AN INVESTIGATION OF THE CHARACTERISTICS OF CREDIT CARD USERS AND NON-USERS IN NAIROBI, KENYA

By

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A Thesis submitted in partial fulfillment of the requirements for the award of degree of Masters of Education (M.Ed) Home Economics at Kenyatta University.

August 1998
DECLARATION

This thesis is my original piece of work and has not been presented for a degree course in any other university.

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DEDICATION

This work is dedicated to Mum and late Dad (Mr and Mrs Mbagi) for their encouragement, concern and support that has made it possible for me to attain my goal.

Also to my brothers and sister Kirubi, Wangari and Mwangi for always being there for me and to God, for the great things He has done.

To God be the glory.

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# TABLE OF CONTENTS

## CHAPTER ONE: INTRODUCTION

1.1 Background information .................................................. 1
1.2 Problem Statement .......................................................... 2
1.3 Purpose of study ............................................................. 3
1.4 Research objectives ......................................................... 3
1.5 Research hypothesis ......................................................... 3
1.6 Significance of the Study .................................................... 3
1.7 Assumption ................................................................. 4
1.8 Limitations ................................................................. 4
1.9 Definition of terms .......................................................... 4

## CHAPTER TWO: LITERATURE REVIEW

2.1 History of credit use ......................................................... 6
2.2 Reasons for credit use ...................................................... 8
2.3 Advantages of credit use ................................................... 9
2.4 Disadvantages of credit use .............................................. 10
2.5 History of credit card use .................................................. 12

## CHAPTER THREE: METHODOLOGY

3.1 Research design ........................................................... 17
3.2 Population ............................................................... 17
3.3 Sample ................................................................. 18
3.4 Data collection ............................................................ 19
3.4.1 Development of research instruments ............................. 19
3.4.2 Pre-testing of instruments .......................................... 21
3.5 Data analysis ............................................................ 21
CHAPTER FOUR: RESULTS AND DISCUSSIONS

4.1 Introduction ................................................................. 23

4.2 Background characteristics of respondents ........................................ 24
  4.2.1 Respondents' Gender .................................................. 24
  4.2.2 Respondents' Age .................................................... 25
  4.2.3 Respondents' Marital Status .......................................... 25
  4.2.4 Respondents' Family Size ............................................ 26
  4.2.5 Respondents' family Life cycle stage ................................ 27
  4.2.6 Respondents' education level ........................................ 27
  4.2.7 Respondents' monthly income ....................................... 28

4.3 Demographic characteristics of credit card users and non-users .............. 29
  4.3.1 Gender .................................................................... 29
  4.3.2 Age .......................................................................... 30
  4.3.3 Marital Stats ............................................................ 31
  4.3.4 Family size ............................................................... 31
  4.3.5 Family life cycle stage ................................................ 32
  4.3.6 Education level .......................................................... 33
  4.3.7 Monthly Income .......................................................... 34

4.4 Factor's that influence use of credit cards ............................................ 35
  4.4.1 Factors that lead to the use of credit cards .......................... 36
  4.4.2 Factors that hinder the use of credit cards ....................... 37

4.5 Consumers level of knowledge on credit card use .................................. 39
  4.5.1 Knowledge on who qualifies for a credit card .................... 39
  4.5.2 Knowledge on advantages of credit card use .................... 41
  4.5.3 Knowledge on disadvantages of credit card use ................. 42

4.6 Problems encountered by credit card users and possible solutions ............ 45

4.7 Relationship of various demographic variables to the use or non-use of credit cards ................................................................. 48
  4.7.1 Chi-square results between income and credit card use ........... 48
4.7.2 Chi-square results between education level and credit card use ........................................ 49
4.7.3 Chi-square results between age and credit card use ......................................................... 49
4.7.4 Chi-square result between family life cycle stage and credit use ........................................ 50
4.7.5 Chi-square between type of the employer and credit card use .......................................... 51

CHAPTER FIVE: SUMMARY AND RECOMMENDATIONS

5.1 Summary ................................................................................................................................. 53
5.1.1 Purpose and objectives ...................................................................................................... 53
5.1.2 Methodology ..................................................................................................................... 53
5.2 Findings ................................................................................................................................. 54
5.3 Conclusions .......................................................................................................................... 55
5.4 Recommendations ............................................................................................................... 55
5.5 Suggestions for further research ........................................................................................... 56
# LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Frequency distribution of respondents according to use of credit cards</td>
<td>24</td>
</tr>
<tr>
<td>2.</td>
<td>Frequency distribution of respondents according to gender</td>
<td>24</td>
</tr>
<tr>
<td>3.</td>
<td>Frequency distribution of respondents according to age</td>
<td>25</td>
</tr>
<tr>
<td>4.</td>
<td>Frequency distribution of respondents according to marital status</td>
<td>26</td>
</tr>
<tr>
<td>5.</td>
<td>Frequency distribution of respondents according family size</td>
<td>26</td>
</tr>
<tr>
<td>6.</td>
<td>Frequency distribution of respondents according to family cycle stage</td>
<td>26</td>
</tr>
<tr>
<td>7.</td>
<td>Frequency distribution of respondents according to education level</td>
<td>27</td>
</tr>
<tr>
<td>8.</td>
<td>Frequency distribution of respondents according to monthly income</td>
<td>28</td>
</tr>
<tr>
<td>9.</td>
<td>Frequency distribution of respondents by other sources of income</td>
<td>29</td>
</tr>
<tr>
<td>10.</td>
<td>Frequency distribution of users and non-users by gender</td>
<td>30</td>
</tr>
<tr>
<td>11.</td>
<td>Frequency distribution of users and non-users by age</td>
<td>30</td>
</tr>
<tr>
<td>12.</td>
<td>Frequency distribution of users and non-users by marital status</td>
<td>31</td>
</tr>
<tr>
<td>13.</td>
<td>Frequency distribution of users and non-users according to family size</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Frequency distribution of users and non-users according family life-cycle stage</td>
<td>33</td>
</tr>
<tr>
<td>15</td>
<td>Frequency distribution of uses and non-users by educational level</td>
<td>33</td>
</tr>
<tr>
<td>16</td>
<td>Frequency distribution of users and non-users by monthly income</td>
<td>34</td>
</tr>
<tr>
<td>17</td>
<td>Frequency distribution of users and non-users by other sources of income</td>
<td>35</td>
</tr>
<tr>
<td>18</td>
<td>Reasons why respondents use credit cards</td>
<td>36</td>
</tr>
<tr>
<td>19</td>
<td>Reasons as to why respondents do not use credit cards</td>
<td>38</td>
</tr>
<tr>
<td>20</td>
<td>Respondents' views on who qualifies for a credit card</td>
<td>40</td>
</tr>
<tr>
<td>21</td>
<td>Responses on advantages of credit card use</td>
<td>41</td>
</tr>
<tr>
<td>22</td>
<td>Disadvantages of credit card use as reported by respondents</td>
<td>43</td>
</tr>
<tr>
<td>23</td>
<td>Type of information respondents would like to be given about credit cards</td>
<td>44</td>
</tr>
<tr>
<td>24</td>
<td>Problems that credit card users have encountered</td>
<td>45</td>
</tr>
<tr>
<td>25</td>
<td>Possible solutions to problems encountered by credit card users</td>
<td>46</td>
</tr>
<tr>
<td>26</td>
<td>Relationship between monthly income and credit card use</td>
<td>48</td>
</tr>
<tr>
<td>27</td>
<td>Relationship between educational level and credit card use</td>
<td>49</td>
</tr>
<tr>
<td>28</td>
<td>Relationship between age and credit card use</td>
<td>50</td>
</tr>
<tr>
<td>29</td>
<td>Relationship between family life-cycle stage and credit card use</td>
<td>51</td>
</tr>
<tr>
<td>30</td>
<td>Relationship between type of employer and credit card use</td>
<td>52</td>
</tr>
</tbody>
</table>
AN INVESTIGATION OF THE CHARACTERISTICS OF CREDIT CARD USERS AND NON-USERS IN NAIROBI, KENYA.

ABSTRACT

BY

Jane Wanjiku Mbagi

The purpose of this study was to investigate the extent to which credit cards are in use in Kenya. It also attempted to find out the level of consumer knowledge on credit card use. The study specifically sought to address the following objectives.

1. Establish characteristics of credit card users and non-users.
2. Identify factors that influence use of credit cards
3. Establish the level of consumer knowledge on credit card use
4. Find out problems encountered by credit card users and
5. Compare the credit card users and non-users in terms of education, income, age, family life circle stage and type of employer.

The data used in the study was collected using questionnaires which were distributed by the research to a Random sample of 146 respondents in Nairobi's central division. A few interviews were carried out to verify the information collected using open ended items in the questionnaire. The respondents were drawn from various ministries and private institutions. The data was analyzed by use of frequencies, percentages and Chi-squares.

The results showed that the users and non-users had similar characteristics with 57% of users and 66% of non-users being males. Majority were married, had small families that were in the expanding stage. A significant difference between the users and non-users was age, education level and income. About half (54%) of the credit card users were between 31-40 years while (43%) of non-users were between 20-30 years. Half of the non-users (50%) had university level education. On monthly income, most (90%) credit cards users were earning above Ksh.20,000 per month while one third non-users (31%) were earning between Ksh10,000 -15,000 per month.
Two thirds (66%) of the respondents said they needed information about credit cards and these includes advantages and disadvantages of credit cards, rate of interest charged and when and how to use the credit cards.

Convenience was reported as the main reason why credit cards are used by 80% of the respondents who use credit cards. Less than half (44%) of the non-users reported that they cannot afford to run a credit card as the reason why they do not use credit cards.

Exposure to credit cards and monthly income remained as the main determinants of credit card users.
CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND INFORMATION

The role of money is strategic as individuals and families make their daily financial decisions (Deacon and Firebough, 1988). The cost of living in Kenya has been constantly on the rise leading to the need for more money to meet our basic needs. According to Mwarania and Ayako (1988) the rate of inflation in Kenya between 1963-1973 was less than three percent while the 1992 Kenya Trends report indicates an inflation rate of 22%. This high inflation rate means that the prices of basic commodities have gone up as well.

For families and individuals to be able to meet their basic needs they have opted to use the goods and services and pay for them in the future. Leet and Driggers (1983) refer to such an arrangement as credit. This means credit started in an attempt to close the gap between the earnings on one side and the living expenses on the other.

Families and individuals have resorted to borrowing which is also a form of credit. According to Leet and Driggers (1983) banks and other financial institutions are encouraging people to save a portion of their income so that other people and firms can borrow the money to increase their purchasing power.

Credit use began in America due to the shortage of money (Gordon, 1977). This means it is not a new phenomena in America. Credit use has also been present in Kenya though the sources are constantly changing. Services such as electricity and water have been provided on credit as the consumer uses them and then gets a bill at the end of the month. Kenyans have also been using loans, open account credit and hire purchase as forms of credit.

However, credit cards in Kenya are relatively a new phenomena, but they are gaining popularity mainly due to increased mobility of the general population as well as awareness on the part of the retailer that they are a means of increasing sales (Consumers Digest, March 1985: September 1986). Credit cards iden-
tify customers and permit them to charge purchases even though, they are not known by the seller. According to research carried out in Kakamega District, credit cards were the least used forms of credit as compared to other types; and this is an indication of how credit cards are a new phenomena in Kenya. (Patel, 1994).

