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Consumer Behavior toward the Use of Credit Cards: The Empirical Evidence from Iraq

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Abstract
Credit card is a payment tool in the modern world and it is being called the plastic money. In Iraq and especially in Kurdistan region, the credit card utilization now is appealing to be more attractive. To address this issue, the present study sheds some light on the impact of credit cards on the consumer behavior and the benefits of credit cards for people of Kurdistan, Iraq. The data were obtained from 40 participants consisting of academicians in the related field, managers of banks, and credit card users by means of questionnaires. A range of variables that agreed to demographic information, such as level of education, gender, and income, were also considered. Drawing on chi-square and modeling analysis, the results portrayed a positive relationship between the costumer information and their behavior in using credit cards. The results of this study further suggest that since people in Kurdistan region of Iraq would like to apply credit cards in all aspects of life, the financial institutions should provide accessible information and valuable services. All in all, from this study it is implied that the "plastic money" makes a revolution in banking industry across the world and nowadays electronic banking becomes familiar to the world.

Keywords: Credit Card; Consumer Behavior; Banking Sector

Introduction

For the recent 10 years, credit cards in Kurdistan Iraq have been used slowly in the market. One of the factors for the slow growth of the credit cards is because many people prefer to use cash. However, the market shows an interesting picture today. In the time of banks raises liquidation, there has been a general push toward the use of credit cards and house mortgage.

A study conducted by Putit and Johan (2015) claimed that credit card can be considered as an instrument of payment towards the modern world and known as the "plastic money". As a result, it assists the cardholder to buy required services and goods without meeting each other during the payment. The credit card markets of the majority countries including Europe, United States, Canada and Australia have become popular in their market. In the Europe itself, using credit card ranged more than 59 million in 2016 only, however, if it was compared to 2002, it was nearly 15 million (Thomas, Oliver, & Hand, 2005).

Despite the crucial development of the credit card market, at a global level, each country has experienced a different spread and mix in electronic forms of payment (Ayudya & Wibowo, 2018). It is also realized that many aspects that control the expansion of the mechanisms of payment via credit card are based on the availability of information from financial institutions to the different credit card users. Nevertheless, other significant problems may be related to the availability of business volume and infrastructure. Dospinescu, Anastasiei, and Dospinescu (2019) provided a comprehensive analysis on the credit cards, debit card economics, and automatic teller machines (ATMs) through various prospect involving financial institution, consumer behavior, banking, and credit card market as well. The major findings of this research revealed that the consumer's attitude towards using credit cards, debit card

economics, and automatic teller machines are sufficient. They also concluded that financial institutions were provided adequate training for users before the service is delivered.

In the 1920s, only oil firms and hotel chains were using credit cards for simple daily transaction (Ahmed et al., 2009). However, around 1938s, other companies were also involving the use of credit cards in their businesses, although these cards were still not in the form of plastic. In 1946, the first bank to issue plastic card under the name "charge-it" was based in New York by the national bank of Brooklyn, by the investor John Baggins (Ahmed et al., 2009). Also the dinner's club in America started issuing their own credit cards in order to be used in every restaurant around the world, which was invented by the dinners club founder Frank McNamara in 1950 (Ahmed et al., 2009).

Furthermore, in 1985, American Express officially issued their first credit card which is now referred to as Visa (Pulina, 2011). The emerge of Visa sent a message to the people around the world that there is no doubt that using credit cards has many advantages (Ahmed et al., 2009; Pulina, 2011). First of all, risks arising as a result of carrying cash are eliminated. Secondly, credit card provides facility of payment in purchasing goods and services. Also, each credit card comes with its own Pin code in which the PIN is possibly the oldest form of electronic signature, and has become a very widely used form of authentication, especially to obtain access to a bank account through the use of an ATM, or to confirm a transaction with a credit card or debit card (Koparal & Calik, 2014).

