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## Credit Card System in Ghana: An Investigation of Why Credit Cards are Not Widely Used in Ghana and How Widespread Use May Be Implemented

Emmanuel Andoh

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CREDIT CARD SYSTEM IN GHANA: AN INVESTIGATION OF WHY CREDIT CARDS  
ARE NOT WIDELY USED IN GHANA AND HOW WIDESPREAD USE MAY BE  
IMPLEMENTED

by

Emmanuel Andoh

A thesis submitted to the Graduate College  
in partial fulfillment of the requirements  
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# CREDIT CARD SYSTEM IN GHANA: AN INVESTIGATION OF WHY CREDIT CARDS ARE NOT WIDELY USED IN GHANA AND HOW WIDESPREAD USE MAY BE IMPLEMENTED

Emmanuel Andoh, M.A.

Western Michigan University, 2014

Credit card systems offer economic advantages to many families and individuals across the globe. In economically developed countries and most emerging ones, the credit card system helps individuals, businesses, and even government agencies, speed up business transactions and access to short term loans. However in developing countries such as Ghana this is not the case. The result is that many people find it very difficult to buy goods and services without having cash at hand. Moreover a vast majority of people have to carry bags of money to travel across cities, towns and villages in the country to trade and this result in frequent robberies on highways and even within cities. This project investigates why this is the case and how a widespread use of credit card system might be implemented. Specifically, this study examines advantages and disadvantages of the credit card system, the awareness of credit cards among Ghanaian consumers, the perception of credit cards among Ghanaian consumers and professional bankers, the obstacles to the implementation of credit cards in Ghana, and what needs to be done to implement such a system and make recommendations for implementation.

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Emmanuel Andoh

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## CHAPTER I

### INTRODUCTION

#### The Problem

Credit cards play a vital role in the global finance and credit systems. It is a convenient form of payment throughout much of the World allowing consumers freedom from cash as well as allowing deferred payment for goods and services (Abdul-Muhmin and Umar, 2007). It is also a medium of obtaining short term loans. As a result, millions of people across the world especially in economically developed countries as well as economically emerging countries like China, Brazil, Malaysia, and South Africa have benefited immensely from the credit card system since it was first introduced on a broad base in the 1940s (Mandell, 1990). In 2008, there were 176.8 million credit cardholders in the United States (Federal Reserve Bank of Boston, January 2010). Between 2003 and 2008, the number of credit cards in circulation in China increased from 3 million to 160 million (Worldwide Credit Card Statistics, Aug 2011). In South Africa, the use of credit card has also increased, especially over the last decade, with 8 million credit cards in circulation ahead of the 2010 World Cup (Worldwide Credit Card Statistics, Aug 2011).

In spite of this, in many developing countries such as Ghana credit card use is very limited, even though the people have heard about the use of credit card in other countries (Breckenridge, 2010). Indeed, only a few banks have started to offer credit cards to a portion of their customers within the major cities in the country. The result is that the vast majority of people have to carry bags of money to travel across cities, towns and villages in the country to trade and this result in frequent robberies on highways and even within cities. This negatively affects business transactions and the economy as a whole because unlike large corporations, and

even many mid-size businesses that deal with banks or other financial institutions, thousands of small businesses risk losing their business (Beschloss, 2009).

The absence of the credit card system also makes it difficult for people to access short term loans. The banks require collateral security from their customers before granting them the needed soft loans. This makes it very difficult for the ordinary people to access these soft loans since most of the time they do not meet the requirements. As a result, people find it very difficult to buy goods and services without having cash at hand. For instance, people have to save from their meager incomes in order to purchase consumer durables such as electrical appliances. For many this may take a lifetime savings, for others they may never achieve that.

To date, no study has looked into why the credit card system has not expanded more quickly in Ghana, and how a credit card system may be implemented to benefit more people in Ghana.

### Goals and Objectives

The purpose of this study is to investigate why credit card system has not been implemented more broadly in Ghana, and how a broader use could be implemented.

Specifically, the objectives of this study are to

- 1) Investigate the advantages and disadvantages of the credit card system.
- 2) Determine the awareness of credit cards among Ghanaian consumers.
- 3) Examine the perception of credit cards among Ghanaian consumers and professional bankers.
- 4) Examine the obstacles to the implementation of credit cards in Ghana.

- 5) Identify what needs to be done to implement such a system and make recommendations for implementation.

### Expected Results

At the end this research, it is expected that lack of citizen identification system would be a major obstacle to the implementation of the credit card system. Unique identification number such as the social security number use in the United States, the European Union and many other countries needs to be in place so that individuals can easily be identified. Secondly, it is expected that the issue of lack of proper address system will come up as an obstacle. A proper address system needs to be in place in order to make the implementation of the credit card system possible. The post office box (P O Box) number is outdated and makes it difficult to locate people. Finally, it is also expected that most people have knowledge of credit cards and are likely to accept and use it.

### Study Area

Ghana (Figure 1) is a country located in the western part of sub-Saharan Africa. It is bounded by Côte d'Ivoire to the west, Burkina Faso to the north, Togo to the east, and the Atlantic Ocean to the south. The land area is 92,456 square/mile (239,460 square/kilometer) (Government of Ghana Official Website, 2013). Ghana has a unique climatic condition across the country. Accra the capital of Ghana has a geographic location of 5°35'N latitude and 0°06'W longitude (Government of Ghana Official Website, 2013). The coastal belt experiences a dry tropical type of climate and the southwestern part of the country is warm and humid most part of the year. The northern regions are usually dry and warm. According to a census conducted in

2010, Ghana's total population is 24 million with an annual growth rate of 2.4%. Ghana's Gross Domestic Product (GDP) is \$26.2 billion and per capita income of \$1,098. The annual GDP growth rate is 4.7 % (Government of Ghana Official Website, 2013).



Figure 1: Administrative map of Ghana showing Accra

Ghana formally known as the Gold Coast was named after a flourished and powerful ancient empire that reigned until the 13<sup>th</sup> century. The Portuguese were the first European to arrive at the shores of the country in 1470 (Government of Ghana Official Website, 2013). Many

European traders such as the Dutch, the Swedes, and the British later joined the Portuguese. In 1820 the British began to colonize the Gold Coast until March 6, 1957 when the country became independent and changed its name to Ghana. In July 1, 1960 Ghana became a republic (Government of Ghana Official Website, 2013).

Since 1966 when the first president Dr. Kwame Nkrumah was overthrown through a military coup d'état, there has been intermittent military rule until 1992 when the country returned to a constitutional democratic governance (Government of Ghana Official Website, 2013).