The first credit card in Kenya was introduced in 1976 (Consumers Digest, December 1987). This was the Diners Card by Diners Club Africa Limited. The Senator and Merchant card followed in 1985 (Consumers Digest, October 1986). Other cards mainly fuel and bank cards followed, then as recently as October 1995, the Japanese Credit card was launched (Sunday Nation, October 1995).

This indicates that card companies are doing well but as yet there is no documented information on the Kenyan situation about credit card use. Many people may be ignorant about the what, why and how of credit cards. This research seeks to fill that gap by providing information to be documented about credit card use in Kenya.

1.2 STATEMENT OF THE PROBLEM

The research problem being investigated in this study is the extent to which credit cards are in use in Kenya. Research carried out in the United States of America (USA) indicates that people with high incomes are more likely to have credit cards (Gordon and Lee 1977: Rees, 1992). Research also indicates that credit cards are used by persons between 18 and 45 years of age (Rees, 1992). According to Leet and Driggers (1983), families in the contracting stage of the family life cycle are more likely to be using cards.

The problem being investigated is timely because, if not properly monitored credit card usage can lead to financial problems. These include bankruptcy, loss of credit worthiness and insolvency:- a situation whereby one has more debts than the amount of money he makes (Mugenda, 1983).

This is a most likely situation in Kenya whereby credit cards have taken the Kenyan market by storm according to consumers digest (December, 1987), and yet there is no documented information on credit cards. Majority of the Kenyan consumers are using cards without knowing the hidden costs hence are vulnerable to these problems.
So far, no research has been done to ascertain whether the characteristics of credit card users in Kenya tally with those in other countries and whether they differ from those of Kenyan non-users, hence a study of credit card and users and non-users is important.

1.3 PURPOSE OF STUDY

The purpose of this study was to investigate the characteristics that differentiate between credit card users and non-users in Kenya in terms of income, age, gender, family size and education level. Another purpose was to investigate the differences in credit card knowledge between users and non-users.

1.4 RESEARCH OBJECTIVES

The specific objectives of this study were to:

1. Establish characteristics of credit card users and non-users
2. Identify factors that influence the use of credit cards
3. Establish the level of consumers knowledge on credit card use
4. Find out the problems encountered by credit card users
5. Compare credit card users and non-users in terms of education, income, age, family life-cycle stage and type of employer.

1.5 RESEARCH HYPOTHESIS

1. The higher the income bracket, the higher the probability of credit card use
2. There is a relationship between family size and use of credit cards.
3. There is a relationship between knowledge of credit cards and use of credit cards

1.6 SIGNIFICANCE OF THE STUDY

1. The study would provide reliable documented information about use of credit cards for the Kenyan consumer to rely upon.
2. It is expected that this study will reveal characteristics of people who use credit cards. This could be of help to the card companies in
advertising because they would know who to target.

3. Credit card companies could also use the information to improve their services. This is because, the study is expected to reveal the problems which credit card users encounter which the companies can address themselves to.

4. Curriculum developers can use the information and incorporate it in the consumer education unit in schools. Consumer education is taught in both primary and secondary levels in Home Science and Business Education.

5. The information is expected to be useful to Kenya Consumer Organisation (KCO) and other consumer bodies who deal with consumer issues and problems in Kenya. It would provide a good background when educating consumers about the proper use of credit cards.

1.7 ASSUMPTION

1. There will be credit card users and non-users of credit cards among the respondents.

1.8 LIMITATIONS

1. This study was confined to Nairobi only, hence generalisation can only be made to areas outside Nairobi with great caution.

2. This study was carried out on salaried people only. This means it did not cater for people who are in business or self-employed artisans.

3. Though the actual sample (salaried employees) were selected randomly, the institutions were selected purposively. It is therefore important to generalise with caution.

1.9 DEFINITION OF TERMS

1. Education: This is the highest level of learning a respondent has gone up to e.g. primary, secondary, college and university.

2. Income: The salary that a respondent is paid at the end of the month in
Kenya Shillings.

3. Credit: A system of taking goods and services and paying for them later.

4. Credit Card: A small plastic card used instead of money to pay for goods and services from shops, travel companies, etc. The cost is charged to one's account and paid later.

5. Family size: This refers to the total number of persons living with a respondent and are dependent on the respondent whether they are related or not.

6. Family life cycle state: This refers to the stage at which a family is. These are the stages from formation to dissolution.
CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 HISTORY OF CREDIT USE

Credit has become a household name in modern times. Credit comes around when a seller of goods and services transfers the goods to the buyer in return for a money claim (Greene and Dince, 1983).

In America, credit began due to shortage of money (Gordon, 1977). It was noted that the use of credit for consumption purposes was more common than the use of cash. This was for both the wealthy and the poor. The rich mainly used credit for convenience and big investments while the poor used credit due to necessity.

The use of credit led to an increase in the productivity of the country. This was because the demand for goods and services was high due to the fact that one did not need to have the cash at hand.

The production of automobiles and appliances in America exceeded effective demand, and the solution to this was to lend the buyer the money with which to buy the appliances. This led to credit use.

Expansion of consumer credit over the past two decades has been the result of rapid rise in disposable income and increasing demand for goods (Gordon, 1977). This is supported by Greene and Dince (1983) as they observe the interest on personal debt is the second largest deduction after state and local taxes which is an indication of how important credit has become.

This increase in credit use led Patterson (1981) who was the legal Counsel for American Express Corporation as quoted by Leet and Drigger (1983) to say: “Credit can be sinister. Adults are like kids with their noses poised up against the candy store window. You have to realise you have to stay within your means.” (pg.182)
As good as it sounds the above has not been possible because campaigns for the use of credit have been on-going and most people have been lured to use credit. This is mainly because it allows one to match the need for goods and services with the ability to pay for these commodities (Leet and Driggers, 1983).

In Kenya, consumer credit is being used to extend the purchasing power of households and individuals. Credit has been present in Kenya but in small scale. Bank loans for example by National Bank of Kenya which are a form of credit have been offered since 1968. People have always operated Small Time Credit whereby they take goods on credit from the shopkeepers and pay at the end of the month.

Extension of retail credit has become a popular means of temporarily expanding the market for goods and services. Credit has evolved over a long time and the main types of credit are:

* **Open account credit**
  This is an informal kind of credit which depends on the business man's confidence in his customers. The customers take goods or services and signs a sales slip to indicate he has purchased.

* **Revolving credit accounts**
  This type of credit offers limited credit to the consumer. The maximum amount that may be owed to the store at any one time is determined at the time the account is opened. New purchases may be made as long as the total amount owed at any particular time does not exceed the established maximum.

* **Loans**
  This is an arrangement whereby one gets some money from banks, credit unions, savings and loans association, the he is allowed to pay over a certain amount of time. Interest is charged for this kind of arrangement.

* **Installment/Hire purchase**
  This is an important form of consumer credit and the most often used. In this type of credit one gets goods after paying a certain amount as deposit, then the balance is spread over a number of months. This
means it is paid in installments.

* Credit cards
A credit card is a kind of voucher that allows the holder to charge purchases even though they are not known by the seller. The issuing company pays the bills and the holder of the credit pays his bills conveniently within set limits after he has been billed by the card company (Consumers Digest, December 1987).

2.2 REASONS FOR CREDIT USE
Today, credit has become popular in Kenya, unlike what it was a few years back. One is triggered to think about the reasons behind this popularity. The main reason for this is that the economy today is based on the exchange of money more than before (Wilhems, 1966). The flow of money is important. Since money is a scarce commodity, for one to maintain the flow of money, credit has become necessary. The incomes people are getting are not enough to maintain the flow of money necessary hence the rampant use of credit.

Modern technology has also been responsible for credit use. It has made "hard goods" abundant. These are mainly electronics which are too expensive to be paid for at once. This has led to use of credit to acquire these goods.

Credit has also been used in Kenya to acquire durable goods and improve their standards of living. A family uses hire purchase which is a type of credit so as to acquire a television, or gas cooker and as a result improve their way of life.

Consumer credit has been accepted as respectable, this has led to its being popular because one is not ashamed to use credit. A number of years back the word credit was not mentioned and one was looked down upon on being known as a user of credit (Wilhems, Heirmel and Jelley, 1966).
Laws and business practices have been greatly moderated to give more protection to the honest debtor. For example, there is a Kenya Hire Purchase Act of 1968 which is a law governing installment credit. This has led to credit use because the debtor is protected by the law which is an incentive. Credit in Kenya has also been used to meet peak load conditions by people operating business as well as finance periods of deficit. The main differences between credit use by the poor and the rich are the reasons for credit use and type of credit used.

The poor use credit mainly for necessity and to make the ends meet, while the rich use credit for convenience, that is to avoid carrying large sums of money around and also for big investments (Rees, 1992). The middle income groups use credit for both reasons. The low income earners use credit from Shopkeepers and hire purchase while the high income group uses bank loans and credit cards as the types of credit.

2.3 ADVANTAGES OF CREDIT USE

The different types of consumer credit have their own unique advantages and disadvantages. Despite these, there are advantages and disadvantages that are general to credit use.

Credit usage helps one to synchronise income with expenses. Credit is a dollar stretcher (Leet and Driggers, 1983) and hence gives the consumer sufficient buying power to purchase items when money may not be available. One is able to purchase an item when needed though they may not have money. This means one buys a good before actually having money to pay for it.

Credit also comes in handy during the expanding stage in a family life cycle. The burden of rearing and educating children may be straining financially, and in this case one may use credit to meet the demands then pay using future income on which the demands may be less.
Credit is good because it forces one to save. People who are poor savers and those who cannot save use credit as a method of forcing themselves to save because they have to pay the debt. Credit makes record keeping easier since in most types of credit the statements are sent to the person operating credit, record keeping becomes easier as opposed to recording when purchases are done in cash (Herman and Jelley, 1973).

The use of credit and especially credit cards eliminates fear of robbery or loss of cash. This is because one does not have to carry cash around; meaning one does not feel threatened. Some people use credit especially credit cards due to these reasons.

Credit use adds a sense of security and helps people in meeting emergency expenses, when no other means are available (Akunga, 1991).

2.4 DISADVANTAGES OF CREDIT USE

Credit use though good has its own disadvantages, because just like a coin it has two sides.

People who use credit risk financial insolvency (Mugenda, 1983; Leet and Driggers, 1983). This is a situation whereby one owes creditors more than he makes. Creditors are mainly paid at the beginning of the month and one is left without enough even for necessities, if one happens to owe more than he makes, then he is financially insolvent. This is very likely because credit is appealing and one is likely to be extravagant.

Credit use ties up future income and often leads to overspending. It is very easy to spend more than one has budgeted when it is not necessary to pay cash immediately.

Credit also leads to budget inflexibility (Leet and Driggers, 1983), due to too many commitments in terms of payment to creditors. This means most of the
money is used to pay debts and this reduces budget flexibility because what remains is barely enough to carry the family through the month.

Credit use limits one in terms of choice concerning where to shop. If one has to use credit they are limited to only those outlets which offer credit and often they are more expensive than other outlets. The prices are usually higher as a result of the interest charged on credit. This means one cannot take advantage of lower prices in other outlets. People pay dearly for the ability to have goods now and pay later instead of saving and buying later.

Finance charge is another cost of credit. For the credit service the lender charges a fee to cover the cost of maintaining staff, obtaining the money and providing for losses of unpaid loans. This means credit costs money to pay and if one is unable to pay they may loose the items purchased hence face a double loss (Wilhems et.al. 1966: Akunga, 1991). Due to this Deacon and Firebaugh (1988) argue that when credit is used, the items need to be worth the expense.

