International Journal of
Business Strategies
(IJBS)

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Christopher Mwangi, Dr. Paul Katuse

AJPO

International Journal of Business Strategies

ISSN xxxx-xxxx (Paper) ISSN XXXX-XXX (Online)

Vol.2, Issue 1 No.1, pp1-19, 2017 www.ajpojournals.org

INFLUENCE OF COST OF CREDIT ON CONSUMER SATISFACTION: A CASE OF THE NIC BANK LIMITED

[1*]Christopher Mwangi

Post Graduate Student, School of Business

United States International University

*Corresponding Author's E-mail: mwangichristopher@yahoo.com

[2]Dr. Paul Katuse

Dean, School of Business

Abstract

Purpose: The purpose of the study was to establish the influence of cost of credit on consumer satisfaction, a case of the NIC bank limited.

Methodology: The descriptive survey research design was preferred for the study. The population of the study was over 10,000 credit card holders in NIC Bank. Snow balling sampling technique was appropriate for this study because credit card customers were not keen on cooperating because of the sensitivity of information gathered and only cooperated on referral from friends. Fishers' formula was used for calculating the sample size of an infinite population which amounted to 384 but for the purpose of improving the response rate, the study added 16 more respondents to total up to 400. The study used primary data. The study used a questionnaire as the preferred data collection tool. Information was sorted, coded and input into the statistical package for social sciences (SPSS) for production of descriptive and inferential statistics. The results were presented using tables and pie charts to give a clear picture of the research findings.

Results: Based on the findings, the study conclded that that credit card interest rate was competitive compared to other offerings in the market, the credit card interest rate is better than overdraft rates. It was concluded that the credit card interest rate was affordable compared to shylock interest rates. Results led to the conclusion that the penalties were lower than those of competitors. Study results show that the credit card joining fee was affordable compared to other products, the credit card joining fee was lower than that of competitors. Results also led to the conclusion that the penalties were very high. Results also led to the conclusion that credit card interest rate were affordable compared to Sacco interest.

Unique contribution to theory, practice and policy: Based on the findings, the study recommends that the Government should legalise the interest rate within the banks and make it affordable to the consumers. In addition the banks should lower the credit card joining fee as this will motivate more customers to join and therefore an additional benefit the banks.

Keywords: *cost of credit, consumer satisfaction, NIC bank limited*

International Journal of Business Strategies

ISSN xxxx-xxxx (Paper) ISSN XXXX-XXX (Online)

Vol.2, Issue 1 No.1, pp1-19, 2017 www.ajpojournals.org

1.0 INTRODUCTION

1.1 Background of the Study

The use of credit cards rather than cash at point of sale (POS) has increased considerably in recent years. Nowadays consumers even charge relatively small amounts to their credit accounts. The array of plastic cards in consumers' purses is further evidence of a culture of credit that is expected to turn the world into cashless societies in the not too distant future (Worthington, 1995). At present the UK and the USA seem to be the most sophisticated credit card markets in the world (Durkin, 2002). Apart from bank credit cards, store cards offering revolving credit and allowing for interest-free payments have become a convenient, popular transactional medium (Chakravorti, 2003).

Ever-present in society, credit cards have become a fact of life for most consumers and area part of the consumer culture. Staggering credit card statistics provide evidence of their pervasiveness. As of 2011, seventy-seven percent of US adults owned at least one credit card, with a total of 1.4 billion cards in circulation. The average cardholder owned 7.7 cards and uses a credit card 119 times a year charging an average of $88 per transaction or $10,500 annually (FICO, 2012). By the end of 2011, with the unfolding of America's economic crisis, the average household credit card debt reached $16,420 (Federal Reserve G.19 March, 2012).

A notable change in consumer financial services over the past few decades has been the growth of the use of credit cards, both for payments and as sources of revolving credit. From modest origins in the 1950s as a convenient way for the relatively well-to-do to settle restaurant and department store purchases without carrying cash, credit cards have become a ubiquitous financial product held by households in all economic strata (Durkin, 2000). Credit cards are the fastest form of consumer borrowing in the developed world and they have the biggest impact on most consumers' financial status. Credit cards are an integral part of the financial and payment systems of modern societies being used as a convenient payment medium (in place of traditional paper-based instruments such as cash and checks) and a method for obtaining short-term revolving credit to make purchases. Evidence suggests that reliance on credit cards has led to an increase in consumer indebtedness and a rise in personal bankruptcy (Mann, 2007; Zywicki, 2005).