Credit card further is fruitful for its users in providing access to the financial resources. Customers who apply cheques or cash instead of credit card for a special transaction may be limited to amount of money that they have. On the other hand, merchants or sellers may be reluctant to accept cheques for bigger transactions because of the risk of nonpayment and default risk. Credit cards can

present solution for both problems, that it can support customers with a huge access to the financial resources, and more than that it can provide merchants a peace of mind about payment guarantees (Sriyalatha, 2016).

Invariably, a claim by the users that they do not authorize one or more transactions conducted on the account will require the relying party, i.e. the bank (Dewri, Islam, & Saha, 2016; Jagotra, 2018). The credit cards presented by banks and financial institutions to users like a gift effect consumer behaviors by expeditiously replacing cash, providing convenience in purchasing transactions, and making the life easier (Kamil, Musa, & Sahak, 2014). Due to the absence of credit card in financial markets in Kurdistan Iraq, many people are struggling to collect and pay money for their duties, since the financial crisis affected the Kurdistan and the public banks and financial institutions specifically. People were not be able to withdraw the cash in the banks because the public banks in Kurdistan still used the traditional method for collecting and paying cash to their members. This happened because of the lack of using credit cards among the Kurdish community. The Kurdish society prefers to conduct transactions by cash rather than checks or credit. However, if everyone was using credit cards for daily transactions the flow of money would be electronic and intangible rather than physical.

From the aforementioned explanation, it has been noted that there is still an important progress should be made in relation with credit card utilization and consumers behavior and attitude towards using of credit card and the payment system as well. Up to date, the biggest limitation can be revealed by the lack of availability of information and the absence of large databases for levels, bank level and individual consumer level as well. Therefore, the present study analyzes and examines the demand of using a credit card among the citizens of Kurdistan region of Iraq. The study attempts to discover

the general behavior and perspective of the Kurdish users in the credit card financial market. By involving 40 participants, including 12 academicians in the related field, 13 managers of banks, and 15 credit card users, this study is guided under the research question: what are customer behavior and attitude toward the use of credit cards in Kurdistan Region of Iraq?

Review of Literature

Globally, using credit card has become a popular instrument for buying and selling, transferring and other transactions between business, customers and individuals as well. Various studies illustrated the relationship between consumer behavior and attitude towards utilization of credit card (Munyoki & Njihia, 2018; Khare, Khare, & Singh, 2012; Limerick & Peltier, 2014).

A study conducted by Zuroni & Lim (2012) demonstrated the relationship among consumer's educational level, background of using credit card, and gender. This study examined that gender and personal background of using credit card had significant influence on using credit card in Malaysia. They also showed that the level of education could be seen as an important factor towards the credit card usage. In a similar direction, a research conducted by Ismail, Amin, Shayeri, and Hashim (2014) investigated the different factors that had an impact on the bank consumers and utilization of credit card. The research developed some variables, including personal knowledge, religious factors towards using credit card, and approach. The research claimed that personal knowledge and perceptions were identical in deciding consumer behavior to use credit card. Ismail et al. (2014) concluded that there is a positive relationship between the general attitudes of consumers toward credit usage.

According to Dewri et al. (2016) the customers attitude towards using credit card in the emerging economics and how

internal and external aspect affect the consumers use of credit card in their daily life. The study found an important relationship between utilization of credit card among different gender and group of ages and more significantly the study concludes that many people used their credit card to buy and sell via online banking "e-repayment" as well.

Moreover, Norvilitis and MacLean (2010) revealed the different factors that affect credit card usage among the students in their colleges. Their research finally acknowledged that the absence of financial knowledge, behavior of using credit card, and delay of gratification, strongly encouraged the students to make debt. They also examined that the attitude of the college students were likely to use credit card if this system available for them.

Furthermore, limerick and Peltier (2014) investigated the impact of gender on using credit card among university students. They applied both measurements nonparametric and parametric to find how credit card use was affected by gender. The research divulged that men were more likely to use credit card than women. 46% of men used more than one credit card, compared to women in which 60% of them used only one type of credit card. Additionally, they revealed that using credit has not been affected by gender among the students in university. They also illustrated that since the women were likely to have fewer credit cards, they spend more money if they compared to the men. The most interesting result revealed from this study was that women felt it was prestigious to use credit cards than men did.