Another disadvantage is that one may not be able to take advantage of sales. There may be a sale at a place that does not offer credit and the credit user might have no money and hence loses the chance. Sometimes it may be an advantage if the outlet with a sale offers credit. This is because one can use credit e.g. a credit card to purchase items while the persons who uses cash may have no money at the particular moment.

For one to use credit they need to weigh the advantages and disadvantages and decide whether they are ready to pay the cost of credit or to forego the advantages.
2.5 **HISTORY OF CREDIT CARDS**

A credit card is a kind of voucher which allows the holder to buy goods or pay for services without using hard cash (Consumer Digest, March 1985). The issuing company pays the bill and the holder pays his bill conveniently within set limits in time after he has been billed (Consumer Digest, December 1987).

Credit cards are increasingly becoming invaluable to companies as they ensure a smoother cash flow. They save time and money and ease the accounting.

Credit cards have been in use for long in the USA and about 500 million cards are in use and 8/10 adults have at least one credit card (Gordon and Lee, 1977). Rees (1992) found out that 71% of all USA families in 1986 had credit cards. This is quite a high percentage meaning credit cards in the USA are used by the majority.

Credit cards on the consumer scene were as a result of the increased mobility of the general population and of the awareness on the part of retailers that it is a means of increasing sale (Niss, 1994).

The first card in Kenya was introduced by Diners Club Africa Limited in 1976. However charge cards had remained unknown to majority of Kenyans until a few years ago because of the following reasons:

* When the card was introduced it was used mainly by expatriates, senior multinational and government executives and the kind of competition that encourages advertising was lacking and this kept the knowledge to just a handful of people.

* The management was skeptical about the competence of Africans in
spending within their limits and paying up the bills and as a result the cards were not publicised.

* Kenyan consumption habits were generally subsistence hence had no inclination towards sophisticated and industrial products consumptions. This means the need for a credit card may not have been there (Consumer Digest, December 1987).

However over the last few years the situation has changed with the launching other credit card companies. These have been marketed very aggressively and has taken large proportion until credit cards look like a new product in the market.

Today there are so many credit cards in the market, but they all can be grouped into these major categories.

(a) **Charge Cards**

These are cards that enable an individual to make purchases at certain outlets. These were the first cards in the Kenyan market way back in 1976 when Diners Club Africa introduced the Diners Card (Consumers Digest, December 1987).

These cards were not well accepted since the Kenyan population was still mainly subsistence. They were mainly received by expatriate, senior multinational and government executives who were already familiar with such cards from their countries or wide travel. Examples of credit cards in this country which belong to this category are Diners Card, Royal Card, Senator, Merchant.
(b) **Fuel Cards**

These are cards that basically allow one to fuel or service their cars at particular stations that accept the card. Esso Oil Company was the 1st to introduce a fuel card. The holder of this card were only to fuel at Esso Petrol Stations. This was meant to give Esso an edge over the other oil companies. Other oil companies that have cards today are Agip, Total, Shell and BP.

This card was mainly received by businessmen who operated a fleet of cars or lorries, or companies operating large fleet of vehicles. These cards helped liberate the clients money previously given to drivers on Safari, and was subject to bring stolen or misused.

Card enables company to control and keep track of the fuel consumption for any vehicle.

(c) **Bank Cards**

A Bank Card holder uses his card as an identification form and signs the sales slip authorising the bank to pay the retailer the amount for which the card holder has made purchases (Niss, 1994). The card holder then receives a bill from the bank to pay within the accepted time.

Another advantage of the bank card over the others is the fact that one can cash up to a certain percentage or proportion in any of the issuing bank’s branches. These bank cards are only given to current account holders. Banks offering bank cards are Standard Chartered, KCB, Barclays and National Bank of Kenya.

2.6 **CREDIT CARD USE**

In the United States, cash is not yet obsolete but the tremendous growth in the use of credit during the past two decades has been nothing short of phe-
Credit card use is highly associated with income. People with high incomes use cards. This was found out in a research carried out by Rees (1992) in the U.S.A. This is supported by the fact that one of the major consideration of who qualifies to be a card holder is a healthy savings or current account (Consumers Digest, December 1987). This means credit cards are used by high income earners.

A paper by Mathews and Slocum entitled “Social class and commercial bank card usage” (Kassaijian and Robertson, 1981) argues that the lower class people tend to use credit cards for installment financing as opposed to upper class people who use credit cards for convenience. This is due to income levels. The lower class lacks money to meet their needs adequately while the upper class people have enough money, hence use the cards for convenience. Therefore the nature of card use is related to social class.

Rees (1992) in a research in USA found out that credit cards were used by persons between the ages 18-45 years. Age is a requirement for somebody wishing to acquire a credit card.

Education level has also been strongly correlated with income which in turn influences credit card use. This means education level indirectly influences credit card use.

Leet and Driggers (1983) argue that the family life cycle stage affects family goals. In the early middle years or contracting stage of the family, that is from when the youngest child starts schooling to when he leaves home the family goals have been met. This includes goals such as ownership of property, career success and financial stability. These means people in this stage of the family life
cycle are more likely to use credit cards due to income availability and less commitments.

Credit cards provide record keeping, identification and minimises cash transactions. Therefore people use credit cards to keep track of their purchases and reduce carrying cash. The Credit Cards are mainly used to purchase durable goods and not luxuries. Convenience card users hesitate to purchase goods they consider unchargeable using the card, to avoid the risk of overextending themselves (Kassajian and Robertson, 1981).
CHAPTER THREE

METHODOLOGY

This section describes the procedures and strategies which were used in the study. It focuses on the sample selection, development and administration of research instruments and an online of methods in analysis and presentation of data.

3.1 RESEARCH DESIGN

This research study used a descriptive survey design. Survey deals with phenomena as it exists in Nature or Society. Descriptive Survey aims at providing accurate information about the phenomena. Survey design allows collection of quantifiable data in a standardized manner from a large sample; (Touliatos and Compton, 1988: Borg and Gall, 1983).

The descriptive Survey design was selected because it allows the use of a large sample. A survey also yields reliable data because of the highly structured data collection process. Triangulation of data collection procedures was ensured whereby both questionnaires and interviews were used.

3.2 POPULATION

The study target population consisted of all salaried employees in both the public and private sector in Nairobi. The study includes respondents in both private and public service so as to cater for the different income groups.

The accessible population was all salaried employees in the public service and a section of the private sector in Nairobi’s central division, where most government ministries and private companies are situated. Government ministries represented the public service while selected banks and insurance companies and a publishing firm represented the private sector.

Nairobi was selected because it is a cosmopolitan city and hence has people who have different attitudes towards use of money based on their cultural backgrounds.
cultures. The people also belong to different socio-economic groups hence a more representative sample. Salaried employees were chosen because they are the majority of Kenyan work force. Being an exploratory study it was felt it is better to start with this main group.

3.3 SAMPLE

The employers were stratified as follows with a random sample of 180 respondents.

(i) 4 government ministries 80 respondents
(ii) 2 banks 40 respondents
(iii) 2 insurance companies 40 respondents
(iv) 1 publishing firm 20 respondents

(a) Random Sampling

Four government ministries were systematically selected from a total of 25 ministries, using random numbers. The names of the ministries were listed down randomly and since only 4 ministries were needed, starting from the 4th ministry every 6th ministry was picked to give the sample. These ministries were: (1) Ministry of Education, (2) Ministry of Tourism and Wildlife, (3) Ministry of Energy and (4) Ministry of Research, Science and Technical Training. Out of the selected ministries random sampling of the respondents was done. Stratified samples are appropriate in studies where the research problem requires comparison (Borg & Gall, 1983). In this study the comparison is necessary in terms of income categories given the fact that credit card use is highly linked to income.

(b) Purposive Sampling

The institution/companies for inclusion in the study were purposively selected. The criteria used in selection of the institutions was:

* Well established
* Large in terms of number of employees (200 employees)
This was to ensure that all income groups are well represented. Respondents from these private institutions were selected after being stratified according to employment grades.

The list of institutions which acted as the sampling frame was got from the divisional headquarters; and the lists of employees were got from the employers.

The respondents responded to questionnaires and 10% of this sample was interviewed to verify and support information given in questionnaires.

A table of random numbers was used for the simple random sampling. This is a table that consists of a long series of five-digits generated randomly by computer and are used to generate a random sample.

### 3.4 DATA COLLECTION

The researcher collected data using questionnaires and interview schedules. The questionnaires were given at the same time to all respondents who fall under one employer to avoid prejudice. The drop and collect technique was used. For the interviews, appointments were made at the respondent's convenience and the interview sessions lasted 30-45 minutes.

Before the actual research a research permit was sought from the Office of the President in accordance with the standing research clearance awarded to Kenyan institutions.

### 3.4.1 DEVELOPMENT OF RESEARCH INSTRUMENTS

The following instruments were used to collect data:

1. **QUESTIONNAIRE**
   
   This is an instrument that lists items to which respondents respond directly. Questionnaires were chosen for this study because the research
is concerned with measuring variables that cannot be observed directly and it is also an economical method of accessing representative samples for research.

The questionnaire contained both open-ended and closed items. Closed form items have response sets already given for the respondent to choose from. However, the category of "other" made it possible for new responses from the respondents to be given. Open ended items allowed the respondents to make any responses they wished in their own words. The questionnaire consisted of three parts:

Part one: demographic details
Part two: items for credit card users
Part three: items for respondents who do not use credit cards

The questionnaire collected mainly quantitative data while interviews yielded the qualitative data.

2. INTERVIEW SCHEDULES

Interviews involve collection of data through verbal interaction between the interviewee and interviewer. It allows the researcher to follow up leads and hence obtain more data and greater clarity.

The interview schedules were used to obtain indepth qualitative data about the use of credit card as well as non-use. The information collected helped supported and verify the quantitative data collected using questionnaires.

The interview schedules was semi-structured because it is reasonably objective while allowing a more thorough understanding of the respondents opinion and reasons behind them. (Borg and Gall, 1983). The interview schedule contained three parts:

Part one: demographic details
Part two: items for credit card users
Part three: items for non-users of credit cards.
3.4.2 PRE-TESTING OF INSTRUMENTS

The questionnaire and interview schedules validity and reliability were strengthened through pilot-testing before carrying out the actual research. The aim of piloting was:

(i) Find out if the instruments would gather the information they were intended to

(ii) To find out if the instruments were being interpreted the same by all respondents.

The pilot testing was carried out on people who qualified to be part of the research but were not included in the study. A random sample of ten respondents was used for the pilot testing.

These respondents were asked to give comments and suggestions about the clarity of instructions and questions. Data collected was analysed to find out if it met the research objectives.

3.5 DATA ANALYSIS

(a) Quantitative

Data analysis was done manually. Descriptive statistics (frequencies, percentages and means) were used to summarise data from items on demographic characteristics. This led to a description of the users and non-users of credit cards.

Chi-square tests were computed for the variables income, education, age, family life-cycle stage and type of employer. Chi-square test of independence is a test used to determine whether two categorical variable measured at various levels are significantly different.
(b) Quantative

The qualitative data was analysed by studying the field notes from the interviews. Field notes are written accounts of things the researcher hears, sees, experiences and thinks in the course of collecting or reflecting on data (Field and Morse, 1985). The field notes were prepared into a text and appropriate codes formulated from the text. Codes are words or phrases denoting an idea or a theme in a text.

Pre-determined themes were identified from the text and discussed, while other new themes were also developed and discussed. The qualitative data gave supplementary information to the quantitative data.
CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 INTRODUCTION

The purpose of this study was to investigate the extent to which credit cards are in use, as well as establish and compare characteristics of credit card users and non-users. To achieve these purposes the following specific objectives were formulated.