## Methodology

The study was conducted in Accra, the capital city of Ghana to collect data and information. With a population of 2.269 million, Accra is also the primate city of the country dominating its political, economic, cultural, and social life. Two different groups of people in Accra were interviewed. The first group consisted of individual consumers who lived in Accra. The other group of people who were interviewed was professional bankers whose banks were located within the metropolis of Accra. Interview questions were based on the knowledge of the credit card system, consumer and banker perception of credit cards, obstacles to a widespread credit card system, and how these obstacles could be eliminated to enable a widespread credit card system. These interviews or surveys were used to obtain in-depth understanding of the credit card system and how a widespread credit card system could be implemented. Other sources of data from previous related literature were also acquired. Qualitative methods were used to analyze the results acquired from the surveys and secondary data sources to draw strategies for a widespread credit card system.

## Organization of the Thesis Chapters

The rest of the thesis is comprised of four chapters. Chapter 2 reviews the relevant literature on the studies that have been conducted in relation to the credit card system. It provides background information to the problem of credit card implementation. Chapter 3 details the research design and methods used to conduct the research. It discusses: selection of the study areas, data types and sources, methods or tools that were used to conduct the research, and data analysis. Chapter 4 presents the analysis and results of the study. Here, the numerical, description, and tabular presentation of the results of the research is presented using both descriptive and statistical frequencies as well as non-quantitative analytical tools. The final chapter focuses on summary, findings, and recommendations.



## CHAPTER II

### LITERATURE REVIEW

This chapter reviews the relevant literature on the topic of this thesis and situates the central question of the thesis within the context of the literature. It is divided into the following sections: the history of the credit card system, the geography of the credit card use, the operation of the credit card system, advantages and disadvantages of credit cards, and implementation of the credit card system.

#### The History of the Credit Card System

Credit cards are universally used for two main purposes: as a means of payment and a source of credit or short term loans (Abdul-Muhmin and Umar, 2007; Jalbert, Stewart, Martin, 2010; Lee and Kwon, 2002). There are different types of credit cards; for example, store cards and credit cards. The store cards are usually used only at shops affiliated with the issuing company and it provides credit for consumers who have little credit worthiness and limited credit availability (Lee and Kwon, 2002). The bank cards are usually used and accepted anywhere credit card is used for transacting business (Lee and Kwon, 2002).

The origins of the credit card dates back to 18<sup>th</sup> century Europe when in 1730 a furniture merchant named Christopher Thompson offered his products to his customers and asked them to pay at the end of every week (Jusoh and Lin, 2012). This idea was to allow customers who wanted to purchase his products but did not have enough money to immediately pay, an opportunity to buy products by paying in installments (Jusoh and Lin, 2012). In the 1920s,

consumers in the United States of America also started using credit card when a few businesses started to issue them to their customers. The actual broad base consumer credit cards system originated in the United States when in 1949 three friends; Alfred Bloomingdale, a grandson of the founder of Bloomingdale Department Store, Frank McNamara, and Ralph Snyder met at Major's Cabin Grill, a popular New York restaurant of the period near the Empire State Building to discuss McNamara's inability to collect debts from his debtors (Mandell, 1990). The three friends decided at the meeting to start a credit card business and named it Diners Club (Mandell, 1990).

McNamara and his friends negotiated with restaurants and retailers to accept the Diners Club credit card as a means of payment and were charged a fee of 7% for each transaction, while the cardholders were charged an annual rate \$3 (Mandell, 1990; Parrish, 2009). In 1950 the first Diners Club credit cards in a form of paper were given out to 200 people and 14 restaurants in New York City accepted the cards as a form of payment. By the end of the 1950s the Diners Club credit card had more than 20,000 users (Mandell, 1990; Parrish, 2009).

In 1958 the competition for credit cards started when Bank Americard, which later became Visa, and American Express entered the market with their own credit cards (Parrish, 2009). American Express began its own charge card for travel and entertainment expenses and upgraded from cardboard card to a first credit card made of plastic in 1959. In 1966 MasterCard, originally known as Interbank Card Association began when credit issuing banks joined together to begin a national credit card issuing system (Hardekopf, 2010 p 50 ). American Express and MasterCard began to dominate the market in the 1960s when more companies began to advertise credit cards as a time-saving payment rather than a form of credit. In 1983 the Governor of South Dakota, Bill Janklow, signed a state law that permitted the ability of credit card companies to

change credit card contracts at any time and for whatever reason. This explains why the majority of credit card issuing companies operate out of South Dakota (Parrish, 2009). In 2008 the Federal Reserve of the United States adopted the “Credit Card Bill of Right” a new set of restrictions for credit cards with separate law specifically designed to protect cardholders from numerous issuers (Parrish, 2009).

### The Geography of Credit Card Use

The rate at which people use credit cards has increased tremendously over the years. Between 1989 and 2006, credit card use increased by a factor of 29 times. In 2004 about 75% of United States citizens had credit cards, of which 58% had a monthly carry over balance on their cards (Jalbert, Stewart, Martin, 2010). In other parts of the world credit cards use has also increased, even in some developing countries. For example, in Saudi Arabia the credit card market was reported to be growing at about 160% per a year between late 1990s and early 2000 (Abdul-Muhmin and Umar, 2007).

Table 1 below shows the use of credit cards as of 2009. The table shows that in 2009, there were 686 million credit card users in the United States which was 36.6% of the total credit card users in twenty-two different countries. The United States and Japan alone accounted for 55% of the 1875.7 million credit cards that were in circulation in 2009, while five European countries of the United Kingdom, France, Spain, Turkey, Germany, and Russia combined accounted for only 13.6% out the total credit cards used in 2009. Apart from China’s 10.6% and Brazil’s 10.2% of credit cards users, the rest of the emerging and developing countries used less than 10% of the total credit card used in 2009.

In 2011, there were 8 million credit cards in circulation in South Africa. This high level of penetration was the result of the 2010 World Cup event held in the country because hitherto 2009 the South African government had placed a ban on the use of credit cards in certain markets such as gasoline stations due to the high rate of fraud (Credit cards around the world, 2013).

Table 1

Credit Card Use around the World

	Country	Credit Card Usage in 2009	
		Estimated number (millions)	Percentage
1	USA	686	36.6%
2	Japan	346	18.4%
3	China	199	10.6%
4	Brazil	191	10.2%
5	Canada	72	3.8%
6	United Kingdom	60.7	3.2%
7	South Korea	96	5.1%
8	Turkey	45	2.4%
9	France	34	1.8%
10	Mexico	26	1.4%
11	India	24	1.3%
12	Spain	18	1.0%
13	Australia	15	0.8%
14	Germany	4	0.2%
15	Indonesia	10	0.5%
16	Israel	6	0.3%
17	The Philippines	8	0.4%
18	Russia	10	0.5%
19	Saudi Arabia	3	0.2%
20	Thailand	14	0.7%
21	Venezuela	6	0.3%
22	Vietnam	2	0.1%
Total		1875.7	100%

Source: Schulz, 2013

## The Operation of Credit Card System

The literature on the operation of credit card system explains the requirements and players in the credit card system and how things work among the players (Bolt and Chakravorti, 2008). This literature shows that before starting a transaction, a payment service network must persuade both merchants and buyers to use the credit payment service. A payment service is defined as the provision of a payment instrument that is used by consumers to pay merchants for goods and services (Bolt and Chakravorti, 2008). The consumption of a payment service involves participation of two different end-users-consumers and merchants (Bolt and Chakravorti, 2008). The two-sided process is used to assess the structure of prices incurred by both consumers and merchants. The price structure or balance is the part that each side of end-user pays of the total price of the payment service, and this adds up to the multiproduct firm information, which is how firms initiate prices on one or more products. A market can either be one-sided or two-sided. A two-sided market is defined as a market where end-users are not able to bargain prices based on costs to participate on a platform and the price structure affects the total volume of transactions (Bolt and Chakravorti, 2008). When it comes to payments for goods and services, consumers and merchants usually do not bargain over prices based on the methods of payment used to make a purchase.

