ATTITUDES TOWARD CREDIT AND CREDIT CARDS AMONG CONSUMERS IN SAUDI ARABIA: A PRELIMINARY INVESTIGATION[1]

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ABSTRACT

Previous studies of attitudes toward credit have generally employed single-item measures of the construct, an approach that has serious limitations in measuring complex psychological phenomena like attitudes. In this study we develop a multi-item measure of attitudes toward credit and examine the nature of such attitudes. We also explore the nature of attitudes toward credit cards, and examine the relationship between attitudes toward credit and attitudes toward credit cards in Saudi Arabia. Our data is collected from a convenience sample of 130 respondents using a structured self-administered questionnaire. The results show acceptable psychometric properties for our proposed attitudes-toward-credit scale. They also show that, in the Saudi context, attitudes toward credit and credit cards are generally negative, and that the relationship between the two attitudes is positive. We discuss the implications of our results and identify directions for further developing our proposed scale.

1. INTRODUCTION

Credit cards have become a ubiquitous financial product held by households in all economic strata in most countries. Governments and credit card issuing agencies have put in place laws and regulations to ensure that consumers have the protections and information they need to use this widely available form of open-end credit wisely. Nevertheless, concerns persist about whether consumers fully understand the costs and implications of using credit cards and whether credit cards have encouraged widespread over indebtedness.

Saudi Arabia is a country with an interesting cultural mix of traditional Islamic values and a modern economy with a well-developed infrastructure. Significant sections of the native population adhere to strict Islamic principles in their financial dealings, some of which include not dealing with banks that are known to pay and receive interest. At the same time, the banking sector is one of the most profitable, and equally large sections of the native population have accepted not only the banking system, but also the modern electronic revolution in banking. Consequently, Automatic Teller Machine (ATM) cards are now almost necessities, while credit cards are increasingly becoming popular. Because of the interest

element involved in charging purchases to credit cards (especially if the entire outstanding amount is not settled immediately) and the stand of Islam on paying and receiving interest, it would be useful to know the general nature of attitudes toward credit and credit cards and how this impacts on credit card ownership and usage.

Given the above background, the present study was designed to examine the nature of attitudes toward credit and credit cards in Saudi Arabia, and to investigate relationships between the two types of attitudes.

2. LITERATURE REVIEW

Researchers have been interested in attitudes toward credit and credit cards because of an expectation that such attitudes may determine the usage patterns of credit card accounts and influence consumers' purchase behavior. Indeed, a number of researchers have attributed the rapid growth in credit card use in the US since the 1980s to changing attitudes toward credit (Canner and Cyrmak, 1985; Godwin, 1998; Norton, 1993; and Park, 1993). It has been suggested that positive changes in credit attitudes have led to an increasing willingness by consumers to use credit to finance current consumption, a large part of which is often in the form of credit card debt. According to Durkin (2000), this reflects increased consumer preferences for using prearranged credit lines, at the same time as technological developments have made it much easier for creditors to offer revolving credit.

Researchers have also tested the hypotheses that demographic differences exist in consumers' attitudes toward credit, and their willingness to finance purchases through credit cards. These hypotheses have been confirmed in some previous studies, although the direction of differences has been mixed. For example, Slocum and Mathews (1972) found that upper-income consumers hold more favorable attitudes toward credit cards, while Awh and Waters (1974) found that younger consumers had more favorable attitudes toward credit card use. More recently, Lown and Ju (1992) have concluded that demographic and economic variables do influence both attitudes toward credit and credit use. The existence of these differences has been explained by the life-cycle hypothesis of saving (Modigliani, 1986), according to which consumers tend to maximize their utility by smoothing out their lifetime consumption. Thus, younger consumers with relatively lower current incomes relative to their future incomes are more willing to finance current consumption with their future income.

One limitation in studies that have examined attitudes toward credit is the prevalence of single-item measures of the construct. For example, Zhu and Meeks (1994), Godwin (1997), and Chien and Devaney (2001) all use the single-item measure of credit attitudes contained in the US Survey of Consumer Finances. From a psychometric point of view, this situation is undesirable because theoretical and empirical evidence from research emanating from psychology, marketing and related social science disciplines point to a multi-dimensional conceptualization of the attitude construct. Consequently, the present study was designed to test a preliminary multi-item measure of attitudes toward credit use, and to apply this to the determination of attitudes toward credit and credit cards in Saudi Arabia.

3. METHOD

Data for the study were collected in a survey conducted in the Eastern Province of Saudi Arabia using a structured self-administered questionnaire. Questions focused on eliciting respondents' credit card ownership and usage, and satisfaction with various aspects of their cards. Respondents also expressed agreement or disagreement with a set of Likert-type statements designed specifically to measure their attitudes toward credit and credit cards. Both English and Arabic versions of the questionnaire were used in the data collection. The questionnaire was initially developed in English and later translated into Arabic using the widely recommended back-translation procedure to ensure equivalence of the two questionnaires.