1. To establish characteristics of credit card users and non-users
2. To identify the factors that influence the use of credit cards
3. To establish the level of consumers knowledge on credit card use
4. To find out the problems encountered by credit card users
5. To compare credit card users and non-users in terms of education, income, age, family life cycle stage, and type of employer

Data was collected using questionnaires and structured interview schedules from a random sample of salaried employees in Nairobi, Kenya. Descriptive measures such as frequencies, percentages, and statistical methods such as chi-squares were used to test the objectives. In this chapter, the results are discussed under the following subheadings:

4.2 Background characteristics of respondents
4.3 Background characteristics of users and non-users of credit cards
4.4 Factors that influence the use of credit cards
4.5 Consumers level of knowledge on credit card use
4.6 Problems encountered by credit card users
4.7 Comparison of credit card users and non-users
4.2 BACKGROUND CHARACTERISTICS OF RESPONDENTS

The first part of the questionnaire sought to identify the background characteristics of the respondents. The background characteristics included gender, age, marital status, income, education, family size and family life-cycle stage. This section deals with the characteristics of the respondents in general.

Table 1: Frequency distribution of respondents according to use of credit cards

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Users</td>
<td>30</td>
<td>20.5</td>
</tr>
<tr>
<td>Non-users</td>
<td>116</td>
<td>79.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>146</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

According to Table 1 a total of 146 respondents answered the questionnaires and this was a response rate of 81%. These respondents represented both users and non-users. Twenty one percent were credit card users while 79% were respondents who do not use credit cards. This means that in any random sample non-users are more.

4.2.1 RESPONDENTS' GENDER

Gender refers to the aspect of being male or female. This information was collected by asking the respondents their gender. According to the requirement of credit card companies gender is not listed. The results are presented in Table 2.

Table 2: Frequency distribution of respondents according to gender.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td>94</td>
<td>64.4</td>
</tr>
<tr>
<td>Females</td>
<td>48</td>
<td>32.9</td>
</tr>
<tr>
<td>No response</td>
<td>4</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>146</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
The males were more than the females with 64% being males and 32% of the respondents being females. This disparity could be attributed to the fact there are more males than females in the work force.

4.2.2 **RESPONDENTS' AGE**

Age in this study referred to the number of years one has lived. The age range of the respondents was 20 - 50 years of age. This is reflective of the working age of Kenyans because most finish secondary education at around 18 years and the retirement age is 55 years for civil servants.

<table>
<thead>
<tr>
<th>Age group</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>21-30</td>
<td>55</td>
<td>37.7</td>
</tr>
<tr>
<td>31-40</td>
<td>55</td>
<td>37.7</td>
</tr>
<tr>
<td>51 - above</td>
<td>5</td>
<td>3.4</td>
</tr>
<tr>
<td>No response</td>
<td>5</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>146</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The highest category of age was between 21 and 40 years age bracket where 75% of the respondents fell. The least represented was the above 51 years category where only 3% of the respondents fell as shown in Table 3. The mean age of the respondents was 34 years.

4.2.3 **RESPONDENTS' MARITAL STATUS**

The marital status was categorised into five (5) groups: married, single, separated, widowed and divorced. Respondents were asked to tick the category they belong to.
Table 4: Frequency distribution of respondents according to Marital Status

<table>
<thead>
<tr>
<th>Marital status</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>100</td>
<td>68.5</td>
</tr>
<tr>
<td>Separated</td>
<td>1</td>
<td>0.7</td>
</tr>
<tr>
<td>Single</td>
<td>44</td>
<td>30.1</td>
</tr>
<tr>
<td>No response</td>
<td>1</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>146</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Two thirds (69%) of the respondents were married, while 30% of the respondents were never married and less than 1% were separated. This was expected as the sample represented adult Kenyans who were working and were likely to be married.

4.2.4 **RESPONDENTS' FAMILY SIZE**

Family size in this study was defined as the total number of persons living with respondent and are dependent on the respondent.

Table 5: Frequency distribution of respondents according to family size.

<table>
<thead>
<tr>
<th>Family size</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 5</td>
<td>101</td>
<td>69.5</td>
</tr>
<tr>
<td>6 - 10</td>
<td>42</td>
<td>28.8</td>
</tr>
<tr>
<td>11 - above</td>
<td>3</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>146</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Families consisting of one to five persons were considered small families, six to ten persons were average families and those with above eleven were considered large families. Sixty nine percent of the respondents had small families while 29% had average size families and 2% had large families.
4.2.5  **RESPONDENTS' FAMILY CYCLE STAGE**

The family life-cycle stage in this study refers to the stage the family is in. This is right from formation to dissolution (Deacon and Firebough, 1988).

Table 6: Frequency distribution of respondents according to family life cycle stage

<table>
<thead>
<tr>
<th>Stage</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning families</td>
<td>53</td>
<td>36.3</td>
</tr>
<tr>
<td>Expanding families</td>
<td>84</td>
<td>57.5</td>
</tr>
<tr>
<td>Contracting families</td>
<td>9</td>
<td>6.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>146</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Families that had no children and those with children below school going were classified as beginning families, those with school and/or college going children as expanding families and those with working children as contracting families. About half (58%) of the respondents had expanding families, 36% of the respondents had beginning families while 6% had contracting families.

4.2.6  **RESPONDENTS' EDUCATION LEVEL**

Education level in this study referred to the level at which one stopped formal education. The respondents had varied levels of education ranging from primary level to university level.

Table 7: Frequency distribution of respondents according to education level

<table>
<thead>
<tr>
<th>Education level</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>2</td>
<td>1.4</td>
</tr>
<tr>
<td>Secondary</td>
<td>41</td>
<td>28.1</td>
</tr>
<tr>
<td>College</td>
<td>36</td>
<td>24.7</td>
</tr>
<tr>
<td>University</td>
<td>67</td>
<td>45.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>146</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
Almost half (46%) of the respondents had university level education, followed by 28% of the respondents with secondary level education, then 25% of the respondents with college level education and the least represented was primary level by only 1% of the respondents.

4.2.7 RESPONDENTS' MONTHLY INCOME

Income is one of the strongly cited determinants of the credit card use (Rees, 1992; Leet and Driggers, 1983). In relation to this it was necessary to find out the respondent's monthly income. Income was measured by the amount in Ksh one was earning per month at the time of this research. Income distribution was divided into 5 categories and respondents were asked to tick the category they belong to.

Table 8: Frequency distribution of respondents according to monthly income

<table>
<thead>
<tr>
<th>Income group</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>20,001 - above</td>
<td>56</td>
<td>38.4</td>
</tr>
<tr>
<td>15,000 - 20,000</td>
<td>25</td>
<td>17.1</td>
</tr>
<tr>
<td>10,000 - 15,000</td>
<td>38</td>
<td>26.0</td>
</tr>
<tr>
<td>5,000 - 10,000</td>
<td>22</td>
<td>15.1</td>
</tr>
<tr>
<td>0 - 5,000</td>
<td>3</td>
<td>2.0</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>146</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Results show that only 2% of the respondents were earning below Ksh5,000 per month and this represented the low income group. The middle income group was represented by 41% of the respondents earning between Ksh5,001 - 15,000 per month. The high income group was represented by 56% of the respondents earning above Ksh15,000 per month.

The respondents were further asked if they had other sources of income or not, and if they had, how much they got from that source per month. Out of the total number of respondents only 27% had other sources of income.
Table 9: Frequency distribution of respondents according to other sources of income

<table>
<thead>
<tr>
<th>Income group</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>20,001 - above</td>
<td>5</td>
<td>12.5</td>
</tr>
<tr>
<td>15,001 - 20,000</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>10,001 - 15,000</td>
<td>10</td>
<td>25</td>
</tr>
<tr>
<td>5,001 - 10,000</td>
<td>14</td>
<td>35</td>
</tr>
<tr>
<td>0 - 5,000</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>Varies</td>
<td>1</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

N = 40 (only those with other sources of income)

More than half (60%) of the respondents were earning between Ksh5,000 and 15,000 per month from this other source, another 15% of the respondents were earning below Ksh5,000 per month and 13% were earning above Ksh20,001 per month from this other source.

4.3 DEMOGRAPHIC CHARACTERISTICS OF USERS AND NON-USERS OF CREDIT CARDS

This section deals with the demographic characteristics of credit card users and non-users. It seeks to discuss their characteristics and point out the differences at the same time.

4.3.1 GENDER

Gender refers to the aspect of being male or female and respondent were to tick their gender.
Table 10: Frequency distribution of uses and non-users according to gender.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Users Freq. %</th>
<th>Non-users Freq. %</th>
<th>Total Freq. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td>1.7 56.6</td>
<td>77 66.4</td>
<td>94 64.4</td>
</tr>
<tr>
<td>Females</td>
<td>11 36.6</td>
<td>37 31.9</td>
<td>48 32.9</td>
</tr>
<tr>
<td>No response</td>
<td>1.2 5.6</td>
<td>2 1.7</td>
<td>4 2.7</td>
</tr>
<tr>
<td>Total</td>
<td>30 100</td>
<td>116 100</td>
<td>146 100</td>
</tr>
</tbody>
</table>

Out of the users 57% of the respondents were males and 66% of the non-users were males while 37% of the users and 32% of non-users were females. The distributions of users and non-users between males and females is almost the same.

4.3.2 AGE

Age referred to the number of years one has lived. This was necessary to find out as most card companies have a lower age limit.

Table 11: Frequency distribution of credit card users and non-users by age.

<table>
<thead>
<tr>
<th>Age group</th>
<th>Users Freq %</th>
<th>Non-users Freq %</th>
<th>Total Freq %</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-30</td>
<td>5 16.7</td>
<td>50 43.1</td>
<td>55 37.7</td>
</tr>
<tr>
<td>31-40</td>
<td>16 53.3</td>
<td>39 33.6</td>
<td>55 37.7</td>
</tr>
<tr>
<td>41-50</td>
<td>7 23.3</td>
<td>19 16.4</td>
<td>26 17.8</td>
</tr>
<tr>
<td>51 - above</td>
<td>2 6.7</td>
<td>3 2.6</td>
<td>5 3.4</td>
</tr>
<tr>
<td>No response</td>
<td>-</td>
<td>5 4.3</td>
<td>5 3.4</td>
</tr>
<tr>
<td>Total</td>
<td>30 100</td>
<td>116 100</td>
<td>146 100</td>
</tr>
</tbody>
</table>

Majority (93.1%) of the respondents fell between 20-50 years of age. About half (54%) of the users were between 31-40 years. 43% of the non-users were
between 20-30 years. This could be attributed to the fact that those below 30 years are just settling down in their jobs hence have not yet thought of using credit cards. Those above 51 years were very few in both groups with only 7% of the users and 34% of the non-users. Majority of the users were in the brackets within which Kenyans are engaged in salaried employment. Rees (1992) in a research carried out in USA found out that credit cards were used by persons in the age bracket of 18-45 years and this is reflected in this study. The mean age of the users was 38 years while that of the non-users was 33 years.

4.3.3 MARITAL STATUS

The Marital status was categorised into 5 categories (1) married (2) single (3) separated (4) widowed and (5) divorced. The respondents were asked to tick the category they belong to.