Usually credit card payment transactions occur between three to four party networks which include the consumer and the banks (issuers), and the merchant and its banks (Figure 2). There are various interactions between these four participants in a credit card business transaction. Initially, a consumer receives a credit card payment by building a relationship with an issuer. At the end of the year the consumer usually pays an annual membership fee to the issuing bank. These issuing banks also give transaction rewards such as frequent-use rewards to

their customers as a way of enticement (Bolt and Chakravorti, 2008; Jalbert, Stewart, Martin, 2010).

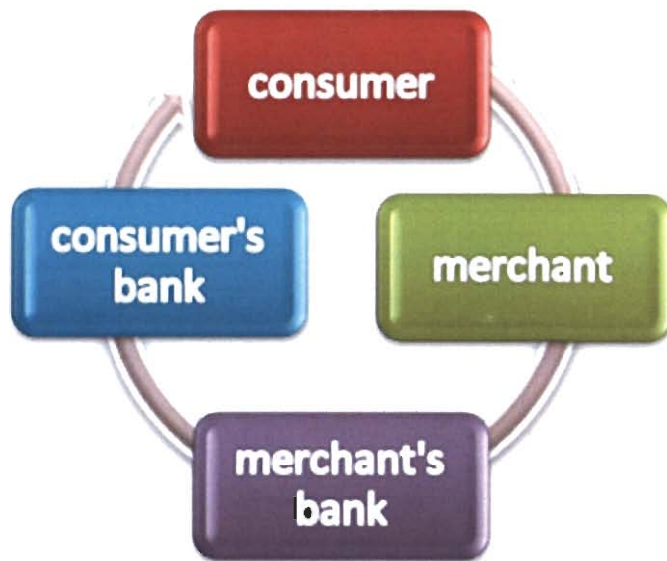


Figure 2: The Four Parties in Credit Card Operation

Source: Bolt and Chakravorti, 2008

The next step is where a consumer buys a product from a merchant who acts as a middleman between the consumer and the issuer. Usually merchant prices remain the same no matter the method of payment used to buy the product. The third stage is where the acquirer builds a relationship with the merchant by accepting the credit card used by the consumer. The merchant pays either a fixed fee per transaction (for debit cards) or a percentage of sale typically from one to five percent of the total purchase amount which is usually called a merchant discount fee (for credit cards) to the acquirer. The discount fees paid generally depend on the type of transaction, the type of merchant, and the type of card. In the fourth stage, the acquirer pays an interchange fee to the issuer (Bolt and Chakravorti, 2008).

Other studies have also focused on the infrastructure that is needed to support credit card system operation. This includes telecommunication systems, an acceptance network, an individual identification system, credit bureaus, consumer education, and effective and efficient regulation to support an electronic payment system (Schmith, 2008; Breckenridge, 2009).

An efficient telecommunication system that can sustain real-time authorization is essential when it comes to electronic payment system. Until relatively recent, a sufficient telecommunication system required fixed telephone landlines, but modern innovations in wireless technology allow the development of electronic payments systems in places where they were previously unusable (Schmith, 2008).

Electronic card consumers respond most positively to electronic payments when the acceptance infrastructure is widespread and robust. Depending on the target segment, point-of-sale terminals, automatic teller machines, bank branches, and Internet, mail order, or telephone merchants need to be available at all locations to accept consumers' cards (Schmith, 2008).

The main concern of every credit issuing company is whether they would be able to get their money back from their numerous customers. Unfortunately the risk of consumer defaulting on credit is inevitable because no matter what measure you put in place, there will still be a proportion of consumers who will default. Even in the economically developed countries such as the United States and the European countries, retrieving debts is sometimes problematic. For example, the total U.S. revolving debt as of May 2011 was \$793.1 billion, 98 percent of which is made up of credit card debt (Federal Reserve, July 2011). It is therefore imperative to develop unique identification system to track down defaulters



In order to provide accurate and timely credit information to issuing banks it is necessary to establish efficient credit bureaus. These bureaus must cover a wide consumer base, including positive and negative credit information, that require information sharing, and have credit information that are current and integral components of sustainable electronic payments markets. Recently, supplementary information, such as utility and rent payment timeliness, has been used for sectors or markets outside of the traditional credit markets (Schmith, 2008).

Financial education initiatives help to encourage safe and responsible banking habits as new payment instruments are introduced. Businesses such as retailers will need to understand the electronic devices they are using, and institutional buyers will need to develop appropriate procedures and safeguards (Schmith, 2008).

For an effective and efficient implementation of a credit card system, a payment system needs common effective operating regulations that are understood and supported by all stakeholders. Payment systems should enhance economies of scale while encouraging competition (Schmith, 2008). Public and private regulators must also efficiently manage the stability and security of payments networks, prevent fraud, and manage credit and financial risk concerns that threaten to undermine consumer confidence in new and existing electronic payments systems (Schmith, 2008).

### Advantages and Disadvantages of Credit Cards

Many credit card advantages have been identified in the literature. First, consumers gain time to pay, which results in a monetary advantage because the value a dollar today is not the same as the value of a dollar tomorrow. When consumers make cash payment, funds are disbursed immediately but when they use credit card, funds are not disbursed immediately.



Instead, funds are disbursed only when the credit card company bills consumers for the charges (Jalbert, Stewart, Martin, 2010). The time difference between the two payments methods is usually one month. Furthermore, the credit card companies usually do not charge interest until the first due date on the credit card bill passed. By using the credit card instead of cash, consumers gain time value of money (the value of money increases over time) advantage (Jalbert, Stewart, Martin, 2010).

The distinct advantages that credit cards provide for low-income borrowers cannot be overemphasized. The ease of obtaining funds, lack of stigma at the time of borrowing, and versatility of credit cards make life a bit comfortable for low-income families (Littwin, 2008). There are three major features of credit cards that make them valuable assets during emergency. During emergency, the main alternatives to borrowing are to seek help from government programs, private charities, and relatives or friends. Asking for government assistance usually involve bureaucratic requirements of documentation that tie up the process (Littwin, 2008). Private charities are a bit more flexible in comparison to government, but they also require borrowers to show need according to the agency's criteria instead of their own and this too can take time as well. Apart from this government benefit programs and charities can generally be used only for a specified purpose, such as food and nothing else (Littwin, 2008).