In modern commerce, credit cards have become a means of payment in lieu of cash or cheques for many routine purchases and other transactions that would have otherwise been inconvenient, or even impossible to make (Harris, 2006). This trend has been growing the world over as most of the world's economies embrace this method of payment. Credit cards have been widely accepted and used by the public as a form of payment. But they have also raised concern as regards their use. Durkin (2002) raises concern on two major areas. One is whether consumers fully understand the costs and implications of using credit cards and this, he calls the consumer information-consumer understanding concern. The other is whether credit cards have encouraged widespread over-indebtedness, particularly amongst those least able to pay and this he calls the indebtedness-financial distress concern. Durkin (2002) claims that the two issues are inter-related because one of the results of lack of understanding may be over-indebtedness. He says that both issues remain prominent in public discourse as debt and personal bankruptcy levels have increased over the decades.

The concept of customer satisfaction has been recognized as backbone of marketing literature since its inception and even after several decades it is still a central element in the contemporary services marketing concept (Solomon, 2009). For some service providers, customer satisfaction is the core of their marketing strategy as well as the major focus of their marketing activities; implied to improve the company performance (Martensen, 2000). Literature suggests the importance of customer satisfaction, testifying to the fact that customer satisfaction increases the probability of repeat buying, enhances word-of-mouth communications, lowers a consumer's price sensitivity, reduces complaints drives customer loyalty reduces the customer defection rate and ultimately positively affects shareholder value (Anderson, 1994).

Credit cards have been increasingly accepted as the preferred mode of payment. In the USA, for example, consumers are using credit cards more than ever. More than 75% of the adult population in the US has a credit card (Hogarth, 2004). Credit card issuers in the US are now competing by waiving annual fees, providing enhancements, and since the early 1990s, lowering interest rates. In the past, credit card issuers offered programs with a single interest rate but now many of them offer a broad range of card plans with differing interest rates depending on the consumers' credit risk and usage patterns. Interest rates have become more subjective with the customers with good payment records getting lower interest rates while the higher risk; late paying customers get a higher interest rate (Hogarth, 2004).

In Kenya, credit cards have been pushed with zeal and zest especially by Barclays Bank of Kenya, who are the market leaders. Barclays Bank of Kenya have partnered with many merchants in the Kenyan market. They even partnered with the Nairobi Stock Exchange (NSE) to have the NSE members sign up as Barclaycard merchants to enable investors who want to purchase shares at the NSE to have an alternative payment option that is more convenient, secure and faster. NIC Bank therefore faces a huge challenge from competition (Petersen & Rajan, 1995).

NIC Bank Ltd. is seeking to embark on an intense public education campaign to increase both debit and credit card users and they are now targeting anybody who earns an income in excess of Ksh 20,000 down from the previous Ksh 40,000 required previously. Industry figures show that, as at December 2012, about 9,200,000 of Kenya's over 43 million people have debit and credit cards, through which about Ksh17 billion ($217.9 million) changes hands annually. This is a sharp increase from about 100,000 card holders in 2005. With merchants paying an average 2 per cent commission to card issuers, the banking industry made $340 million from credit card usage alone. Charges on credit and debit cards are liberalized, creating competition among the 12 issuing banks (NIC, 2012).

Kenyans have a cash culture; they are yet to embrace personal cheques and are thus a long way from accepting credit and debit cards. Banks have to come up with products which meet the customer's needs rather than coming up with an imaginary need and seeking to fill that need. Issues such as credit card fraud, over-spending due to bad planning and bad customer service have plagued this sector. This study seeks to find out whether cost of credit influences consumer satisfaction (NIC, 2012).

1.2 Problem Statement

According to PA Consulting (2000), in the sub-Saharan market, Kenya is perhaps rivaled only by South Africa in the credit card business. Kenya's global share of the card business has recently grown to 0.03 per cent. Traditionally, Kenya has had a cash culture but is now following the global trend of moving from being cash based society to a card based one.

More Kenyan consumers have become willing to take up credit cards and more banks are now ready to offer them to their customers as they learn more and more about their credit histories. NIC Bank Ltd. has been enjoying a healthy share of the market with Barclaycard as their main competitor and market leader, but the challenge is to lure new subscribers while still maintaining the current customer base amidst the rising number of credit card issuing banks (PA Consulting, 2000).

Durkin (2000), in his studies of credit cards that spanned from 1970 - 2000, examined the uses of credit cards and consumer attitudes. He looked at how consumers have adapted to credit card use and also their general attitudes towards credit cards. He, however, did not look at the aspect of consumer satisfaction. He examined the needs that credit cards are meant to fulfill but did not delve further to realize whether credit cards actually satisfy this needs.

According to a survey carried out by Consumer Insight (2006), competition may have gone up in the banking industry but the level of customer satisfaction has dropped by 21%. Consumer Insight found that most banks had reduced the number of personnel at banking halls. A survey carried out by Research International, only 19% of the respondents rated the services offered by banks as very good, 69% rated services as fair and 11% rated bank services as poor. This study sought to establish the influence of cost of credit on consumer satisfaction, a case of the NIC bank limited.