3.1 Sampling and Data Collection

Because of the difficulty in obtaining probability samples in Saudi Arabia, a convenience sampling procedure was used to collect the data. The questionnaires were distributed using the drop-off /pick-up method of questionnaire administration, in which research assistants personally handed out the questionnaires to customers at selected branches of three banks in the Dammam-Khobar area, respondents in shopping malls, workplaces, as well as to family members and friends. This method was chosen because the authors' experience with survey research in Saudi Arabia shows that it normally produces high response rates and lower item non-response. A total of 130 usable completed questionnaires were received.

3.2 Measurement

The key variables in our study are attitudes toward credit (CREDIT) and attitudes toward credit cards (CARDS). Both constructs were measured using 5-point Likert statements to which respondents expressed agreement or disagreement. The CREDIT measure was a 4-item scale while the CARDS measure was a 9-item scale (See Appendix I). Psychometric properties of the scales were ascertained through confirmatory factor analysis (CFA) with LISREL 8.51 for Windows (Joreskog and Sorbom, 1999).

4. ANALYSIS AND RESULTS

In this section we present our analysis and results. The section is divided into two parts. In the first part, we present descriptive statistics detailing the nature of attitudes toward credit and credit cards. Given our study objective to develop a multi-item measure of attitudes toward credit, in the second part, we present the results of the analysis we conducted to validate our construct measures. In this part, we also present results of our examination of relationships among the constructs.

4.1 Descriptive Statistics

Simple descriptive statistics (frequencies and means) were used to assess responses to the attitude statements. The objective was to understand the nature of these attitudes. The results are presented in the sub-sections that follow.

4.1.1 Attitudes Toward Credit

Results for responses to the statements measuring attitudes toward credit are shown in Table 1. To ensure lucidity in interpreting the results, percentage responses to the original 5-point response categories are collapsed into three categories in the Table.

Table 1 about here

The results seem to indicate mixed attitudes toward credit. On one hand majority of respondents agree that it is wrong for anyone to try to live beyond their means by trying to own things they cannot afford through borrowing to finance consumption. However, majority of respondents also believe that there is nothing wrong with buying things on credit, although a reasonably large proportion of respondents (23%) disagree with this statement. One possible explanation for this inconsistency is that buying things on credit does not necessarily imply trying to live beyond one's means. Indeed, as discussed under the section on measure validation, responses to the statement about buying things on credit correlated very poorly with responses to the other statements, indicating that it is probably not measuring attitudes toward credit. In that case, one may conclude that attitudes toward credit are generally negative.

4.1.2 Attitudes Toward Credit Cards

Results for responses to the statements measuring attitudes toward credit cards are shown in Table 2. Here too, percentage responses to the original 5-point response categories are collapsed into three categories in the Table to ensure lucidity in interpreting the results.

Table 1 about here

The results indicate overall negative attitudes toward credit cards. Although a sizeable majority of respondents believe that having a credit card is good because one can pay later for current purchases, a large majority also agrees with the statements that credit cards are bad because one has to pay interest if s/he does not pay the full outstanding balance, that they can lead to a loss of control over expenses, and are a significant cause of indebtedness.

4.2 Measure Validation

Three confirmatory measurement models were estimated. Two of the CFA models were separate estimations for each of CREDIT and CARDS. In the third model, both constructs were entered together. For the CREDIT scale, the initial results showed acceptable fit of the CFA model to the data on some of the global measures of fit (χ^2 = 7.50; df = 2; p < 0.05; GFI = 0.97) but not for others (RMSEA = 0.15; AGFI = 0.86; CFI = 0.83; IFI = 0.85; NFI = 0.80; NNFI = 0.50). Examination of individual item statistics showed that CREDIT2 had an insignificant factor loading and very low correlations with the other three items. Consequently, this item was deleted from the scale. The 3-item CFA model is a saturated model, and therefore global fit statistics were not computed. However, the individual statistics showed acceptable factor loadings and item reliabilities. Consequently, these items were retained for further analysis. For the CARDS scale, the CFA model showed acceptable

fit to the data after error variances were allowed to correlate between two pairs of measures (between CARDS1 and CARDS3 and between CARDS2 and CARDS4; Appendix I). Fit statistics for the model were: $\chi^2 = 28.42$; df = 25; p = 0.22; RMSEA = 0.03; CFI = 0.97; NFI = 0.85; NNFI = 0.95; GFI = 0.95; AGFI = 0.92. Finally, in the third CFA model both CREDIT and CARDS were entered together with the same correlations among error variances as indicated above. The model fit the data reasonably well: $\chi^2 = 68.84$; df = 51; p = 0.049; RMSEA = 0.05; CFI = 0.90; NFI = 0.73; NNFI = 0.86; GFI = 0.92; AGFI = 0.88.

4.3 Relationship Between Attitudes Toward Credit and Credit Cards

A Pearson correlation coefficient between attitudes toward credit and attitudes toward credit cards was computed to ascertain whether or not there is a relationship between the two. The result showed a statistically significant positive correlation between the constructs ($\rho = 0.221$; p = 0.01).