Borrowing from family and friends also has its own stigma because it gives an impression that one is doing less than the person you are asking for help, and this can be embarrassing and affect the relationship (Littwin, 2008). In all these situations, credit cards offer a better and a faster option.

Other advantages of the use of credit cards include loyalty points, consumer protection from dubious transactions, cash rebates, warranty extensions, frequent flier miles, and higher individual credit scores. Any value the consumer gains from the aforementioned benefits is an additional means of enticement to promote the use of credit cards (Jalbert, Stewart, Martin, 2010).

Although credit card users derive many advantages, issuing companies also benefit immensely from the fees they charge. According to United States Congress Subcommittee on Financial Institutions and Consumer Credit (2007) the credit cards issuing companies adopted standards such as double cycle billing, universal default, interest rate increases, and charge of \$39 for a late payment. For example Electronic Payments International reported that credit card issuing companies gained penalty fees of \$17.1 billion in 2006, an increase of 15.5% from 2004, as well as a tenfold rise from 1996 when the issuing banks gained \$1.7 billion in income from fees (U. S Congress Subcommittee on Financial Institutions and Consumer Credit, 2007). In 2008 the nine largest credit card issuers gained a substantial profit of \$3.85 billion from a total of one billion credit cards issued to consumers (Ingram, 2013).

In contrast, several disadvantages of the credit card system have also been identified. For example, the media portrayed the credit card industry in the early 1990s as a “wolf pack devouring the innocent sheep who were borrowers” (King, 2004 p 57). The portrayal apparently became true in that between 1983 and 1995 average consumer revolving credit increased from \$291 to \$812, an increase of 179% in borrowing (King, 2004). In both developed and developing countries debt is an increasing social canker. For example, the dramatic growth in the usage of credit card among young adults was a contributing factor to the increased debt between 1991 and

2004 when the total insolvencies in England and Wales jumped from 25.6 thousand to 46.6 thousand (Lo and Harvey, 2011).

Credit cards are a problem particularly for compulsive buyers. According to Lo and Harvey (2011), there are varying definitions of compulsive buying behavior. The symptoms of compulsive buying are uncontrollable desires that constantly compel a person to purchase, bringing immediate relief from psychological needs such as tension and low self-esteem (Lo and Harvey, 2011). Such consumers regret their purchases later and suffer financial harm. Most consumers with compulsive buying behavior are middle-income and low-income individuals (Lo and Harvey, 2011).

Compulsive buyers are usually enticed by the easy accessibility of credit to live beyond their means because most of these consumers are less credit worthy but eager to acquire more material possessions and also the credit card transactions seems unreal and abstract (Lo and Harvey, 2011). As a result they tend to spend more and also exhibit poor knowledge of the consequences of credit card borrowing (Lo and Harvey, 2011). Compulsive buyers tend to possess more bank credit cards than others, and also have the tendency of taking a longer time to pay back their bills (Lo and Harvey, 2011).

The rapid growth of credit card usage among young adults and adolescents is a major concern that although they are able to purchase whatever they desire, yet unaware of long-run consequences that comes with it (Lo and Harvey, 2011). Credit cards enable individuals to borrow money easily just to satisfy their insatiable desires and as a result, consumers end up spending more and eventually increase their debts. For example, some credit card users in Taiwan tend to buy more in order to satisfy their desires, and this abnormality eventually leads to

severe financial hardship (Lo and Harvey, 2011). In 2006 there were 2,622,412 credit card users with severe debt problems looking for help from the Taiwanese Bank Association (Lo and Harvey, 2011).

### Implementation of a Credit Card System

Studies conducted on implementation of credit card systems have addressed several issues relating to infrastructure needs, demographic characteristics, consumer education, and perceptions of consumers. Suarez (1991) indicates that one way of starting the process of implementation is to develop infrastructure resources, select a processor, set re-issue cycles, establish card cost, determine members or consumer needs, set up policies and standards, market, minimize risk, operating procedures, and implementation time table.

Other studies show significant relationships between credit card usage, and age, gender, personal financial knowledge, credit attitude and perception, educational level, and income level (Lee and Kwon 2002; Abdul-Muhmin and Umar 2007; Lin and Jusoh 2012; Wickramasinghe and Gurugamage 2012; Ahmed, Amanullah and Hamid 2009; Jalbert, Stewart, Martin 2010 ). For example, a study conducted in Pakistan indicated that people within the age bracket of 15 to 35 tend to have more credit cards because they have more credit line options and access to different schemes offered by the banks to purchase products through special installment programs (Ahmed, Amanullah, and Hamid, 2009).

The study also concentrated on differences between two groups of consumers: individuals who do not currently use credit cards and current credit card users. The purpose was to determine differences in consumers' attitudes and perception towards credit cards between two groups (Ahmed, Amanullah and Hamid, 2009).

Pearson's product moment bivariate correlation was used to analyze the data collected from 131 Pakistanis. Table 2.1 of Appendix A represents the sample size of non-credit card users. Almost 56 % of this sample did not plan to use credit cards in the future. The occupation of respondents ranged from bankers to government officials. It is surprising that some bankers did not use credit cards at all. The reason was that bankers were more aware of the hidden charges and high interest rates associated with the credit cards. The correlation between the income level and the desire to use a credit card was not significant. High interest rates and lack of trust associated with credit cards were the two main reasons why respondents did not wish to use credit cards. The prime motive of those who did use credit cards was the perception that it was easier and safer to carry credit cards than "hard cash". The image and reputation of a bank plays an important role when people are making decisions on which specific credit card to use.

Table 2.2 of Appendix A represents the data collected from a sample of Pakistanis that used credit cards. People within the age bracket of 15-35 mostly carried multiple credit cards. The main reason for doing so was that multiple credit cards came with more credit line options and different schemes and rewards offered by the banks. In contrast, the older the consumer, the fewer credit cards they possessed. The tendency to make payments on installments was high in the age group of 36 and 45. Most of the people did not use rewards and discounts offered simply because they did not know about those amenities. According to the study, as individuals income level increased, their average usage of credit card also increased.

Several conclusions can be made about consumers' attitude and perception towards credit cards in response to the Pakistani example. First, the findings that people within the ages of 15 to 35 are the ones who significantly use, or intend to use, credit cards provides enough arsenal to credit card issuing companies to target this particular group when it comes to marketing. Second,

people with higher income levels tend to be less interested in the use of credit cards. The reason is that they have enough income to purchase whatever they desire at anytime and therefore, would not like to pay such a high interest rate that comes with the credit card systems should they revolve. Moreover, this group of people has access to bank loans because they have enough collateral that is always required by the banks. Third, a segment of non-users of credit cards indicated that they did not use the credit card system because most retail outlets did not accept credit cards as a medium of payment. Either merchants did not have point-of-sale devices to accept credit cards or they wanted to avoid fraudsters

There were several weaknesses to the studies that limit their generalizability. Although many variables were used for the survey, only income levels and ages were discussed. The survey was conducted on gender basis, yet, there were no discussions on how many males or females were using or intended to use the credit card system. The limitations also included small sample size and limited age group. In the current study these weaknesses will be addressed.