1.3 Research Objectives

To establish the influence of cost of credit on consumer satisfaction, a case of the NIC bank limited.

2.0 LITERATURE REVIEW

2.1 Empirical Review

The pricing decisions between any two credit card participants have effects on other bilateral relationships downstream and upstream. The decisions by networks to impose the no surcharge rule and by issuers to offer certain consumers underpriced services may affect incentives for usage of other payment instruments. Credit card issuers (banks) have several types of costs (Murphy & Mack, 2007).

Interest expenses

The high fees should have discouraged credit card use, but just the opposite was true. Americans are addicted to the convenience of credit, despite the high costs. Education only made this worse, as college educated consumers used credit cards 140% more than high school educated consumers. Some of this difference could be explained by availability of credit, but not all of it. Further, in a down economy, credit use is even more dangerous, as 94% of people under age 35 believe it is proper to borrow money for living expenses (Rutherford & DeVaney, 2009).

Some actions may stem the tide of debt. As a result of changes during the Obama administration, credit card offers on campus should significantly decrease. Several changes have been important in reforming this area. The CARD (Credit Card Accountability, Responsibility, and Disclosure) Act of 2009 was designed to protect college students (Lusardi, Mitchell, & Curto, 2010). First, students under 21 must prove financial ability or have a co-signor. Now students will have to demonstrate means to pay before getting a card.

International Journal of Business Strategies

ISSN xxxx-xxxx (Paper) ISSN XXXX-XXX (Online)

Vol.2, Issue 1 No.1, pp1-19, 2017 www.ajpojournals.org

Second, credit card companies are prohibited from conditioning gifts on applications for cards on campus. Third, the new law limited penalties for over-limit purchases. Lenders planned to scale back reward programs and increase fees to adjust to the new laws. With the law change pending, the race was on to sign up credit card holders on campus before the new prohibitions took place In the last quarter of 2009, the number of credit card offers increased 46% over the previous quarter, JP Morgan Chase increased credit card mailings by 87% in , and almost 400 million credit card offers mailed in last three months. Consumers Union claimed this will be the last “open season” on college students (Block, 2009).

Typical credit cards have interest rates between 7% and 36% in the U.S., depending largely upon the bank's risk evaluation methods and the borrower's credit history. Brazil has much higher interest rates, about 50% over that of most developing countries, which average about 200%. A Brazilian bank-issued Visa or MasterCard to a new account holder can have annual interest as high as 240% even though inflation seems under control at around 6% per annum. Banco do Brazil, in 2005, offered its new checking account holders Visa and MasterCard credit accounts for 192% annual interest, with somewhat lower interest rates reserved for people with dependable income and assets (Economist May, 2006).

In a study carried out by The Survey Research Center of the University of Michigan in January 2000, only 3% of the respondents felt that interest rates charged on credit cards were reasonable, with 97% of the respondents feeling that the interest rates were exorbitant. According to Estelami and Bergstein (2006), the price of a product is one of the most important decision variables for both the consumer and the retailer. Competitive conditions in the marketplace have made price an even more important differentiating factor in formulating marketing and business strategies. As a result, price has increasingly become a focal point in consumers' judgements of offer value as well as their overall assessments of the retailer. However, a survey undertaken by Fay (1994) found that while over 70% of companies’ ranked price as the first or second least satisfactory issue, interviews with switches found that no more than 10% had changed suppliers because of price.

Existing research in marketing has documented several consumer shortcomings in dealing with retail prices. This research has established that in general consumers have very limited knowledge of prices and a very poor ability to process complex price information, often leading to dissatisfying purchase experiences, with price being a major contributor to dissatisfaction (Estelami & Bergstein, 2006). A survey by Thomas Durkin (2000) showed that most consumers, about 80% feel that the annual rates charged by credit card companies are too high.

Most Americans do not understand the terms of their credit cards which made the banks to profit for the consumer mistakes. America revised the credit card rules to protect consumers with little effect. The Schumer Box [named after Senator Schumer (D., N.Y.)] was designed to help consumers make informed choices though it did not work. For example, cash advance fees have been overwhelming. Withdrawing your own cash costs you, and you would be paying for the rest of your life. Penalty fees generated $20 billion for credit card issuers in 2009 while the retroactive interest rate changes and penalty interest rates have cost consumers $10 billion a year (Samuelson, 2010).