Table 12: Frequency distribution of credit card users and non-users by marital status

| Marital Status | Users | | | | | Non-users | | | | | Total | |
|----------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
|                | Freq | %    | Freq | %    | Freq | %    |       |       |       |       |       |       |       |       |       |
| Married        | 23   | 76.7 | 77   | 66.4 | 100  | 68.5 |       |       |       |       |       |       |       |       |       |
| Single         | 6    | 20   | 38   | 32.7 | 44   | 30.1 |       |       |       |       |       |       |       |       |       |
| Separated      | 1    | 3.3  | -    | -    | 1    | 0.7  |       |       |       |       |       |       |       |       |       |
| No response    | -    | -    | 1    | 0.9  | 1    | 0.7  |       |       |       |       |       |       |       |       |       |
| Total          | 30   | 100  | 116  | 100  | 146  | 100  |       |       |       |       |       |       |       |       |       |

Seventy seven (77%) percent of the users and 66% of the non-users were married. Twenty percent (22%) of the users and 33% of the non-users were single. The distribution is quite similar and this would be expected in the sample represented adult Kenyans who were likely to be married.

4.3.4 FAMILY SIZE

Family size was defined as the total number of persons living with a
respondent and are dependent on the respondent. Families with one to five members were considered small families, those with six to ten as average families and those with eleven and above as large families.

Table 13: Frequency distribution of credit card users and non-users by family size

<table>
<thead>
<tr>
<th>Family size</th>
<th>Users Freq</th>
<th>%</th>
<th>Non-users Freq</th>
<th>%</th>
<th>Total Freq</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 5</td>
<td>21</td>
<td>70</td>
<td>80</td>
<td>69</td>
<td>101</td>
<td>69.5</td>
</tr>
<tr>
<td>6 - 10</td>
<td>9</td>
<td>30</td>
<td>33</td>
<td>28.4</td>
<td>42</td>
<td>28.8</td>
</tr>
<tr>
<td>11 - above</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>2.6</td>
<td>3</td>
<td>2.0</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
<td>116</td>
<td>100</td>
<td>146</td>
<td>100</td>
</tr>
</tbody>
</table>

About 70% of both the users and the non-users had small families as shown in Table 13. All the rest had average size families except 3% of the non-users who had large families. The size of the family influences the use of income and indirectly affects the use of credit cards. Small families have less pressure on income and therefore are more likely to use credit cards (Leet and Driggers, 1983). The results of this study reveal that the family size did not really influence because about two thirds (67%) of the non-users had small families, deduced from the fact that the average family size for both users and non-users was five members.

4.3.5 FAMILY LIFE-CYCLE

Families that had no children and those with children below school-going age were categorised as beginning families. School going age was defined as the age at which children get into primary school, that is six years old. Those with school going and/or college going children were categorised as expanding families and those with working children as contracting families.
Table 14: Frequency distribution of credit card users and non-users according to family life cycle stage

<table>
<thead>
<tr>
<th>Stage</th>
<th>Users</th>
<th>Non-users</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq</td>
<td>%</td>
<td>Freq</td>
</tr>
<tr>
<td>Beginning families</td>
<td>7</td>
<td>23.3</td>
<td>46</td>
</tr>
<tr>
<td>Expanding families</td>
<td>21</td>
<td>70</td>
<td>63</td>
</tr>
<tr>
<td>Contracting families</td>
<td>2</td>
<td>6.7</td>
<td>7</td>
</tr>
</tbody>
</table>

Seventy percent (70%) of the users and 54% of the non-users had expanding families. The contracting stage had the least with 7% of the users and 6% of the non-users. This was expected as most respondents fell in the age group that should have expanding families, that is between 25 and 40 years of age.

4.3.6 EDUCATION LEVEL

Education level in this study referred to the level at which one stopped formal education. Education level was hypothesised as a factor influencing the use of credit cards therefore it was necessary to find out the respondent's level of education.

Table 15: Frequency distribution of credit card users and non-users by education level.

<table>
<thead>
<tr>
<th>Education level</th>
<th>Users</th>
<th>Non-users</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq</td>
<td>%</td>
<td>Freq</td>
</tr>
<tr>
<td>Primary</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Secondary</td>
<td>12</td>
<td>40</td>
<td>29</td>
</tr>
<tr>
<td>College</td>
<td>9</td>
<td>30</td>
<td>27</td>
</tr>
<tr>
<td>University</td>
<td>9</td>
<td>30</td>
<td>58</td>
</tr>
</tbody>
</table>

The respondents had varied levels of education ranging from secondary to university level. Interesting enough 40% of the users had secondary level education.
while half (50%) with majority of the non-users had university level education. Secondary level had the highest frequency of users possibly because most of the users work with banks which employ high school graduates and train them, and because of the exposure to credit cards most of them use the facility.

4.3.7. **MONTHLY INCOME**

Monthly income was operationalized as the amount of money in Ksh one is paid by the employer per month. Income was categorized into 5 groups and respondents were asked to tick the category they belong to. Based on the hypothesis that income influences use of credit cards such that the more one earns the more likely they are to use credit cards, it was necessary to find out the individual's monthly income.

**Table 16: Frequency distribution of credit card users and non-users by monthly income.**

<table>
<thead>
<tr>
<th>Monthly income</th>
<th>Users</th>
<th></th>
<th>Non-users</th>
<th></th>
<th>Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq</td>
<td>%</td>
<td>Freq</td>
<td>%</td>
<td>Freq</td>
<td>%</td>
</tr>
<tr>
<td>20,000-above</td>
<td>27</td>
<td>90.0</td>
<td>29</td>
<td>25.0</td>
<td>56</td>
<td>38.4</td>
</tr>
<tr>
<td>15,001-20,000</td>
<td>1</td>
<td>3.3</td>
<td>24</td>
<td>20.7</td>
<td>25</td>
<td>17.1</td>
</tr>
<tr>
<td>10,000-15,000</td>
<td>2</td>
<td>6.7</td>
<td>36</td>
<td>31.0</td>
<td>38</td>
<td>26.0</td>
</tr>
<tr>
<td>5,000-10,000</td>
<td>-</td>
<td>-</td>
<td>22</td>
<td>19.0</td>
<td>22</td>
<td>15.1</td>
</tr>
<tr>
<td>0-5,000</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>2.6</td>
<td>3</td>
<td>2.0</td>
</tr>
<tr>
<td>No response</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>1.7</td>
<td>2</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30</td>
<td>100.0</td>
<td>116</td>
<td>100.0</td>
<td>146</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Ninety percent (90%) of the users were earning Ksh20,000 and above per month while 31% of the non-users were earning between Ksh10,000 - 15,000 per month. Only 25% of the non-users were earning above Ksh20,000 per month. Among the users there were no respondents earning below Ksh10,000 per month while 22% of the non-users were earning below Ksh10,000 per month (see Table 16).
This tallies with what other researches have found out, that credit card use is highly associated with high income levels (Rees, 1992). It also represented the limits given by card companies that one intending to use a card must be earning above Ksh 10,000 per month (Consumers Digest, December 1987). This can be attributed as the reason why among the users there was nobody earning below Ksh 10,000 per month. Out of the total number of respondents only 20% of the users and 28% of the non-users had other sources of income.

Table 17: Frequency distribution of credit card users and non users by other sources of income.

<table>
<thead>
<tr>
<th>Income group</th>
<th>User Freq</th>
<th>User %</th>
<th>Non-users Freq</th>
<th>Non-users %</th>
<th>Total Freq</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>20,000 - above</td>
<td>1</td>
<td>16.7</td>
<td>4</td>
<td>12.1</td>
<td>5</td>
<td>12.8</td>
</tr>
<tr>
<td>15,000-20,000</td>
<td>3</td>
<td>50.0</td>
<td>1</td>
<td>3.0</td>
<td>4</td>
<td>10.3</td>
</tr>
<tr>
<td>10,000-15,000</td>
<td>1</td>
<td>16.7</td>
<td>9</td>
<td>27.3</td>
<td>10</td>
<td>25.6</td>
</tr>
<tr>
<td>5,000-10,000</td>
<td>1</td>
<td>16.7</td>
<td>13</td>
<td>39.4</td>
<td>14</td>
<td>35.9</td>
</tr>
<tr>
<td>0 - 5,000</td>
<td>-</td>
<td>-</td>
<td>6</td>
<td>18.2</td>
<td>6</td>
<td>15.4</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100.0</td>
<td>33</td>
<td>100.0</td>
<td>39</td>
<td>100.0</td>
</tr>
</tbody>
</table>

N for users=6  N for non-users 33 (only those who had other sources of income).

Fourteen people reported they were getting between Ksh 5,001 and 10,000 per month, 6 got below Ksh 5,000 per month, 10 got between Ksh 10,001 and 15,000 per month, 4 got between Ksh 15,001 and 20,000 per month while only 5 got above Ksh 20,001 per month.

4.4 FACTORS THAT INFLUENCE THE USE OF CREDIT CARDS

This section deals with the factors that influence use of credit cards. Influence can be both negative or positive and therefore this section deals with fac-
tors that lead to the use of credit cards as well as factors that hinder use of credit cards.

4.4.1 FACTORS THAT LEAD TO CREDIT CARD USE

This objective was realized by asking credit card users reasons as to why they use credit cards. They were given a series of statements to react to and an allowance was given to add any other reason.

Table 18: Reasons why respondents use credit cards*

<table>
<thead>
<tr>
<th>Reason</th>
<th>Freq N=30</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience</td>
<td>24</td>
<td>80.0</td>
</tr>
<tr>
<td>Avoid carrying money around</td>
<td>6</td>
<td>20.0</td>
</tr>
<tr>
<td>Security</td>
<td>1</td>
<td>3.3</td>
</tr>
<tr>
<td>Status symbol</td>
<td>1</td>
<td>3.3</td>
</tr>
<tr>
<td>Credit facility</td>
<td>1</td>
<td>3.3</td>
</tr>
</tbody>
</table>

*Multiple responses were allowed.

Credit is used for convenience by the rich and for necessity by the poor according to Kassjian and Robertson (1981). In this study the main reason as to why credit cards were in use is convenience which was reported by 80% of the respondents. This was convenience in the sense that one did not have to worry if they have enough money to do shopping because they would use the card. Twenty percent of the respondents said their reason was to avoid carrying money around especially now that the rate of robbery is high. They felt more secure without having to carry hard cash money. In this study Rees (1992) found this to be the main reason for credit card use in the USA.

Security, status symbol and credit facility were reported by 3% of the respondents each as reasons for using credit cards. The results show that these reasons were not very significant. Security was defined as being able to handle emergencies even when one has no money or when banks are closed. Credit cards are very important in building
one’s credit worthiness. They are of great use especially when paying in personal cheques. Merchants ask for some assurance that one is a good credit risk and a property validated and up to date credit card provides these assurances (Leet and Driggers, 1983). However, the credit card users didn’t seem to see this as a reason for using credit cards. Only 3 percent of the respondents gave credit facility as a reason for using credit cards, and said, one is able to spend an amount he may not be having at that particular moment because the credit card allows one to spend beyond his amount and pay later.

It is clear that the main reasons for using credit cards are convenience and to avoid carrying money around.

4.4.2 FACTORS THAT HINDER USE OF CREDIT CARDS

When credit cards were introduced in the 1970's they remained unknown due to the following reasons (consumers Digest December 1987).

i) The cards had unexploited market with expatriates and senior multi national executives who were already familiar therefore they could operate without advertising.

ii) The cards were a foreign investment and the management was skeptical about the competence of Africans in spending within their limits and paying bills.

iii) Kenyans consumption habits were generally subsistence hence had no inclination towards sophisticates and industrial consumption.