Dospinescu et al. (2019) found that the financial institutions that issued credit card should give a huge discount for promotion. Also, they demonstrated that it was essential for credit card issuers to have and announce all relevant information concerning on creating and using credit card at the time of creating credit card. They should also let them know for any updates. I a similar case,

Sriyalatha (2016) examined that minimal information and absence of comprehending by consumers of the credit card can be considered as the major problems and dilemmas in the market of credit card market. This is because adopting and using credit cards every time can be affected by lack of information. Sriyalatha (2016) also pointed out that informational barrier impede the ability of credit card customers to obtain a competitive interest rate through search.

An investigation by Munyoki and Njihia (2018), Pulina (2011), and Putit and Johan (2015) depicted that a good relationship between consumer attitude and credit card usage was because credit card helped its holders to monitor their spending, in which they can track their money spent through their electronic banking or withdrawals made through ATM's. In addition, they illustrated that people, who use credit card, cannot lose money when the card gets stolen. Thus, if card gets stolen then the holder can contact the credit card company and inform them about the information in order to stop the credit card from conducting transactions and transfers. A further study conducted by Qureshi, Baqai, and Qureshi (2018) indicated that credit cards were more rewarding and beneficiary than cash. For instance, most of the airline companies now keep a track of their customers through their credit card information by adding up flying miles or hours that they have been with their airline, and has rewards for the ones with higher flying miles through free flights, discount and free class upgrades (Themba & Tumedi, 2012). Also, shops let customers to collect shopping points to be rewarded by exclusive shopping deals for the ones with high points (Ray et al., 2020).

Credit cards offer a limit of spending for both the money people actually have and also some money that the bank is offering to spend over their own money (Dewri et al., 2016). This limitation can benefit the credit card users into not letting them spend more

than a certain amount in a day or not spend more than a quantity that they cannot afford to pay back, since banks provide its users credit besides their money that they have in their bank accounts (Ahmed et al., 2009 & Putit & Johan, 2015). However, the money has a limit and the limit is provided based on the users' income or salary by all means, each user has his/her limit based on what they can afford and payback later to the bank. In response to the issue of credit cards use, the current study attempts to find the relationship between consumer behavior and attitude towards the use of credit cards in Kurdistan Region of Iraq. Hence, this study aims to test the below hypothesis.

H1: There is a positive relationship between consumer behavior and their attitude toward the use of credit cards.

Research Method

Sample Selection and Data Sources

The present study employs the use of credit cards as dependent variable and consumer behavior as independent variable. Its objective is to depict the relationship between the two variables by drawing on the primary data analysis. This study adopted non-probability sampling as a strategic sampling method. Non-probability sampling is a sampling technique that helps the researchers to choose samples depending on the subjective judgment of the researcher instead of random selection (Sarstedt, Bengart, Shaltoni, & Lehmann, 2018). The population of this study was credit card users and practitioners in the field of banking and finance in Kurdistan Iraq. From the population, this study involved 40 participants, consisting of 12 academicians, 13 managers of banks, and 15 credit card users.

Instruments and Data Collection

To obtain the required data of the present study, a structured questionnaire were applied. The structured questionnaire consisting of two sections was administered. The first section was about the demographic information of the participants and the second section dealt with questions where the variables of this study were focused. A total of 50 questionnaires were distributed through Google form to the participants and then they had an opportunity to fill out the form and submit it by email to the corresponding author. Out of 50 questionnaires, 40 were returned in valid and completed matter. The arranged questions were applied in an attempt to conserve time as well as to assist easier of data analysis.