Card holders also have expectations on their ability to pay. According to Sha Yang and associates (2007), many people are unrealistic about their ability to pay off their debt each

International Journal of Business Strategies

ISSN xxxx-xxxx (Paper) ISSN XXXX-XXX (Online)

Vol.2, Issue 1 No.1, pp1-19, 2017 www.ajpojournals.org

month and thus end up picking a credit card that does not suit their needs. People who usually accumulate debt on their card are better off choosing a card with a cheap interest rate even if the annual fee is large. They found out that card holders who have expectations of paying off their debt at the end of every month but do not end up doing so were more likely to use cards with high interest rates and less likely to use cards with a higher one-off annual fee. These findings show that people who are more subject to unrealistic optimism will be more prone to select cards that are not suited to their needs. Card holders therefore need to provide the necessary sufficient information to enable consumers to make informed choices when selecting credit cards.

Charge offs

When a consumer becomes severely delinquent on a debt (often at the point of six months without payment), the creditor may declare the debt to be a charge-off. It will then be listed as such on the debtor's credit bureau reports (Equifax, for instance, lists "R9" in the "status" column to denote a charge-off.) A charge-off is considered to be "written off as uncollectable." To banks, bad debts and even fraud are simply part of the cost of doing business (Humphrey, Pulley, & Vesala, 1996).

However, the debt is still legally valid, and the creditor can attempt to collect the full amount for the time periods permitted under state law, which is usually 3 to 7 years. This includes contacts from internal collections staff, or more likely, an outside collection agency. If the amount is large (generally over $1,500–2,000), there is the possibility of a lawsuit or arbitration (Humphrey, Pulley, & Vesala, 1996).

Rewards

Many credit card customers receive rewards, such as frequent flyer points, gift certificates, or cash back as an incentive to use the card. Rewards are generally tied to purchasing an item or service on the card, which may or may not include balance transfers, cash advances, or other special uses. Depending on the type of card, rewards will generally cost the issuer between 0.25% and 2.0% of the spread. Networks such as Visa or MasterCard have increased their fees to allow issuers to fund their rewards system. Some issuers discourage redemption by forcing the cardholder to call customer service for rewards. On their servicing website, redeeming awards is usually a feature that is very well hidden by the issuers. With a fractured and competitive environment, rewards points cut dramatically into an issuer's bottom line, and rewards points and related incentives must be carefully managed to ensure a profitable portfolio. Unlike unused gift cards, in whose case the breakage in certain US states goes to the state's treasury, unredeemed credit card points are retained by the issuer (Rosato, 2008).

Fraud

In relative numbers the values lost in bank card fraud are minor, calculated in 2006 at 7 cents per 100 dollars' worth of transactions (7 basis points).[44] In 2004, in the UK, the cost of fraud was over £500 million. When a card is stolen, or an unauthorized duplicate made, most card issuers will refund some or all of the charges that the customer has received for things they did not buy. These refunds will, in some cases, be at the expense of the merchant, especially in mail order cases where the merchant cannot claim sight of the card. In several countries, merchants will lose the money if no ID card was asked for, therefore merchants usually require ID card in these countries. Credit card companies generally guarantee the merchant will be paid on legitimate transactions regardless of whether the consumer pays their credit

International Journal of Business Strategies

ISSN xxxx-xxxx (Paper) ISSN XXXX-XXX (Online)

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card bill. Most banking services have their own credit card services that handle fraud cases and monitor for any possible attempt at fraud. Employees that are specialized in doing fraud monitoring and investigation are often placed in Risk Management, Fraud and Authorization, or Cards and Unsecured Business. Fraud monitoring emphasizes minimizing fraud losses while making an attempt to track down those responsible and contain the situation. Credit card fraud is a major white collar crime that has been around for many decades, even with the advent of the chip based card (EMV) that was put into practice in some countries to prevent cases such as these. Even with the implementation of such measures, credit card fraud continues to be a problem (Vamsi, Kalli & Ajay, 2011).

Before acquiring a credit card, it is essential for one to shop around for a credit card that has features which match their needs. According to the FDIC – Division of Supervision and Consumer Protection (2008), credit cards have various features that relate to cost. One of the features of credit cards includes Annual Percentage Rate. A credit card may have multiple annual percentage rates. It could have a different rate for purchases, another for cash advances and yet another for balance transfers. A credit card could also have a tiered annual percentage rate where different rates are applied to different levels of outstanding balance. A credit card could also have a fixed or a variable annual percentage rate. Explanation of the most common *features* of a *credit card* including types of *credit cards*, interest rate, grace period, fees, and finance charge (Lucia & Kim, 2009).

Credit cards also have a grace period. This is the number of days a card holder has to pay his bill in full without triggering a financial charge. Grace periods usually apply to purchases only and do not apply to cash advances or balance transfers. Credit cards give consumers instant access to credit. In the short-run, therefore, credit cards provide interest free credit for those consumers who pay within the interest-free period. Another way to use the grace period is to time major purchases immediately after the closing date of your account. Timing purchases just after the statement closing date gives you more days before the charge appears on your credit card billing statement (Brito and Hartley, 1995).