In Saudi Arabia Muhmin and Umar (2007) found that the average mean balance for female credit card users was 2321.03 riyal in comparison with 2000.03 riyal for males. In addition, income level and education were both positively correlated with the usage of credit cards. People with higher levels of education and higher incomes tend to possess and use credit cards more than people with lower incomes and lower levels of education

For consumer behaviors and attitudes towards credit cards, Abdul-Muhmin and Umar (2007), and Amanullah and Hamid (2009) found significant differences among consumers. For example, in Pakistan, three percent of the respondents had negative personal attitudes on credit

cards vis-à-vis sixty-eight percent with positive personal attitudes (Amanullah and Hamid, 2009).

Many consumers value the opportunity to obtain a short-term loan (via credit card) even at relatively high interest rates without collateral so they can buy whatever they desire even before they get their own money to pay off the card. Demand for credit cards is usually inelastic with respect to price because consumers have very few alternatives to get short-term credit without collateral (Ahmed, Amanullah and Hamid, 2009). Sometimes consumers do not consider the interest rate when buying goods and services due to the fact that it is not their intention to borrow for a long period of time, however they may have a change of mind when the bills start coming in (Ahmed, Amanullah and Hamid, 2009).

With respect to credit cards, consumers are usually concerned with low interest rates, frequent use rewards such as frequent flyer reward offered by airlines, the effective and efficient resolution of disputes, and extended warranties. However, it is a fact that low interest rates may attract less creditworthy consumers and as a result discourage issuing companies from decreasing their interest rate (Lee and Kwon, 2002; Ahmed, Amanullah and Hamid, 2009; Stavins 1996; Jalbert, Stewart, Martin, 2010).

People with low incomes tend to be more interested with the installment features associated with credit cards than the service feature which includes safety, convenience and identification. Low income earners usually need the installment feature to purchase durable products such as automobiles (Ahmed, Amanullah and Hamid, 2009).

## Summary

Since the inception of the credit card system in early 1920s tremendous progress has been made in terms of consumer and business participation, and the benefits has been tremendously huge (Abdul-Muhmin and Umar, 2007). In economically developed nations such as the United States and those of the European Union, the credit card system was implemented almost a century ago. Other emerging countries such as China, Malaysia, Brazil and South Africa have also introduced the credit card system into their economy in more recently (Abdul-Muhmin and Umar, 2007; Lin and Jusoh, 2012). Researchers have made strides in assessment, credit card providers, implementation policies, service delivery, business preparation, and the collaboration between consumers and businesses (Suarez, 1991). Despite progress in developed countries and emerging ones, the use of credit cards is not a common practice within the formal sector of many developing countries such as Ghana (Kwarteng 2009). This is despite the fact that there are various forms of informal credit for indigenous peasant farmers, where a farmer would borrow money from a well-to-do member of a community and pay the short-term loan back with interest at the end of the harvest season. This study will contribute to filling this knowledge gap.



## CHAPTER III

### METHODOLOGY

This chapter details the research design and methods used to conduct the research. It discusses the selection of the study areas, data types and sources, methods or tools that were used to conduct the research, and data analysis.

#### Selection of the Study Area

To investigate why credit cards are not widely used in Ghana and how widespread use may be implemented, the city of Accra was selected. Accra, the capital city of Ghana with a population of 2.269 million is also the primate city of the country dominating its political, economic, cultural, and social life. Thus, the city of Accra presents an interesting case for investigating the applicability of a widespread implementation of a credit card system in Ghana.

#### Data Types and Sources

In order to answer the questions of this thesis both primary and secondary data were required. The primary data include responses to questions focusing on the credit card system in Ghana, the consumers awareness of credit cards, consumer' and professional banker' perceptions of the credit card system, obstacles in its implementation and how a widespread credit card system could be implemented. The primary data were collected from 7 banking professionals and 280 non-banking professionals.

Secondary data includes published literature on the topic as well as other relevant information to provide broad contexts for the study. The secondary data were obtained from library and online resources.

### Methods of Data Collection

The data were collected through two sets of sample surveys. The banking institutions were selected by simple random sampling method while the non-banking sample was selected by a combination of purposive, snowball and quota sampling.

Two sets of questionnaires (Appendix B and C) were developed and administered to the two sets of respondents. The questionnaire for the banking officials focused on the advantages and disadvantages of credit card system in an economy like Ghana; why credit card use is very limited; what they see as obstacles to implementation; and what can be done to address that. The questionnaire for the non-banking respondents focused on knowledge and understanding of the credit system; perceptions of credit system; whether or not they would use credit card if they had one; and why they think the use of the credit cards is so limited. Data on demographic and economic characteristics of respondents were also requested.

The survey was conducted over a two-month period from June to July, 2013. Working adults in both public and private sectors, including government workers especially in the ministries, grocery stores owners, gas stations, pharmacies, restaurants, hotels, internet and telephone providers as well as electricity service providers were given questionnaires to respond. Financial institutions of both public and private sectors were interviewed to seek answers to why the credit card system is not broadly implemented in Ghana.

## Methods of Data Analysis

Data collected were analyzed using descriptive statistical methods. Appropriate descriptive statistics such as simple frequencies were used to summarize the variables such as socioeconomic and demographic characteristics of the respondents to the questionnaires. Personal financial knowledge of credit card system and its acceptability to the respondents were also examined. Differences between personal characteristics and likely credit card usage were tested using statistical frequency method. Factors explaining the limited use of the credit card system in Ghana were examined and analyzed for similarities and differences between the two sets of samples (Appendix B and C).

The results of these analyses were used to address the research questions of this study and conclusions as well as recommendations were made for policy formulation for the development and widespread implementation of credit card use in Ghana.

## Problems and Weaknesses

The willingness of consumers especially those in the government ministries (public sector) to answer the questionnaires were initially difficult. They were tight-lipped about giving information to someone they did not know. Thus, in every government ministry, an initial relationship had to be established with someone who works at the ministry otherwise I had to contact the public relations officers of the various ministries, and getting a hold of these officials was always difficult since most of the time they were not at their seats. Once these relationships were established, the officers either took me round to each room and introduced me to the workers or gave an official tag to go by myself.

A couple of the consumers surveyed were initially confused with the difference between credit cards and debit cards. They initially answered “yes” to the question about their knowledge of the credit card system, but upon further probing it became clear that they were actually talking about debit cards. Thus, I had to go back and change their initial responses before proceeding to the next level of the interview.

It was very difficult getting professional bankers to interview. Beside the fact that they were always busy, they were also reluctant to grant interviews since they considered almost all information very vital to the privacy of their customers. Thus, giving out any information to people like me without approval from the very top was considered a breach of business or banking ethics, and getting such approval from the very top would take one several weeks if not months. Therefore, the snowball method became very vital getting professional bankers to interview. After interviewing a first banker, who happened to be a family friend, he directed me to his friend who is also a banker and the friend also led me to the next person, and so on.