Today, despite the many cards in the market, there are still people who do not use them. The researcher sought to find out these reasons and this was achieved by asking the credit card non-users reasons as to why they do not use credit cards.
Table 19: Reasons as to why respondents do not use credit cards

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Freq</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>I don’t use credit at all</td>
<td>20</td>
<td>17.2</td>
</tr>
<tr>
<td>I cannot afford a credit card</td>
<td>51</td>
<td>44.0</td>
</tr>
<tr>
<td>I don’t know about credit cards</td>
<td>8</td>
<td>6.9</td>
</tr>
<tr>
<td>I prefer other forms of credit</td>
<td>25</td>
<td>21.6</td>
</tr>
<tr>
<td>I’m in the process of acquiring one</td>
<td>6</td>
<td>5.2</td>
</tr>
<tr>
<td>New technology with limited outlets</td>
<td>2</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>116</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The response were numerous but less than half (44%) of the respondents said they cannot afford a credit card. Out of those who said they cannot afford a credit card 61% were earning below Ksh15,000 per month and 21% above Ksh15,000 per month. This means they may not be knowing who is eligible to use a credit card, as they argued that the minimum amount was too high for them.

Twenty two percent preferred other forms of credit, saying they were more convenient and cheaper to them. These were informal credit (where one takes goods on credit and pays later), hire purchase and loans in that order. Seventeen percent of the respondents reported not to be using any form of credit and 90% of the respondents said they did not know about credit cards, and interesting enough all of them had college level education and above. This means they may not be exposed to such a product. Five percent of the respondents were in the process of acquiring credit cards while 4% of the respondents said credit cards were a new technology and were accepted in limited outlets. They reported that their transactions have not yet accepted credit cards and therefore cannot use them. Two percent of the respondents said they were not interested at all in credit cards.
This shows that the main reasons why some people do not use credit cards is because they felt they cannot maintain a credit card. They argued the interest rates were too high and this can be attributed to the fact that most people are still unaware of who is eligible to use a credit card.

4.5 CONSUMERS LEVEL OF KNOWLEDGE ON CREDIT CARDS USE

Consumers level of knowledge in his study was assessed in terms of finding out the views of the respondents on certain aspects of credit card use. The researcher sought to establish the respondents views on who qualifies to use a credit card, the advantages and disadvantages of credit card use.

The results revealed that most of them knew something about credit card use but a few said they did not know but these were all credit card non-users.

4.5.1 KNOWLEDGE ON WHO QUALIFIES FOR THE CREDIT CARD

According to consumers Digest (1987), the first criteria for someone wishing to hold a card is creditworthiness, this is assessed by the savings account and bank referees. Age is another criteria, whereby credit card companies prefer older people whom the companies argue are more able to live within their means.

Professionals are also preferred as they have a regular income and are considered to have cultivated the required responsibility. The researchers sought to find out who the respondents thought was eligible, by asking them to write down. The information in Table 20 shows both the views of credit card users and non users.
Table 20: Respondents views on who qualifies for a credit card.*

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Users</th>
<th>Non-users</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq</td>
<td>% Freq</td>
<td>Freq</td>
</tr>
<tr>
<td>Creditworthy persons, able to stick to their budget</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>43.3</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>28</td>
</tr>
<tr>
<td>Businessmen professionals, travellers and current account holders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>16.7</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>32</td>
</tr>
<tr>
<td>Persons earning over Ksh10,000 per month</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>43.3</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>59</td>
</tr>
<tr>
<td>I don't know</td>
<td></td>
<td></td>
<td>11</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
<td>6.7</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>26</td>
</tr>
</tbody>
</table>

*Multiple responses were allowed.

About 40% of the respondents reported that credit cards should be used by people earning above Ksh10,000 per month. Nineteen percent of all the respondents said they are used by creditworthy persons who were able to stick to their budget, 21% of the respondents said they are used by businessmen, professional travellers and current account holders while 8% of the respondents, all non-users said they did not know and 18% of the respondents gave no response.

This tallies with what Hermann and Jelly (1973) found out, that credit cards are especially convenient for businessmen because they make record keeping easier and good for travellers because they eliminate the fear of robbery or loss of cash.
4.5.2. KNOWLEDGE AND ADVANTAGES OF CREDIT CARDS

Credit cards are of great use especially when paying in personal cheques. Merchants ask for some assurance that one is a good credit risk and a properly validated and up to date credit card provides this assurance (Leet and Driggers, 1983).

According to Kassajian and Robertson (1981), Leet and Driggers (1983) credit cards also provide record helping, identification and minimizes cash transactions. The credit card company sends a statement showing where you made a credit purchase and how much you paid. These statements provide valuable records of purchase made. In order to gauge the respondent's knowledge on advantages of credit cards, the respondents were given an open ended question to give as many advantages of credit cards as they know. Table 21 shows this information.

Table 21: Responses on advantages of credit cards*

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Users</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq</td>
<td>%</td>
<td>Freq</td>
<td>%</td>
<td>Freq</td>
</tr>
<tr>
<td>Get services pay later</td>
<td>8</td>
<td>26.7</td>
<td>23</td>
<td>19.8</td>
<td>31</td>
</tr>
<tr>
<td>No carrying money</td>
<td>16</td>
<td>53.3</td>
<td>54</td>
<td>46.6</td>
<td>70</td>
</tr>
<tr>
<td>Convenience/banks closed</td>
<td>18</td>
<td>60.0</td>
<td>19</td>
<td>16.3</td>
<td>37</td>
</tr>
<tr>
<td>Reduces petty spending</td>
<td>1</td>
<td>3.3</td>
<td>1</td>
<td>0.9</td>
<td>2</td>
</tr>
<tr>
<td>Security</td>
<td>5</td>
<td>16.7</td>
<td>16</td>
<td>13.8</td>
<td>21</td>
</tr>
<tr>
<td>Status symbol</td>
<td>2</td>
<td>1.7</td>
<td>2</td>
<td>1.7</td>
<td>2</td>
</tr>
<tr>
<td>I don’t know</td>
<td>11</td>
<td>9.5</td>
<td>11</td>
<td>9.5</td>
<td>22</td>
</tr>
<tr>
<td>No response</td>
<td>14</td>
<td>12.1</td>
<td>14</td>
<td>12.1</td>
<td>28</td>
</tr>
</tbody>
</table>

*Multiple responses were allowed.
The results in Table 21 revealed that the majority knew at least one or more advantages of using credit cards. Eight percent said they did not know any. The advantage with the highest frequency was the fact that one did not have to carry money around reported by 48% of the respondents. This is consistent with what Leet and Driggers (1983) has recorded that use of credit cards minimise cash transactions.

Convenience as an advantage was reported by 25% of respondents. They explained that even when banks are closed and one cannot get money they can still purchase or entertain using a credit card. Twenty one percent of the respondents reported the fact that one can get services now and pay later as an advantage and 14% of the respondents gave security in times of emergencies as an advantage. This is consistent with what Akunga (1991) found out, that credit use adds a sense of security and helps people in meeting emergency expenses when no other means are available. Other advantages included that it reduces petty spending and that they are a status symbol. Ten percent of the respondents all non-users gave no response.

4.5.3. KNOWLEDGE ON THE DISADVANTAGES OF CREDIT CARDS USE

Despite the advantages of using credit cards, there are some disadvantages that go with it. According to Mugenda (1983) too much use of credit has been cited as possible reason for the increase in number of bankruptcy being filed in Iowa state. The use or misuse of credit cards has also led to financial insolvency whereby one owned more than he makes (Leet and Driggers, 1983).

Credit cards have also been responsible for husband/wife conflicts resulting from misuse. One respondent explained how the wife had threatened to burn his credit card because they were in the red as a result of him misusing it, however, this was not reported as a disadvantage. The researcher sought to find out
the respondents views by asking an open-ended question. The responses are shown in the Table 21.

Table 22: Disadvantage of credit cards use as reported by respondents*

<table>
<thead>
<tr>
<th>Disadvantage</th>
<th>Users Freq</th>
<th>Users %</th>
<th>Non-users Freq</th>
<th>Non-users %</th>
<th>Total Freq</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over spending and impulse</td>
<td>23</td>
<td>76.6</td>
<td>67</td>
<td>58.7</td>
<td>90</td>
<td>61.6</td>
</tr>
<tr>
<td>High interest rates</td>
<td>5</td>
<td>16.6</td>
<td>16</td>
<td>13.8</td>
<td>21</td>
<td>14.4</td>
</tr>
<tr>
<td>Lost card can be used</td>
<td>4</td>
<td>13.3</td>
<td>6</td>
<td>5.2</td>
<td>10</td>
<td>6.8</td>
</tr>
<tr>
<td>Limited outlets</td>
<td>2</td>
<td>6.7</td>
<td>13</td>
<td>11.2</td>
<td>15</td>
<td>10.3</td>
</tr>
<tr>
<td>Fixed prices</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>2.6</td>
<td>3</td>
<td>2.1</td>
</tr>
<tr>
<td>I don’t know</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>4.3</td>
<td>5</td>
<td>3.4</td>
</tr>
<tr>
<td>No response</td>
<td>1</td>
<td>3.3</td>
<td>11</td>
<td>9.5</td>
<td>12</td>
<td>8.2</td>
</tr>
</tbody>
</table>

*Multiple responses were allowed.

Sixty two percent (62%) of the respondents said the greatest disadvantages was overspeeding and impulse buying. Credit card use was reported to lead to overspending because one is not limited to spend only what they have in the pocket, with the credit it is easy to spend beyond. High interest sides was a popular disadvantages reported by 14% of the respondents followed by limited outlets which was reported by 10% of the respondents. They argued that in some places the credit card is still not acceptable and this limited its use.

Other disadvantages reported included, fixed prices in places that accept credit cards, embarrassment to the credit card holder when it is picked due to misuse while 3% of the respondents said they knew no disadvantage and another 8% respondents gave no response. Generally the respondents were aware about credit cards, their advantage and disadvantages and there was no significant difference between the users and non-users. The only difference was that a number of the non-users did not know and a few did not respond to the item,
while for the users none did not have an idea. This is expected of them since they have used the credit card.

Respondents were also asked if they would be interested in being given information about credit cards. Sixty six percent of the respondents said they would want more information while 34% of the respondents, all of them non-users said no. Those who said they need no information on credit cards, either said they were not interested or they were conversant with credit cards already.

The ones who were interested in being given more information were further asked what kind of information they would like and table 22 shows the responses given.

Table 23: Type of information respondents would like to be given about credit cards.

<table>
<thead>
<tr>
<th>Type of Information</th>
<th>Users</th>
<th>Non-users</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>When and how to use credit cards</td>
<td>11</td>
<td>15</td>
<td>26</td>
</tr>
<tr>
<td>Advantages, disadvantages of credit cards</td>
<td>17</td>
<td>20</td>
<td>37</td>
</tr>
<tr>
<td>Rate of interest charged</td>
<td>2</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>All about them</td>
<td>4</td>
<td>26</td>
<td>30</td>
</tr>
<tr>
<td>No response</td>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

N=96 (only those who were interested in information)

*Multiple responses were allowed.

Thirty nine percent of those interested in information said that they would want to be given information on the advantages and disadvantages of credit card use. Thirty one percent of them wanted to know all about credit cards and 27% wanted to know how and when to use a credit card. Its quite clear that even
the users may not be very conversant with the cards, as they were also interested in being given information about credit cards.