Data Analysis

The present study utilized chi-square analysis, probability level (alpha), and standard deviation to prove the proposed hypothesis. The acceptable of the hypothesis used in this study does not imply that the data collected was 80% reliable and error free, but will only enable the researcher to do the data analysis or would not misguide the researcher. The probability of being in error is called the significant level of the type 1 error made and it is taken at 50% level. Then the researcher obtain X^2 (0.1) or column as the number of independent calculations required for that row or column, before the remaining unknown in that row or column can be obtained. The formula of chi-square is demonstrated as follows.

$$X^2 = \Gamma(O_i - E_i)^2 \quad \text{Where, } O_i = E_i = X^2 = \Gamma$$

The hypothesis (H1) shall be accepted if X^2 O_i is less than X^2 E_i, but shall be rejected if it is otherwise. Hence, X^2 O_i is observed hypothesis and X^2 E_i is expected hypothesis.

Results

This section demonstrates the results of data analysis. The presentations are in form of table and followed by narrative explanation of the content of each table.

Table 1. Response Rate

Response Rate	Frequency	Percentage %
Returned questionnaires	40	80
Unreturned questionnaires	10	20
Total	50	100

Source: data analysis

Table 1 depicts that the study targeted 50 participants from the distributed questionnaires. Out of the 50 administrated questionnaire, 40 of them were handed by the researchers or amounting to 88.8% of the response rate. According to De Massis and Kotlar (2014) and Thomas, Oliver, and Hand (2005), any response of 50% and above is adequate for analysis and therefore, the response rate of 88.8% is satisfactory.

Table 2. Participants' Educational Background

Education	Frequency	Percentage %
High school	4	10
Diploma	12	30
Bachelor degree	21	52.5
Masters and PhD	3	7.5
Total	40	100

Source: data analysis

Table 2 illustrates the participants' background of education who have filled out the questionnaire. As shown in table 2, 4 of them had high school qualifications (10%), 12 of them possessed diploma (30%), 21 of them held bachelor degree (52.2%), and 3 of them owned master and Ph.D. qualifications (7.5%). It can further be seen

from the table that more than half of the participants have earned bachelor degree in their educational experiences.

Table 3. Observed Value

Response	Oi	Ei
Cell 1	32	38
Cell 2	8	2
Total	40	40

Source: data analysis
Cell 1: (32+38)/100 * (40/1) = 28
Cell 2: (8+2)/100 * (40/1) = 4

Table 3 presents the result of two hypothetical questions testing. The result of observed value can be divided by the total participants and this can give how the credit card should be used. It clearly shows that cell 1 is greater than cell 2. In other words, 70% of the participants accept to use credit card for offline shopping and only 20% accept to apply credit card for only offline shopping and the remaining 10% accept the utilizing credit card for online shopping only.

Table 4. Result of Chi-Square Analysis

Oi	Ei	Oi-Ei	Oi-Ei^2	Oi-Ei^2 /Ei
32	28	4	16	0.57142857142857
8	4	4	16	4
40	32			4.57142857142857

Source: data analysis

Table 4 demonstrates the result of chi-square analysis. As presented in table 4, 4.571 is the result obtained from value of Chi-Square, which means that there is a relationship between the dependent and independent variables (Chi-square value > 1). Thus, it is worthy saying that the results of 4.571 in this study indicates a

positive relationship between consumer behavior and attitude towards the use of credit card.

Table 5. Result of Probability Test (alpha)

Degree	0.5	0.03	0.05	0.02	0.01	0.001
1	0.455	2.706	3.841	5.412	6.635	10.827
2	1.386	4.605	5.991	7.824	9.210	13.815
3	2.366	6.251	7.815	9.837	11.345	16.268
4	3.357	7.779	9.488	11.668	13.277	18.465

Source: data analysis

Table 5 reveals the results of probability level (alpha). As depicted in table 5, this study shows that chi square value (X^2 = 4.571) lies between 5.412 and 3.841. The corresponding probability is between 0.03 and 0.05 of the probability levels. The equivalent probability is $P<0.05$ and $P>0.02$. This means that it is smaller than the correctly accepted significance level of 0.05 or 5%, thus the null hypothesis that the two distributions are the same is rejected. In other words, if the computed X^2 statistic passes the analytical value in the table for a 0.05 probability level, then we can reject the null hypothesis of equal distributions. In this study, P value is under 0.05 (it is actually 0.04). Since a P value of 0.04 is less than the conventionally accepted significance level of 0.05 (i.e., $P<0.05$), then the hypothesis raised in this study is accepted. It is concluded that there is a positive relationship and association between customers' information and their attitude towards the use of credit cards in Kurdistan Region of Iraq.