The initial target was to survey 300 consumers and also interview 10 professional bankers from different banks who lived in Accra, but due to the aforementioned problems and time constraints I was able to interview 280 consumers and 7 professional bankers. However, these problems did not have any adverse effect on the responses, which I analyze in the next chapter.

## CHAPTER IV

### ANALYSIS AND RESULTS

This chapter presents the analysis and results of the study. It focuses on three main areas. The first is the awareness of credit cards among Ghanaian consumers. The second is the general attitude of the Ghanaian consumer towards credit cards and the effects of such a system on the Ghanaian economy. The third are the reasons why the use of credit cards is not widespread in Ghana and how a widespread use might be implemented.

#### The Ghanaian Consumer and the Credit Card System

The 280 consumers interviewed comprised of 61% males and 39% females (Figure 3). In terms of educational background, there were 8% with primary education, 32% with secondary education, and 60% with tertiary education (Figure 4). For the monthly income level, 63% respondents were earning between GH¢ 0 – 1,000, 27% were earning between GH¢ 1,001 – 2,000, 6% were earning between GH¢ 2,001 – 3,000, and 4% were earning GH¢ 3,001 or more (Figure 5). By geographic distribution, 11.1% of the respondents were from Ashanti Region, 3.9% from Brong-Ahafo Region, 19.3% from Central Region, 25.7% from Eastern Region, 15.45 from Greater Accra Region, 2.1% from Northern Region, 0.4% from Upper East Region, 2.5% from Upper West Region, 17.95 from Volta Region, and 1.8% from Western Region (Table 2).

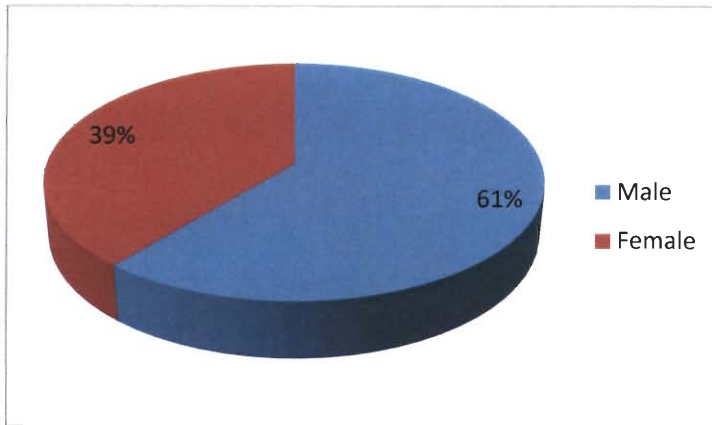


Figure 3: Respondents by Sex Distribution

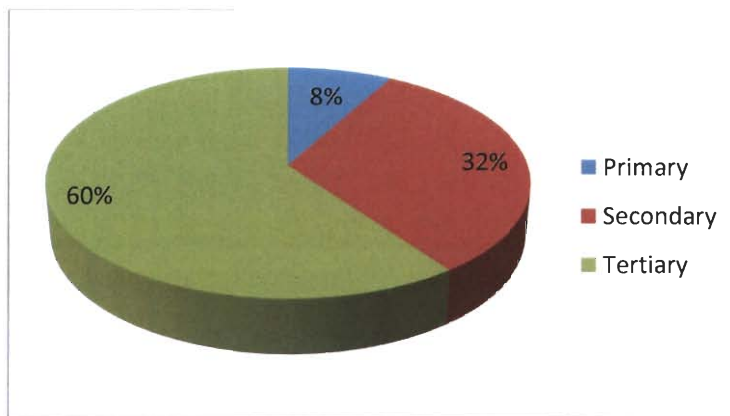


Figure 4: Respondents by Level of Education

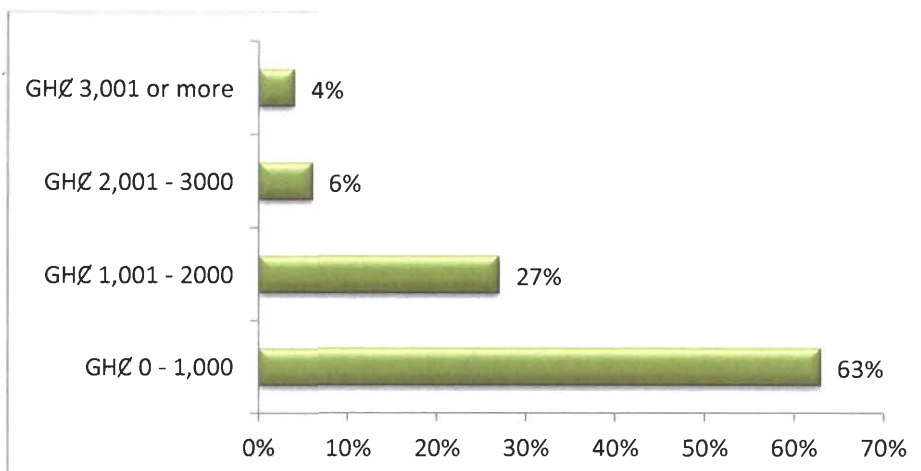


Figure 5: Respondents by Income Distribution

Table 2

## Respondents by Regional Distribution

	Ashanti	Brong-Ahafo	Central	Eastern	Greater Accra	Northern	Upper East	Upper West	Volta	Western
No.	31	11	54	72	43	6	1	7	50	5
%	11.1%	3.9%	19.3%	25.7%	15.4%	2.1%	0.4%	2.5%	17.9%	1.8%

## Knowledge of Credit Cards

Out of 280 consumers surveyed in Accra a vast majority of 85% of the respondents reported having knowledge of the credit card system while only 15% claimed they did not have any knowledge at all. However, only 1.4% of the respondents reported of having credit cards. Thus 98.6% did not have access to credit cards although they have knowledge of the system (Table 3).

Table 3

## Possession of Credit Cards

Credit cards	No.	%
Have	4	1.40%
Have not	276	98.60%
Total	280	100%

Characteristics of respondents in terms of sex, age, education, and income were examined. From Table 4, while all the respondents who reported to have credit cards also had attained tertiary education, the percentage of those with no credit cards decreases from secondary

to tertiary. In contrast, the percentages of consumers with no credit cards decreases from 99.4% through 91.7% as income level increases from GH¢ 0 to GH¢ 4,000 (0 – 4000 Ghana cedis) and above. All consumers who had credit cards were males while those with no credit cards were mixed-, 61% males and 39% females.