4.6 PROBLEMS ENCOUNTERED BY CREDIT CARD USERS AND POSSIBLE SOLUTIONS

Problems in this study are the obstacle or hindrances the respondents have faced in their day to day use of credit cards. The number of establishments accepting the card is important as the only logic in holding a card is the ability to use it to meet our needs in the widest scope possible (Consumer Digest, December 1987). This has been a problem to credit card holders. The researcher sought to establish the problems credit card users have faced in their use of the cards and what they think can be done to solve the problems. Table 24 shows the problems they have faced in order of frequencies.

<table>
<thead>
<tr>
<th>Problems</th>
<th>No=30</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>8</td>
<td>26.3</td>
</tr>
<tr>
<td>Time wasting delays in processing payment and misposting</td>
<td>7</td>
<td>23.3</td>
</tr>
<tr>
<td>Overspending</td>
<td>6</td>
<td>20.3</td>
</tr>
<tr>
<td>Limited outlets</td>
<td>4</td>
<td>13.3</td>
</tr>
<tr>
<td>Expensive outlets with fixed prices</td>
<td>3</td>
<td>10.0</td>
</tr>
<tr>
<td>No response</td>
<td>3</td>
<td>10.0</td>
</tr>
</tbody>
</table>

*Multiple responses were allowed.

The results revealed that at least 26% of the respondents had not encountered any problems with the use of their credit cards. Twenty three percent of the respondents reported time wasting, delays in processing payment and misposting of bills as the problem they had experienced. They said it took a lot of time to be cleared when using a credit card and this wasted time. There is no better way to put it but to quote one or two respondents.
“Sometimes when you go to an optician they ring the credit card centre to find out whether you have gone beyond your limit and this wastes a lot of time.”

Twenty percent of the respondents reported over spending as a problem, where they have exceeded their limits without knowing. This is a problem that also affects the card companies. Thirteen percent of the respondents reported limited outlets as a problem whereby some outlets do not accept credit cards, and 10% of the respondents reported expensive outlets as a problem. This is because credit cards are acceptable only in certain places and in most cases they are expensive and have fixed prices. Among the respondents none cited bankruptcy as a problem. According to Mugenda (1983) too much use of credit has been cited as possible reason for a rise in number of bankruptcies filed in Iowa state. Possibly this did not seem a problem to the respondents because filing of bankruptcy is not very common in Kenya.

Despite the problems encountered the respondents said they had enjoyed using the credit cards and the services can be improved by putting a few things into place. The respondents suggested possible solutions and these are shown in Table 25.

Table 25: Possible solutions to problems encountered by credit card users.*

<table>
<thead>
<tr>
<th>Possible solutions</th>
<th>Freq</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase service outlets and include professional service</td>
<td>11</td>
<td>36.7</td>
</tr>
<tr>
<td>Reduce interest rates and increase interest free days</td>
<td>11</td>
<td>36.7</td>
</tr>
<tr>
<td>Educate people on the use, advantages and disadvantages of credit cards</td>
<td>5</td>
<td>16.7</td>
</tr>
<tr>
<td>Train card handling outlet staff and have Swahili advisors</td>
<td>3</td>
<td>10.0</td>
</tr>
<tr>
<td>Channel balances to outlets or ensure lines to card companies are easily accessible</td>
<td>3</td>
<td>10.0</td>
</tr>
<tr>
<td>No response</td>
<td>6</td>
<td>20.0</td>
</tr>
</tbody>
</table>

*Multiple responses were allowed.
An expansion of the credit card outlets and inclusion of professional services seems the most popular way of improving credit card services as reported by 37% of the respondents, another 37% of the respondents advocated for reduction of interest rates which they felt were too high and an increase in the number of interest free days. Seventeen percent of the respondents said people should be educated on the use, advantages and disadvantages of credit cards use as lack of knowledge or information was the main cause of the problems they landed in. Ten percent of the respondents said balances should be channelled to card outlets or ensure lines to card companies are easily accessible and this will reduce time wasted in calling to check on the balances while 20% of the respondents gave no response. One said:

"Everybody's limit should be channeled through the computers used in supermarkets and any other outlet, so that they can know how much balance one has and avoid wasting time and embarrassment."

Generally the results revealed that the problems encountered are not very serious and with a little more effort on the part of the card companies, the credit card services can be improved greatly.
4.7 RELATIONSHIP OF VARIOUS DEMOGRAPHIC VARIABLES TO THE USE OR NON-USE OF CREDIT CARDS

This section does deal with objective five to the study. The objective was to find out of the various demographic variables have an influence on credit card use and by extension if the credit card users and non-users are significantly different. This was achieved by testing the following null hypothesis using the chi-square test at alpha level of 0.05.

1. Credit card use is independent of monthly income.

2. Credit card use is independent of education level.

3. Credit card use is independent of age.

4. Credit card use is independent of family life-style stage.

5. Credit card use is independent of type of employer.

4.7.1 RELATIONSHIP BETWEEN CREDIT CARDS USE AND INCOME

Income is said to influence the use of credit cards (Rees, 1992) and it was necessary to establish whether credit card use is dependent on income.

Table 26: Relationship between credit card use and monthly income.

<table>
<thead>
<tr>
<th>Income groups</th>
<th>Users</th>
<th>Non-users</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>20,000 and below</td>
<td>3</td>
<td>85</td>
<td>88</td>
</tr>
<tr>
<td></td>
<td>(10%)</td>
<td>(74.6%)</td>
<td>(61.1%)</td>
</tr>
<tr>
<td>20,000-above</td>
<td>27</td>
<td>29</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td>(90%)</td>
<td>(25.4%)</td>
<td>(38.9%)</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>114</td>
<td>114</td>
</tr>
<tr>
<td></td>
<td>(20.8%)</td>
<td>(79.2%)</td>
<td>(100%)</td>
</tr>
</tbody>
</table>

\[ X^2 = 41.5 \quad df=3 \quad P=0.05. \]

The Chi-square result is significant meaning that credit card use is associated to monthly income. Ninety percent of the respondents who were users of credit cards were earning above Ksh20,000 per month. Seventy five percent (75%) of the respondents were earning below Ksh20,000 per month, and only 25% were earning above
Ksh20,000 per month. This tallies with what Rees (1992) found out, that credit cards are used by people earning high incomes.

4.7.2 RELATIONSHIP BETWEEN EDUCATION AND CREDIT CARD USE

Education has been strongly correlated with income and hence it indirectly affects the use of credit cards. It was therefore necessary to establish whether it influences credit card use.

Table 27: Relationship between education and credit card use.

<table>
<thead>
<tr>
<th>Educational level</th>
<th>Users</th>
<th>Non-users</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary and secondary</td>
<td>12</td>
<td>31</td>
<td>43</td>
</tr>
<tr>
<td>(40%)</td>
<td>(26.8%)</td>
<td>(29.5%)</td>
<td></td>
</tr>
<tr>
<td>College</td>
<td>9</td>
<td>27</td>
<td>36</td>
</tr>
<tr>
<td>(30%)</td>
<td>(23.2%)</td>
<td>(24.7%)</td>
<td></td>
</tr>
<tr>
<td>University</td>
<td>9</td>
<td>58</td>
<td>67</td>
</tr>
<tr>
<td>(30%)</td>
<td>(50%)</td>
<td>(45.8%)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>116</td>
<td>146</td>
</tr>
<tr>
<td>(20.5%)</td>
<td>(79.5%)</td>
<td>(100%)</td>
<td></td>
</tr>
</tbody>
</table>

\[X^2 = 4.1\] df=2 P=0.05

A chi-square of 4.1 insignificant at 0.05 indicated that credit card use is not associated with education level. This means that education level did not influence use of credit cards. According to the results the highest percentage of users 40% had secondary level education while 50% of the respondents who were non-users had university level education. This could be attributed to the fact that university graduates are better informed about the operations of the credit cards or they are not in professions that expose them to credit cards.

4.7.3 RELATIONSHIP BETWEEN AGE AND CREDIT CARDS USE

The card companies prefer older people. An older person stands a better chance of qualifying to hold a card than a younger person of generally the same means (consumer Digest, December 1987). The argument floated is that elder people are in a better position to live within their means. The Chi-square test was done to find out if there is a difference between users and non-users in terms of
age. The results are presented in Table 28.

Table 28: Relationship between age and credit card use.

<table>
<thead>
<tr>
<th>Age groups</th>
<th>Users</th>
<th>Non-users</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 - 30</td>
<td>5</td>
<td>50</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>(16.7%)</td>
<td>(45%)</td>
<td>(39%)</td>
</tr>
<tr>
<td>31 - 40</td>
<td>16</td>
<td>39</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>(53.3%)</td>
<td>(35.1%)</td>
<td>(39%)</td>
</tr>
<tr>
<td>41 - above</td>
<td>9</td>
<td>22</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>(30%)</td>
<td>(19.9%)</td>
<td>(22%)</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>111</td>
<td>141</td>
</tr>
<tr>
<td></td>
<td>(21.3%)</td>
<td>(78.7%)</td>
<td>(100%)</td>
</tr>
</tbody>
</table>

$X^2 = 7.9$  df=2  P=0.05

A Chi-square of 7.9 insignificant at 0.5 indicated that credit card use is not associated with age. This means age did not have any influence on the use. Both the users and non-users were distributed among the same age groups.

4.7.4 RELATIONSHIP BETWEEN FAMILY LIFE-CYCLE STAGE AND CREDIT CARD USE

Family life-cycle stage is the stage the family is in. Rees (1992) and Leet and Driggers (1983) argued that families in the contracting stage are more likely to use credit cards due to income availability and less commitments financially.
### Table 29: Relationship between credit use and family life-cycle stage.

<table>
<thead>
<tr>
<th>Life cycle stage</th>
<th>Users</th>
<th>Non-users</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning families</td>
<td>7</td>
<td>46</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>(23.3%)</td>
<td>(39.7%)</td>
<td>(36.3%)</td>
</tr>
<tr>
<td>Expanding families</td>
<td>23</td>
<td>70</td>
<td>93</td>
</tr>
<tr>
<td></td>
<td>(76.7%)</td>
<td>(60.3%)</td>
<td>(63.7%)</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>116</td>
<td>146</td>
</tr>
<tr>
<td></td>
<td>(20.5%)</td>
<td>(79.5%)</td>
<td>(100%)</td>
</tr>
</tbody>
</table>

\[X^2=3 \quad df=1 \quad P=0.05\]

A Chi-square of 3 insignificant at 0.05 indicated that credit card use is not related to the family life cycle stage. This means persons in any of the various life-cycle stages is capable of using credit cards. Twenty three percent of the users and 40% of the non-users had beginning families while 77% of the users and 60% of the non-users had expanding families. This means the distribution was almost the same.

#### 4.7.5 RELATIONSHIP BETWEEN TYPE OF EMPLOYERS AND CREDIT CARD USE

Since the sample was drawn from salaried workers both in the public and private sector it was necessary to find out the type of employer influences credit card use.
Table 30. Relationship between type of employer and credit card use.