Another feature of credit cards according to the FDIC (2008) is the financial charge calculation. The finance charge is the amount you pay to use credit. A credit card's financial charges are calculated in different ways. The amount depends on the card holder's outstanding balance and the annual percentage rate. A card holder can be charged over one-billing cycle or two. Other methods include adjusted balance method, previous balance method or adjusted daily balance method. Some cards have a minimum finance charge. The financial charge calculation is very important when a consumer is considering taking up a credit card.

There are also different types of fees charged on credit cards and this is another feature of credit cards according to the FDIC (2008). The fees charged include annual fees, cash advance fees, balance transfer fees, late-payment fees, over-the-credit-limit fees, set-up fees among others. It is important for the card holder to know what fees will be charged on his card. The recent experience of some banks suggests that some customers might consider switching banks if fees on checking accounts are raised. There is additional evidence to support this view: according to J.D. Power and Associates' 2012 U.S. Bank Customer Switching and Acquisition Study, defection rates at the large and mid-size banks in 2012 have risen to as much as 11.3 percent, against less than one percent among small banks and credit unions.[14] the primary reason cited for switching was fees (FDIC, 2008).

Yet another feature of credit cards is the Cash Advance Features. Some credit cards let you borrow cash in addition to making purchases on credit. These cash advances are usually treated differently from purchases. It is important for the card holder to know how he can access cash. Some companies let card holders use ATMs to get cash advances; others send card holders cheques to cash. The card holder should also know how what the annual percentage rate for cash advances is, any extra fees charged on cash advances, and how payments are credited. Many credit card companies apply payments to purchases first then to the cash advances later (Thompson, 2005).

The credit limit of a credit card is also one of the features. Credit card limits depend on the type of credit card held, whether it is a secured card where the credit limit is determined by how much the card holder deposits, regular cards where credit limit is usually determined by the card holder's salary and premium cards which usually have the highest credit limit. There are other incentives offered by credit card companies and the FDIC (2008) also considers these additional incentives as features of credit cards. Credit cards may offer incentives such as rebates on purchases made, frequent-flier miles or phone call minutes, insurance for some purchases, travel accident insurance, amongst others (FDIC, 2008).

3.0 RESEARCH METHODOLOGY

The descriptive survey research design was preferred for the study. The population of the study was over 10,000 credit card holders in NIC Bank. Snow balling sampling technique was appropriate for this study because credit card customers were not keen on cooperating because of the sensitivity of information gathered and only cooperated on referral from friends. Fishers' formula was used for calculating the sample size of an infinite population which amounted to 384 but for the purpose of improving the response rate, the study added 16 more respondents to total up to 400. The study used primary data. The study used a questionnaire as the preferred data collection tool. Information was sorted, coded and input into the statistical package for social sciences (SPSS) for production of descriptive statistics. The results were presented using tables and pie charts to give a clear picture of the research findings.

4.0 RESULTS AND DISCUSSIONS

4.1 General Information

4.1.1. Gender Distribution of the Respondents

The study sought to establish the gender distribution of the respondents. The findings were presented in Figure 1. From the study findings, majority of the respondents (82%) were male and 18%) were females.

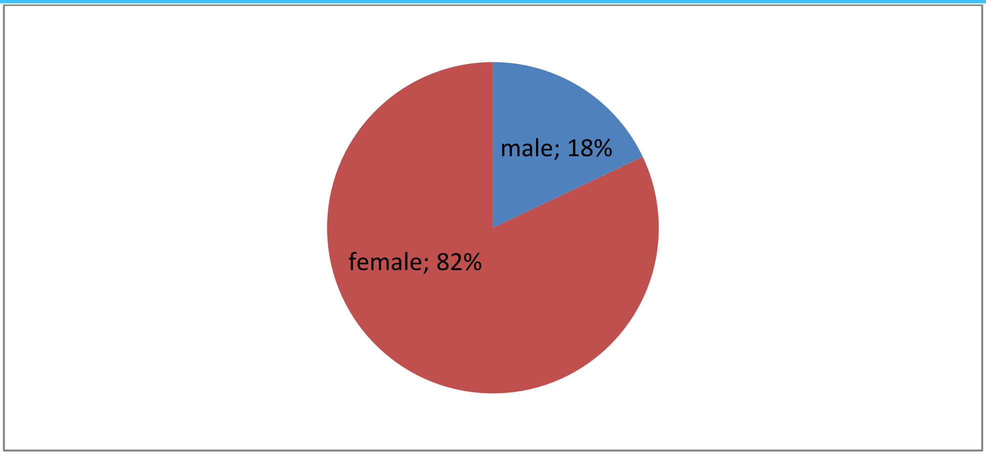

Figure 1: Gender

4.1.2. Level of Education

The study sought to establish the level of education of the respondents. The findings were presented in Figure 2. From the study findings, majority of the respondents (60%) were university graduates while 24% of the respondents were college graduates. Sixteen percent (16%) of the respondents were post graduates. The findings imply that most of the respondents were literate thus it is assumed that they were able to interpret the questions posed to them with ease.