Table 4

Demographic Differences in Consumers who have/have no Credit Cards

		Have no credit card		Have credit card		Total
		No.	%	No.	%	%
Age	18 - 25	19	100%	0	0%	100%
	26 - 35	85	98.8%	1	1.2%	100%
	36 - 45	90	100%	0	0%	100%
	46 or older	82	96.5%	3	3.5%	100%
Sex	Male	168	97.70%	4	2.3%	100%
	Female	108	100%	0	0%	100%
Level of Education	Primary	23	100%	0	0%	100%
	Secondary	90	100%	0	0%	100%
	Tertiary	163	97.6%	4	2.4%	100%
Monthly income in GH¢	0 - 1000	175	99.4%	1	0.6%	100%
	1001 -2000	74	98.7%	1	1.3%	100%
	2001 - 3000	16	94.1%	1	5.9%	100%
	3001 - 4000	11	91.7%	1	8.3%	100%



## Perceived Effects of the Credit Card System on the Ghanaian Economy

Not only were the majority aware of credit cards but 90% of the respondents said the credit card system will benefit Ghana's economy while only 10% said it will rather hurt the economy (Figure 6). Thus, although a vast majority of the respondents did not have access to credit cards yet they believed that a widespread implementation of the system will benefit the country.

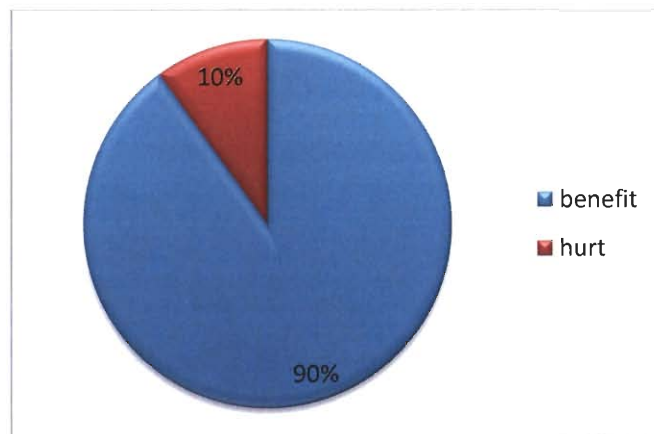


Figure 6: Effects of Credit Cards on the Economy

When asked to explain why they thought a credit card system would help the economy, 42.6% of that group of respondents said it would help Ghanaians in accessing short term loans, which confirms a similar study done in Pakistan by Ahmed, Amanullah and Hamid in 2009 (Figure 7). They argued that instead of going through the existing bureaucratic processes of accessing small amount of money for everyday expenses from the banks that require collateral security, which most of the time people do not meet, a widespread implementation of credit cards would help reduce if not eradicate those rigid requirements. In fact, one respondent further argued that this will enhance small business owners to expand their businesses.

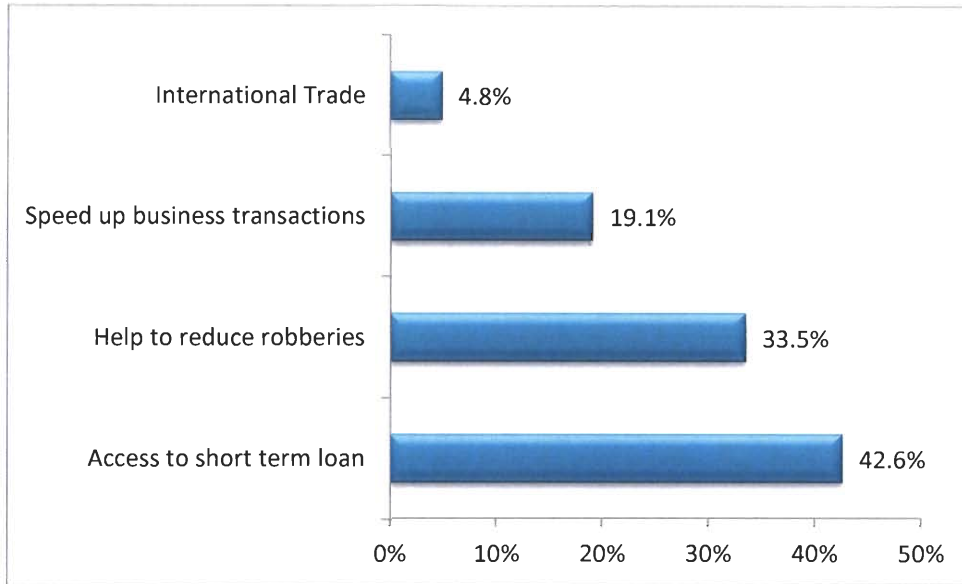


Figure 7: Benefits of Credit Cards to the Economy

Another 33.5% of those who responded that the credit card system will help the economy said a widespread implementation of the system will immensely reduce the ever increasing canker of armed robbery in the country. They argued that armed robbers frequently attack traders who mostly carry physical cash on them across the country to transact business, on the highways. Furthermore, the system will help reduce domestic robbery as well because people are not going keep lots of money but credit or debit cards in their homes. As one respondent put it “I don’t have to be afraid of those notorious armed robbers anymore whether I am at home or in the street because all that I carry along with me is a plastic card.”

Another 19.1% (Figure 7) of those who think it will benefit the Ghanaian people said it will speed up business transaction. They explained further that most of the time people would have to travel all the way to their banks and wait in a long queue at the banking hall just to cash money to pay for a product or service. Thus, one can avoid this hustling and bustling of going through heavy vehicular traffic especially in the big cities just to cash money if one has access to

credit cards. Furthermore, with an ever increasing technological advancement, people can easily transact business online or by phones anywhere without moving.

Another 4.8% of respondents who said credit card will benefit the economy explained that a widespread implementation of the system will enhance a speedy and efficient international trade. They argued that most of the time they are handicapped when they want to purchase products or services outside the country on the internet since they do not have credit cards. Therefore with the availability of credit cards that impediment will be eliminated and in the long run benefit the Ghanaian economy.

In contrast, 10% of the total respondents (280) said a widespread credit card system will hurt the Ghanaian economy. Of this group 57.1% explained that because of the high illiteracy rate in Ghana an extensive credit card system will lead to compulsive buying. They argued that most of the time this group of people in a society exhibit poor knowledge of the consequences of using credit cards and as result spend more to satisfy their insatiable wants (Figure 8).