5. SUMMARY AND DISCUSSION

The objective of this study was to develop a multi-item measure of attitudes toward credit, and to examine the nature of such attitudes, attitudes toward credit cards, and the relationships among the two. The results show acceptable psychometric properties for our proposed attitude-toward-credit scale. Thus, this scale could be used by researchers in lieu of the single-item measures that are commonly used in studies of attitudes toward credit. Our results also show that, in the Saudi context, attitudes toward credit and credit cards are generally negative. We also find a positive relationship between attitudes toward credit and attitudes toward credit cards, indicating that respondents who hold negative attitudes toward credit also tend to have negative attitudes toward credit cards. These findings are interesting because, in our sample only five respondents indicated that they do not own credit cards. Because of this small proportion of non-credit card owners, we were not able to test the effects of attitudes toward credit and credit cards on credit card ownership. However, the generally negative attitudes found in this study seem to point to a conclusion that credit card ownership is not related to attitudes toward credit and credit cards, a conclusion that is consistent with findings from previous studies conducted in other national contexts. Future studies in Saudi Arabia should be planned to better test this hypothesis by collecting data from both owners and non-owners of credit cards.

Similarly, because of the initial focus on scale development, we were not able to obtain a sample with sufficient demographic variations to enable us examine differences in attitudes across demographic segments. Again, future studies should strive for such variation in order to ascertain whether the demographic differences that have been found in other national contexts also apply in Saudi Arabia.

Table1
Descriptive Statistics for Measures of Attitude Toward Credit

	Disagree [a] (%)	Neutral (%)	Agree [a] (%)	*Mean* [b]	S.D
1. It is wrong for anyone to try to own things that they cannot afford.	18.6	8.5	72.9	*3.85*	*1.19*
2. I always prefer buying things on credit rather than paying cash.	55.0	22.5	22.5	*2.53*	*1.11*
3. There is nothing wrong with buying things on credit.**	23.1	18.5	58.5	*3.42*	*1.15*
4. Everyone should try to live within their means.	4.7	7.8	87.6	*4.24*	*.85*
5. People who borrow money to buy things only create problems for themselves.	16.2	17.7	66.2	*3.79*	*1.06*

Notes:
a.   "Disagree" = "Strongly disagree" + "Disagree"; "Agree" = "Agree" + "Strongly agree";
b.   *Scale:* 1=Strongly disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly agree.

Table 2
Descriptive Statistics for Measures of Attitude Toward Credit Cards

	Disagree [a] (%)	Neutral (%)	Agree [a] (%)	*Mean* [b]	S.D
1. It's convenient to have a credit card because you can pay little each month rather than all at once.	39.7	9.2	51.1	*3.08*	*1.21*
2. It is much safer to change purchases to a credit card than to pay cash.	26.0	18.3	55.7	*3.37*	*1.27*
3. Having a credit card is good because one can buy things now and pay later.	16.9	13.8	69.2	*3.59*	*1.05*
4. It is easier to charge purchases to a credit card than to pay cash.	29.0	16.0	55.0	*3.37*	*1.18*
5. People lose control over their expenses when they pay with credit cards.	16.9	11.5	71.5	*3.86*	*1.15*
6. It is because of credit cards that most people are in debt today.	23.4	28.1	48.4	*3.41*	*1.11*
7. Credit cards only create more problems for consumers.	43.8	28.9	27.3	*2.84*	*1.11*
8. I have a much better control of my expenses when I pay with cash than with a credit card.	26.4	18.6	55.0	*3.43*	*1.22*
9. Credit cards are bad because if you don't pay the full amount you have to pay interest.	19.2	11.5	69.2	*3.67*	*1.00*

Notes:
a.   "Disagree" = "Strongly disagree" + "Disagree"; "Agree" = "Agree" + "Strongly agree";
b.   *Scale:* 1=Strongly disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly agree.

Appendix I
Measures of Attitudes Toward Credit and Credit Cards

ATTITUDE TOWARD CREDIT

CREDIT1 1. It is wrong for anyone to try to own things that they cannot afford.

CREDIT2 2. There is nothing wrong with buying things on credit. **(R) ****

CREDIT3 3. Everyone should try to live within his or her means.

CREDIT4 4. People who borrow money to buy things only create problems for themselves.

ATTITUDE TOWARD CREDIT CARDS

CARD1 1. It's convenient to have a credit card because you can pay little each month rather than all at once.

CARD2 2. It is much safer to change purchases to a credit card than to pay cash.

CARD3 3. Having a credit card is good because one can buy things now and pay later.

CARD4 4. It is easier to charge purchases to a credit card than to pay cash.

CARD5 5. People lose control over their expenses when they pay with credit cards. **(R)**

CARD6 6. It is because of credit cards that most people are in debt today. **(R)**

CARD7 7. Credit cards only create more problems for consumers. **(R)**

CARD8 8. I have a much better control of my expenses when I pay with cash than with a credit card. **(R)**

CARD9 9. Credit cards are bad because if you don't pay the full amount you have to pay interest. **(R)**

Notes:
(R) : Reverse scored for measure validation
** Deleted from final scale

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