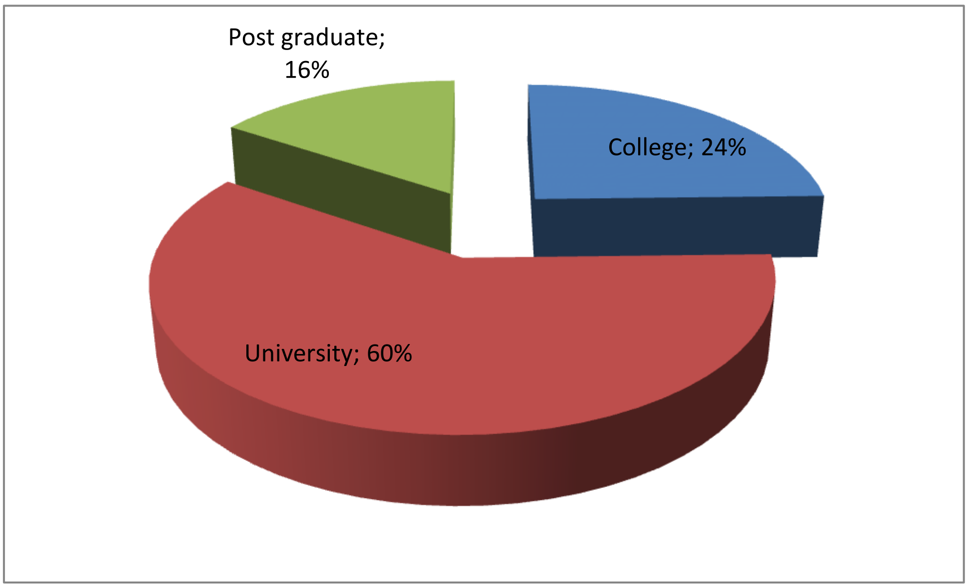

Figure 2: Level of Education

4.1.3. Work experience

The study sought to establish the work experience of the respondents. The findings were presented in Figure 3. From the study findings, majority of the respondents (69%) had an experience of 6 to 10 years. while 29% of the respondents had an experience of 2 to 5 years.

Another 1 % had an experience of over 10 years and less than one year respectively. This implies that the respondents had enough experience and were more knowledgeable to the question hence reliable information.

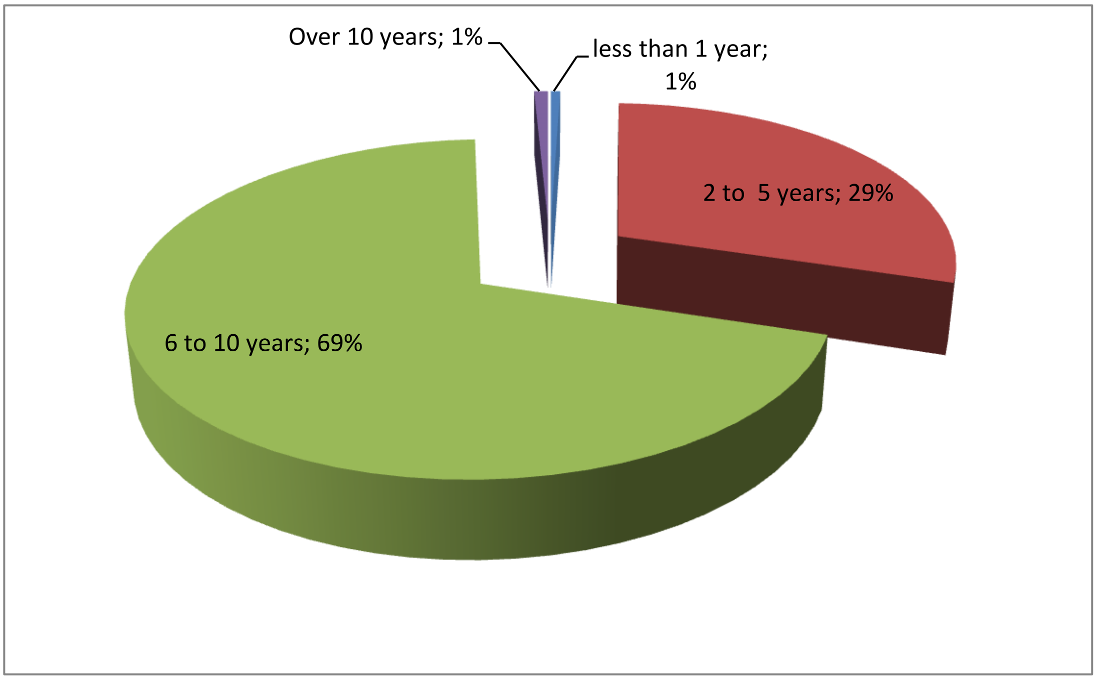

Figure 3: Work experience

4.2 Descriptive Statistics

4.2.1: The credit card interest rate is competitive compared to other offerings in the market