<table>
<thead>
<tr>
<th>Employer</th>
<th>Users</th>
<th>Non-users</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Govt. Ministries</td>
<td>3</td>
<td>63</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td>(10%)</td>
<td>(54.3%)</td>
<td>(45.2%)</td>
</tr>
<tr>
<td>Banks</td>
<td>19</td>
<td>21</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>(63.3%)</td>
<td>(18.1%)</td>
<td>(27.2%)</td>
</tr>
<tr>
<td>Insurance Companies</td>
<td>8</td>
<td>37</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>(26.7%)</td>
<td>(27.6%)</td>
<td>(27.4%)</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>116</td>
<td>146</td>
</tr>
<tr>
<td></td>
<td>(20.5%)</td>
<td>(79.5%)</td>
<td>(100%)</td>
</tr>
</tbody>
</table>

$X^2 = 28.4$  df=2  P=0.05

A Chi-square of 28.4 significant at 0.05 indicated that credit card use is associated with type of employer. Sixty three percent of the users were bank employees and this could be attributed to exposure. Most banks in Kenya today, have a credit card in the market hence the bank employees are more exposed to them, leading to a high rate of credit card use among them. This is a contrast to the 10% of the users who were from government ministries and the highest percentages of non-users 54% was from this category.

In conclusion the demographic values did not really influence credit card use significantly except monthly income and type of employer which influenced credit card use. One can therefore conclude that the users and non-users are not very different and only the exposure to credit cards differs.
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY

In this section a summary is presented covering the purpose, objectives, methodology, findings and conclusions of the research based on the objectives of the study.

5.1.1 PURPOSE AND OBJECTIVES:

The purpose of this study was to establish the characteristic that differentiate between credit card users and non-users in Kenya. It also sought to investigate the differences in credit card knowledge between credit card users and non-users. In order to achieve this the following objectives were formulated:

1. To establish characteristics of card users and non-users.
2. To identify the factors that influence the credit cards.
3. To establish the level of consumer knowledge on credit card use.
4. To find out the problems encountered by credit card users.
5. To compare credit card users and non-users in terms of education, income, age, family life-cycle stage and type of employer.

5.1.2 METHODOLOGY

The study used a random sample of 146 respondents which was an 81% response rate. The study was conducted in the Nairobi's Central Division. The respondents were drawn from various ministries, banks and insurance companies and a publishing firm. Data was analysed using frequencies percentages and Chi-squares.
5.2 FINDINGS

The findings of this study provide information about credit card use, characteristics of credit card users and non-users, problems encountered by credit card users and factors hindering credit card use.

The study revealed that credit card users are a small percentage compared to non-users. The random sample used had 20.5% of the respondents being users and 79.5% of the respondents were non-users. This was a ratio of 1:4. The average age of the users was 37.5 years while that of non-users was 33 years. The study also revealed that the credit card users were earning more than the non-users. Among the users 90% were earning above Ksh20,000 per month while the only 25% of the non-users were in the category. This is consistent with Rees (1992) who found out that credit card use is highly associated with income. Interestingly the non-users had higher formal education compared to the users, while only 30% the users had university level education, 50% of the users had attained this level.

Credit cards were used for various reasons as revealed by this study. The reasons included convenience, security, status symbol and credit facility. The most common reason was convenience reported by the 80% of the users. Among the non-users they also had various reasons as why they don’t use credit card. The most common was they cannot afford reported by 40% of the respondents while 21% of the respondents preferred other forms of credit. These included loans, informal credit and hire purchase instalment buying.

The study also revealed that both users and non-users were well informed about the credit cards. Those who use credit cards also reported to have experienced problems. These included misposting of bills, overspending, limited outlets and expensive outlets with fixed prices. Interestingly 26% of the respondents who were users reported not to have had any problems.
This information gathered through this study is important to the Kenyan consumer, card companies, curriculum developers and consumer organisations.

5.3 CONCLUSIONS

Based on the findings of this study the following conclusions have been arrived at:

1. Credit card users and non-users have the same characteristics with the exception of income and exposure to credit cards. The card users earn higher incomes and are mainly who work in institutions that deal with credit cards.

2. Convenience was the main reason why credit cards were in use among the consumers while high interest rates was the greatest hindrance to credit card use.

3. The level of consumers knowledge on credit cards is low especially about it’s operations. It is therefore necessary to educate consumers about credit cards.

4. Limited outlets was the main hindrance encountered by credit card users as well as a reason for people not to use cards.

5.4 RECOMMENDATIONS

This study was significant because the findings provide documented information about credit card use in Kenya. It has also revealed the problems encountered by credit card users and ways in which they think the problems can be solved. This being the significance of the study and based on the above conclusions the following recommendations have been arrived at:
1. Consumers should be enlightened on what credit cards and how they are used as well as who is eligible to use one. This can be done by incorporating it in the school curriculum at the secondary level under Business education. The card companies to educate people about credit cards.

2. The card companies should expand or increase the number of outlets that accept credit cards. This was a major problem to the credit card users and therefore it would go a long way in improving the services of the card companies.

5.5 SUGGESTIONS FOR FURTHER RESEARCH

It is recommended from the findings of this study that further research could be carried out in the following areas:

1. Studies similar to the current research be done using self employed people.

2. The topic of this study using larger samples and based in big towns in rural areas of Kenya.

3. The effects of credit card use on the family institution.

4. Comparison of credit card services offered by various credit card companies.


### MAGAZINES

<table>
<thead>
<tr>
<th></th>
<th>Magazine</th>
<th>Month</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Consumer Digest</td>
<td>March</td>
<td>1985</td>
</tr>
<tr>
<td>2.</td>
<td>Consumer Digest</td>
<td>September</td>
<td>1986</td>
</tr>
<tr>
<td>3.</td>
<td>Consumer Digest</td>
<td>December</td>
<td>1987</td>
</tr>
<tr>
<td>4.</td>
<td>Consumer Digest</td>
<td>October</td>
<td>1986</td>
</tr>
<tr>
<td>5.</td>
<td>Consumer Digest</td>
<td>October</td>
<td>1995</td>
</tr>
</tbody>
</table>
Dear Respondent,

REF: A study of the characteristics of credit card users and non-users in Nairobi, Kenya:

My name is Jane Mbagi. I am a post-graduate student at the Home Economics Department, Kenyatta University. I am carrying out a research on credit card use in Kenya: A study of the characteristics of credit card users and non-users, in Nairobi. I am pleased to inform you that you have been selected as one of the respondents in this research. Please assist by answering all the questions as honestly as possible. This information will be used for academic purposes only and top confidentiality of the information given is assured.

Please note you are not required to write your name on the questionnaire.

Thank you for your cooperation

----------------------------------------

Jane Mbagi
Researcher.
APPENDIX 2

QUESTIONNAIRE/INTERVIEW SCHEDULE

AN INVESTIGATION OF THE CHARACTERISTICS OF CREDIT CARD USERS AND NON- USERS IN NAIROBI, KENYA

PART ONE: DEMOGRAPHIC DETAILS

1. What is your gender?
   (1) Male
   (2) Female

2. How old are you? (Age in years) ...........................................

3. In what estate do you live? ............................................... 

4. What is your marital status?
   (1) Married
   (2) Separated
   (3) Divorced
   (4) Single
   (5) Widowed
   (6) Any other (specify) ................................................

5. How many children do you have
   (1) 1
   (2) 2
   (3) 3
   (4) 4
   (5) More than 4 (specify) ..............................................

6. What is the total number of your household members living with you?
   (1) 1-5
   (2) 6-10
   (3) more than 10 (specify)
7. At what stage of the family life cycle is your family?
   (1) have no children
   (2) have school going children
   (3) have college going children
   (4) have working children

8. What is your highest level of formal education?
   (1) no education
   (2) primary level
   (3) secondary level
   (4) college level
   (5) university level

9. What is your monthly income from your salary?
   (1) 20,000 and above
   (2) 15,001 - 20,000
   (3) 10,001 - 15,000
   (4) 5,001 - 10,000
   (5) 0 - 5,000

10. Do you have any other source of income apart from your salary?
    (1) Yes
    (2) No

11. If yes, how much do you get from that source per month?
    (Ksh................. per month)
    (1) 20,000 and above
    (2) 15,001 - 20,000
    (3) 10,001 - 15,000
    (4) 5,001 - 10,000
    (5) 0 - 5,000

12. Credit is taking goods and services at present and paying for them in the future. Do you use any form of credit?
    (1) Yes
    (2) No
13. Which type of credit system do you use?
   (1) none
   (2) hire purchase/installment
   (3) credit cards
   (4) informal credit (taking goods and services then paying later as agreed)
   (5) any other (specify)

14. If no, why don’t you use credit?

15. How did you learn about credit cards?
   (1) Friends
   (2) Bank
   (3) Electronic media (TV, Radio, Video)
   (4) Print media (newspapers, magazines)
   (5) Business associates
   (6) Other sources (specify)

16. What credit card do you use?
   (1) Royal card
   (2) Merchant card
   (3) Senator card
   (4) Diners Club card
   (5) Trust card
   (6) Bank card (specify)
   (7) Fuel card (specify)
   (8) Any other (specify)

NB. If your answer to question 13 is (3) then proceed to part two, if not proceed to part three (question 35).

PART TWO: QUESTIONS FOR CREDIT CARD USERS

15. How did you learn about credit cards?
   (1) Friends
   (2) Bank
   (3) Electronic media (TV, Radio, Video)
   (4) Print media (newspapers, magazines)
   (5) Business associates
   (6) Other sources (specify)

16. What credit card do you use?
   (1) Royal card
   (2) Merchant card
   (3) Senator card
   (4) Diners Club card
   (5) Trust card
   (6) Bank card (specify)
   (7) Fuel card (specify)
   (8) Any other (specify)
17. Why do you make use of credit cards?
(1) convenience
(2) to avoid carrying money around
(3) they are a status symbol
(4) Other reasons (specify)

18. Are you able to clear your bill on time?
(1) yes  (2) no

19. I use my credit card
(1) alone
(2) with my husband/wife
(3) with my children
(4) with my husband/wife and children
(5) any other (specify)

20. Why do you share your credit card?

21. Have you encountered any problem because of sharing the credit card?
(1) yes
(2) no

22. If yes, what problems have you encountered?

23. What kind of goods and services do you use your credit cards for?
(1) necessities
(2) luxuries
(3) all my shopping
(4) entertainment only
(5) Other (specify)
24. What problems have you encountered when using credit cards?

25. How do you think the credit card services can be improved?

26. Do you think it is necessary to educate people about credit cards?
   (1) Yes  (2) No

27. If yes, give suggestions of what you think should be taught?

28. If no, please explain why.

29. List the conditions you know for using credit cards.

30. Who do you think qualifies to use a credit card?

31. What do you think are the advantages of using credit cards?
32. What do you think are the disadvantages of using credit cards?

33. Would you advice someone to use a credit card?
   (1) Yes (2) No

34. Please explain your reasons.

PART THREE: QUESTIONS FOR PEOPLE WHO DON'T USE CREDIT CARDS

35. Do you know about credit cards?
   (1) Yes (2) No

36. If yes, how did you get to know about them?
   (1) friends
   (2) bank
   (3) electronic media (TV, radio, video)
   (4) print media (newspapers, magazines)
   (5) business associates
   (6) others (specify)

37. Why don’t you make use of credit cards as a form of credit?
   (1) I don’t use credit at all
   (2) I cannot afford a credit card
   (3) I don’t know about credit cards
   (4) I prefer other forms of credit
   (5) Other reasons (specify)
38. If yes, what kind of information would like to have?

40. If no, why?

41. What form of credit do you use?
   (1) none
   (2) hire purchase/installment
   (3) informal credit (take goods and services and pay for them later as agreed)
   (4) any other (specify)

42. Why do you use the form of credit that you do?

43. List the conditions you know for using credit cards

44. Who do you think qualifies to use a credit card?

45. What do you think are the advantages of using credit cards?
46. What do you think are the disadvantages of using credit cards?

47. Would you advice someone to use a credit card?
   (1) Yes
   (2) No

48. Please explain your reasons.

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