Discussion

The credit card market now in Kurdistan region of Iraq is becoming more attractive. Financial institutions and banks are

actively promoting credit cards to potential consumers by giving attractive offers, such as opening free account, low interest rate, and using the plastic card globally. According to the respondents and data analysis, it can clearly be seen that the majority of the participants feel satisfied in using credit cards. It is also clearly seen that the functionality of using credit card affects consumer attitude in Kurdistan Region of Iraq. This means that the financial institutions and banks are providing the relevant information and guidelines to their customers regularly in terms of on creating and using credit card and this is supported by (Sriyalatha, 2016)

The results of this study also revealed that some participants already had credit card and they used their plastic cards for online shopping inside and outside Kurdistan. It makes the process of buying, selling, e-repayment, and pay bill easier for customers. Based on results, this is a new trend for the users. In the past 5 years, credit card users have increased rapidly, and nowadays people have understood the importance and benefits of credit cards. This basically shows that the credit card is preferred by the consumers for different purposes. Thus, cognitive factors, consumer attitudes, behavioral factors, and affective aspects affect how the customers use credit card. This is exactly agreed with the results of Munyoki and Njihia (2018).

The effect of consumers' behavior and their attitude on credit card utilization is found to be a common practice among citizens in Kurdistan Region. The study results agreed with the literature review and previous studies that financial institutions should provide accessible information that gives an idea to create and use credit card. However, some of the financial institutions failed to provide minimal information to the users. This showed that even though using and applying credit card is very important, but not all financial institutions are in this practice. This is happened due to the

absence of financial knowledge, behavior of using credit card, and delay of gratification as well.

The statistical results from the chi-square formula and probability level (alpha) illustrate that there is positive association between consumer's information and their attitude towards credit cards utilization. This is shown by the level of significance obtained by the independent variables. Table 5 demonstrates that P value is less than 0.05 (it is actually 0.04). Since the P value of 0.04 is smaller than the conventionally accepted significance level of 0.05 (P<0.05), then the hypothesis of this study is accepted. This results are exactly similar with the results of several research reports that are used in the literature section in this study, such as Sriyalatha (2016), Pulina (2011), and Ahmed et al. (2009).

This study provides significant implications for the credit cards users and practitioners. Intension of using credit card is an important aspect that must be considered by financial institutions that offers credit cards. Customers normally used their credit cards to purchase day to day needed and international purchases, and they supposed to use the plastic cards for online purchases as well. Additionally, the results of this study prefer that availability of information and perceived usefulness regarding credit card have significant influence on customers' attitude towards the use of credit card. The results of this study further imply that by investing in robust credit card systems, financial institution will significantly enhance their financial performances in contrast to those institutions that have not applied this system in Kurdistan Region of Iraq. To realistically rely on systems of credit card, it must be designed, maintained, and frequently reassessed. Unsatisfactory credit card system can complicate the efficacy of the financial institution, as well as situate users in a position where they may be induced to engage in unethical activities or accounting practices.

Conclusion

The result of data analysis in the present study clearly depicts that there is a significant relationship between consumers' behavior and their attitude toward the use of credit cards. It is also revealed that the majority of the consumers would prefer to use credit cards in their daily life to carry out a range of financial transactions. This study further indicates that there is a small-scale of financial institutions in Kurdistan Iraq have invested and established credit cards for the customers. Above all, the current study was focused on financial institutions and banks, which were limited in number in Kurdistan region of Iraq. Therefore, it is crucial for future researches to conduct studies by involving wider scope and coverage to portray more comprehensive findings in terms of customer behavior toward the use of credit cards.

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