The respondents were asked if the credit card interest rate was competitive compared to other offerings in the market. A majority (90.2%) strongly disagreed while another 7.2% disagreed bringing to a total of (97.4%) of those who disagreed. Two point two percent (2.2%) agreed and 4.6% strongly agreed. The results are presented in table 1.

Table 1: The credit card interest rate is competitive compared to other offerings in the market

	Scale	Count	Percent
The credit card interest rate is competitive compared to other offerings in the market	Strongly disagree	361	90.2%
	Disagree	29	7.2%
	Neutral	1	0.2%
	Agree	9	2.2%
	Strongly Agree	0	0.0%
	Total	400	100.0%

4.2.2: The credit card interest rate is competitive compared to other offerings in the market

The respondents were asked if the credit card interest rate was competitive compared to other offerings in the market. A majority (88%) strongly disagreed while another8.8% disagreed bringing to a total of (96%) of those who disagreed. Three percent (3%) agreed while 0.2% strongly agreed. The results are presented in table 2.

Table 2: The credit card interest rate is better than overdraft rates

	Scale	Count	Percent
The credit card interest rate is better than overdraft rates	Strongly disagree	352	88.0%
	Disagree	35	8.8%
	Neutral	1	0.2%
	Agree	12	3.0%
	Strongly Agree	0	0.0%
	Total	400	100.0%

4.2.3: The credit card interest rate is more affordable compared to shylock interest rates

The respondents were asked if the credit card interest rate is more affordable compared to shylock interest rates. A majority (89.2%) strongly disagreed while another 7.2% disagreed bringing to a total of (96.4%) of those who disagreed. Three point two percent (3.2%) agreed while 0.2% was neutral. The results are presented in table 3.

Table 3: The credit card interest rate is more affordable compared to shylock interest rates

	Scale	Count	Percent
The credit card interest rate is more affordable compared to shylock interest rates	Strongly disagree	357	89.2%
	Disagree	29	7.2%
	Neutral	1	0.2%
	Agree	13	3.2%
	Strongly Agree	0	0.0%
	Total	400	100.0%

4.2.4: The credit card interest rate is more affordable compared to Sacco interest rates

The respondents were asked if the credit card interest rate is more affordable compared to Sacco interest rates. A majority (88%) strongly disagreed while another 9.2% disagreed bringing to a total of (97.2%) of those who disagreed. Two point eight percent (2.8%) agreed. The results are presented in table 4.

International Journal of Business Strategies

ISSN xxxx-xxxx (Paper) ISSN XXXX-XXX (Online)

Vol.2, Issue 1 No.1, pp1-19, 2017 www.ajpojournals.org

Table 4: The credit card interest rate is more affordable compared to Sacco interest rates

	Scale	Count	Percent
The credit card interest rate is more affordable compared to Sacco interest rates	Strongly disagree	352	88.0%
	Disagree	37	9.2%
	Neutral	0	0.0%
	Agree	11	2.8%
	Strongly Agree	0	0.0%
	Total	400	100.0%

4.2.5: The credit card interest rate is more affordable compared to Sacco interest rates

The respondents were asked if the credit card joining fee affordable was compared to other products. A majority (87.8%) strongly disagreed while another 9.2% disagreed bringing to a total of (97%) of those who disagreed. Two point five percent (2.5%) agreed and 0.5 strongly agreed. The results are presented in table 5.

Table 5: The credit card joining fee is affordable compared to other products

	Scale	**Count**	**Percent**
The credit card joining fee is affordable compared to other products	Strongly disagree	351	87.8%
	Disagree	37	9.2%
	Neutral	0	0.0%
	Agree	10	2.5%
	Strongly Agree	2	0.5%
	Total	400	100.0%

4.2.6: The credit card joining fee is lower than that of competitors

The respondents were asked if the credit card joining fee is lower than that of competitors. A majority (84.2%) strongly disagreed while another 12.8% disagreed bringing to a total of (97%) of those who disagreed. Two point two percent (2.2%) agreed and 0.8 strongly agreed. The results are presented in table 6.

