There should be age range where the credit card usage influence is high. Therefore, the following hypothesis has been constructed [7,8,18].

Hypothesis 3: There is a relationship between age and intention to use credit card.

2.2.4 Gender

There are significant relationships between gender and financial practices, financial stress, affective credit attitude and the number of credit cards with a balance. There is a research proven that females tend to have a higher number of credit cards than males, but on the other hand, females carry lower balances compared to males. There are no differences between genders in terms of the number of credit cards held, balances, amount of monthly payment, or general attitudes toward credit. Therefore, the following hypothesis is constructed [8,18].

Hypothesis 4: There is a relationship between gender and intention to use credit card.

2.2.5 Monthly income

Upper-income consumers have more favorable attitudes toward credit card practices compared to lower-income consumers [19,14,1]. Therefore, the following hypothesis is constructed.

Hypothesis 5: There is a relationship between monthly income and intention to use credit card.

2.2.6 Personal financial knowledge

Experience, friends and family, with personal experience are the most important way of learning to use credit effectively and they are also the main sources of financial knowledge [20,14,7]. Low-income families are common of financial stress [7]. However there is no evidence to prove that low-income families have less financial knowledge. Thus, the following hypothesis is constructed.

Hypothesis 6: There is a relationship between personal financial knowledge and intention to use credit card.

2.2.7 Personal attitude

Ability of consumers to borrow could influence the households’ amount of debt and their willingness to borrow [20,14,7]. Consumers’ attitudes toward credit use might partly cause the dramatic increase in credit use from the 1930s to the 1990s [20,14,7]. There is a positive relationship between consumers’ general attitudes toward using credit and the increase in consumer debt from 1983 to 1989. Consumers’ attitudes have significant relationship to both installment debt and credit card debt, even after accounting for the impact of demographic and socio-economic variables [20,14,7]. There are several studies showing that a person is more likely to have more than one credit card and have a significant amount of debt with a positive attitude towards credit card use [20,14,7].
However, there are also studies showing that attitudes have no significant relationship on credit card usage and behavior. Based on the study of Ajzen [20], it has reported that attitude might not necessarily predict behavior. Attitude and behavior are not always compatible has shown through many studies in social psychology. Based on the researches, the following hypothesis is constructed.

**Hypothesis 7**: There is a relationship between personal attitudes and intention to use credit card.

### 2.2.8 Education levels

There are significant differences in credit card practices between education levels. Based on the findings of this study, education levels are able to influence credit card practices among working adults [7]. There should be education levels which influence the use of credit cards. Thus, the following hypothesis is constructed.

**Hypothesis 8**: There is a relationship between educational level and intention to use credit card.

### 3. CONCEPTUAL FRAMEWORK

![Fig. 3. Conceptual framework: Factors influencing the use of credit card](source: Authors Work)

### 4. METHODOLOGY

This study will be carried out in Sri Lanka. In this study, questionnaire will be used to collect data and information. The sample method conducted in this study is simple random sampling where questionnaires will be distributed among 500 randomly selected working adults in Sri Lanka. For the distribution of questionnaire an online survey method will be used. All selected respondents are working adults’ regardless government or private sector. After, the data collection, data will be analyzed using the Statistical Package for Social Science (SPSS 18.0). For that relevant statistical methods will be chosen depending on the related quantitative and qualitative data. The data analysis will be done through several statistical procedures. Descriptive statistics including frequencies, means, and percentages will be utilized when appropriate to describe responses to the independent variables such as the demographic characteristics of respondents, the personal financial knowledge of credit card usage and the attitudes and also the dependent variable which is intention to use credit card. Hypothesis testing will be done through ANOVA and related statistical tests. Pearson correlations will be used to measure the relationships. These tests are used to find the accuracy of hypothesis. Thereby identify the more related factors among the factors.
5. CONTRIBUTION

5.1 Theoretical Significance

Technology Acceptance Model (TAM) [9] and Theory of Reasoned Action (TRA) [21] are focused on factors influencing the use of technology. The theory of reasoned action has "received considerable and, for the most part, justifiable attention within the field of consumer behavior...not only does the model appear to predict consumer intentions and behavior quite well, it also provides a relatively simple basis for identifying where and how to target consumers' behavioral change attempts" [11]. TAM has an excellent reputation with regard to its robustness, parsimony and explanatory power [12] and TRA postulates that beliefs affect attitude which influences intention, while intention in turn brings about behaviors [21]. The factors are based on literature. Thus, the new Octagon model will contribute in relation to TAM and TRA.

5.2 Practical Significance

The identification of the factors will benefit the financial institutions and business leaders to enhance their business while the individuals will be benefited by enhanced facilities and availability of credit card facilities in Sri Lanka. The individuals will benefit with more facilities and ventures which will integrate with the benefits gathered with the use of credit cards.

6. CONCLUSION

Credit card usage has a greater impact on busy peoples rapidly changing lifestyles. In Sri Lanka the usage is still low compared to other countries such as Korea, UK, US and Singapore. Thus, there is still a market to grow. Thus, a detailed literature review will be conducted to identify the related work of the researchers. For this, research papers, journals, white papers, conference papers and other material will be used. Then, evaluated the current frameworks, theories, models, etc and the related future works. The worldwide information will be evaluated and the relevance of them to Sri Lankan context will be discussed. In addition, the detailed literature review will be used for defining the parameters for the questionnaire for data gathering. After that, a survey will be conducted by choosing a sample of working adults. Then, based on the collected data, data analysis will be done. For that relevant statistical methods will be chosen depending on the related quantitative and qualitative data. For the analysis the statistical software package SPSS 18.0 will be used. Then from the analyzed data a conceptual framework for factors influencing the use of credit cards among Sri Lankan working adults will be developed. The conclusions, implications and future studies will be identified. The developed conceptual framework will be distributed among the financial institutions company heads to get the feedback to measure the success level and the acceptance level of the artifact. The final research documentation will be prepared with the facts and figures, analyzed statistical data with the reviews, discussions, evaluations and research findings.

COMPETING INTERESTS

Author has declared that no competing interests exist.

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