Table 6: The credit card joining fee is affordable compared to other products

	Scale	Count	Percent
The credit card joining fee is lower than that of competitors	Strongly disagree	337	84.2%
	Disagree	51	12.8%
	Neutral	0	0.0%
	Agree	9	2.2%
	Strongly Agree	3	0.8%

	Total	400	100.0%

4.2.7: The credit card joining fee is lower than that of competitors

The respondents were asked if the penalties are not very high. A majority (84.5%) strongly disagreed while another 12.2% disagreed bringing to a total of (96.7%) of those who disagreed. Two point eight percent (2.8%) agreed and 0.5 strongly agreed. The results are presented in table 7.

Table 7: The penalties are not very high

	Scale	Count	Percent
The penalties are not very high	Strongly disagree	338	84.5%
	Disagree	49	12.2%
	Neutral	0	0.0%
	Agree	11	2.8%
	Strongly Agree	2	0.5%
	Total	400	100.0%

4.4.8: The credit card joining fee is lower than that of competitors

The respondents were asked if the penalties are lower than those of competitors. A majority (84%) strongly disagreed while another 13% disagreed bringing to a total of (97%) of those who disagreed. Two point five percent (2.5%) agreed and 0.5 strongly agreed. The results are presented in table 8.

Table 8: The penalties are not very high

	Scale	**Count**	**Percent**
The penalties are lower than those of competitors	Strongly disagree	336	84.0%
	Disagree	52	13.0%
	Neutral	0	0.0%
	Agree	10	2.5%
	Strongly Agree	2	0.5%
	Total	400	100.0%

5.0 DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

5.1 Discussion

Results indicated that (90.2%) of the respondents disagreed with the statements that the credit card interest rate was competitive compared to other offerings in the market, the credit card interest rate is better than overdraft rates. Results indicated that (88%)of the respondents disagreed with the statements that the credit card interest rate was more affordable compared to shylock interest rates, the penalties are lower than those of competitors. Study results show that the (89.2%) disagreed with the statement that the credit card joining fee was affordable compared to other products .Results also show that the (88%) disagreed with the statement that the credit card joining fee is lower than that of competitors. Results also show that the (87.8%) disagreed with the statement that the penalties were not very high. Study results show that the (84.2%) disagreed with the statement that the credit card interest rate is more

International Journal of Business Strategies

ISSN xxxx-xxxx (Paper) ISSN XXXX-XXX (Online)

Vol.2, Issue 1 No.1, pp1-19, 2017 www.ajpojournals.org

affordable compared to Sacco interest. Results also indicated that (84.5%) of the respondents disagreed with the statement that the penalties were very high and another (84%) disagreed that the penalties were lower than those of competitors.

The findings agree with those of Ludlum & Smith (2010) who noted that the high fees should have discouraged credit card use, but just the opposite was true. Americans are addicted to the convenience of credit, despite the high costs. Education only made this worse, as college educated consumers used credit cards 140% more than high school educated consumers. Some of this difference could be explained by availability of credit, but not all of it. Further, in a down economy, credit use is even more dangerous, as 94% of people under age 35 believe it is proper to borrow money for living expenses (Rutherford & DeVaney, 2009).

The findings are consistent with those of FDIC (2008) who asserted that there are also different types of fees charged on credit cards and this is another feature of credit cards according to the. The fees charged include annual fees, cash advance fees, balance transfer fees, late-payment fees, over-the-credit-limit fees, set-up fees among others. It is important for the card holder to know what fees will be charged on his card. The recent experience of some banks suggests that some customers might consider switching banks if fees on checking accounts are raised. There is additional evidence to support this view: according to J.D. Power and Associates' 2012 U.S. Bank Customer Switching and Acquisition Study, defection rates at the large and mid-size banks in 2012 have risen to as much as 11.3 percent, against less than one percent among small banks and credit unions.[14] the primary reason cited for switching was fees (FDIC, 2008).

5.2 Conclusions

Following the study results, it was possible to conclude that credit card interest rate was competitive compared to other offerings in the market, the credit card interest rate is better than overdraft rates. It was concluded that the credit card interest rate was affordable compared to shylock interest rates. Results led to the conclusion that the penalties were lower than those of competitors. Study results show that the credit card joining fee was affordable compared to other products, the credit card joining fee was lower than that of competitors. Results also led to the conclusion that the penalties were very high. Results also led to the conclusion that credit card interest rate were affordable compared to Sacco interest. It was possible to conclude that that the relationship between cost of credit and customer satisfaction is positive and significant. The findings imply that cost of credit has significant positive effect on customer satisfaction.

5.3 Recommendations

Following study results, it is recommended that the Government should legalise the interest rate within the banks and make it affordable to the consumers. In addition the banks should lower the credit card joining fee as this will motivate more customers to join and therefore an additional benefit the banks.

5.4 Areas for Further Research

The study recommends that further investigation be done on the effect of cost on non-banking organizations. For instance the study can be replicated in manufacturing organizations.

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