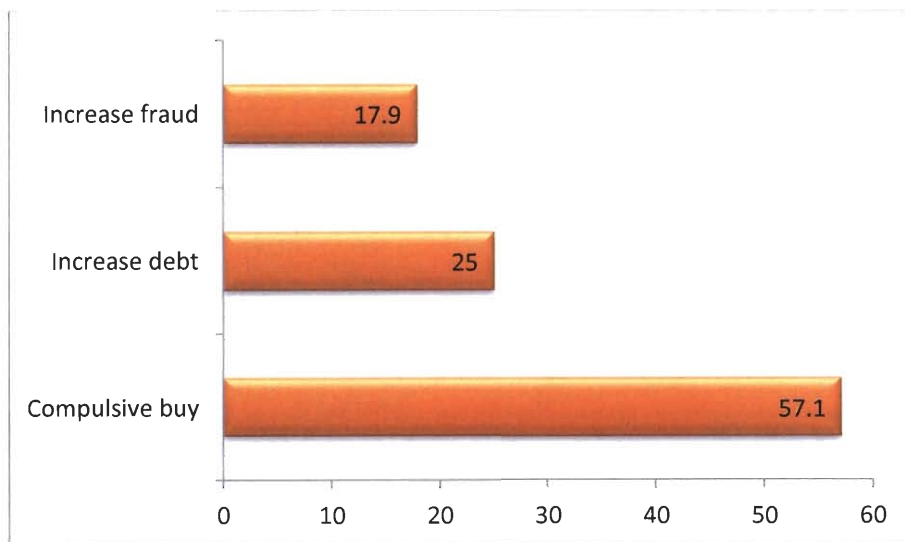


Figure 8: Drawbacks of Credit Cards to the Economy

This perception supports Lo and Harvey (2009) argument on compulsive buying.

Another 25% of respondents who said the credit system will hurt the economy explained that it will increase individual debts. They argued that a widespread credit card system will encourage impulse buying, where people purchase goods or services they have actually not budgeted for. Also it will enable people to spend more than they actually make every month, which will eventually increase the individual's debt. As one respondent put it " I guess this system will enable me purchase whatever I desire and enjoy life and pay back later, after all I am not going to be the first or last person to owe in this world even if I cannot pay back."

The last category of respondents (17.9%) who took a stand that credit cards will hurt the Ghanaian economy explained that the system will increase fraud in the country. They explained that cybercrime is becoming a national canker even with only a few credit cards in the country, thus, a lot of consumers would be victimized by these fraudsters if a widespread system is introduced. A respondent argued

"Even now that credit cards are not in the country, look at these "sakawa" (Cyber crime) boys sitting in internet cafés every minute of the day just looking for someone on the net using credit cards outside the country so that they can defraud the person, what do you think would happen if it is common within the country? They would pounce on innocent Ghanaian consumers like hungry vultures on carcass."

They also argued that if a bad person gets a hold of a missing credit card he or she would spend all the balance on the card to purchase whatever they desire instead of returning it to its rightful owner.

## Likely to Have Credit Cards

Asked as to whether they were likely to use a credit card should they have access, 87.6% out of 275 that answered the question said yes, while 12.4% said they were not likely to use credit cards (Figure 9). In terms of sex, 62% of respondents who were likely users of credit cards were males and 38% of them were females (Figure 10). Of those who were not likely to get a credit card, 53% were males, while 47% were females.

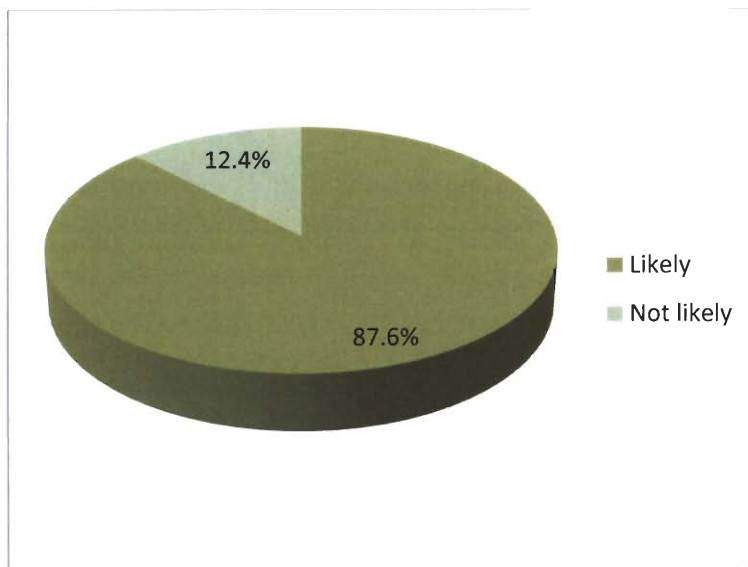


Figure 9: Likely to use Credit Cards

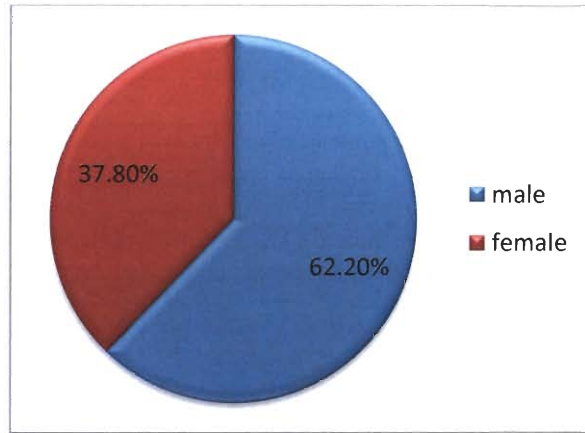


Figure 10: Likely to use Credit Cards by Sex

The result of likely users of credit cards by age group shown in Table 5 indicates that the largest group of likely users (91.7%) was between the ages of 26 – 35, followed by those between the ages of 18 – 25, while respondents between the ages of 46 or older were the least group (85.4%) to use credit cards. This indicates that the largest age group of respondents who were not likely to use credit cards were those between the ages of 46 or older followed by those between the ages of 36-45 (Table 5). This confirms a similar study done in Pakistan by Ahmed, Amanullah and Hamid in 2009 that those at age 35 or less were more likely to use credit cards than those at the age of 36 or older.

Table 5

Likely Credit Card Users by Age

Likely to use Credit Card		Age			
		18-25	26-35	36-45	46 or older
Yes	No.	17	77	77	70
	%	89.5%	91.7%	85.6%	85.4%
No	No.	2	7	13	12
	%	10.5%	8.3%	14.4%	14.6%
Total	No.	19	84	90	82
	%	100%	100%	100%	100%

Table 6

## Likely Credit Card Users by type of Bank Account

Likely to use Credit Card		Type of Bank Account			Total
		Savings	Checking or Current	Both	
Yes	No.	125	10	96	231
	%	54.10%	4.30%	41.60%	100%
No	No.	14	1	16	31
	%	45.20%	3.20%	51.60%	100%
Total	No.	139	11	112	262
	%	53.10%	4.20%	42.70%	100%

Of the likely users of credit cards, 88.2% said they had bank account while 11.8% said they did not have any. Of those who have bank account, 54.1% said they had only savings account, 4.3% had only checking/current account and 41.6% respondents reported to have both savings and checking accounts (Table 6).

With regard to educational level of likely credit card users consumers 78.3% of likely credit card consumers had primary education compared with 21.7% for those who were not likely to use credit cards (Figure 11). Also, as the figure shows there were more consumers with secondary and tertiary education who were likely to use credit cards than those who would not. Those with secondary education were the largest group of likely credit card consumers (89.9%) compared with those with primary and tertiary education.

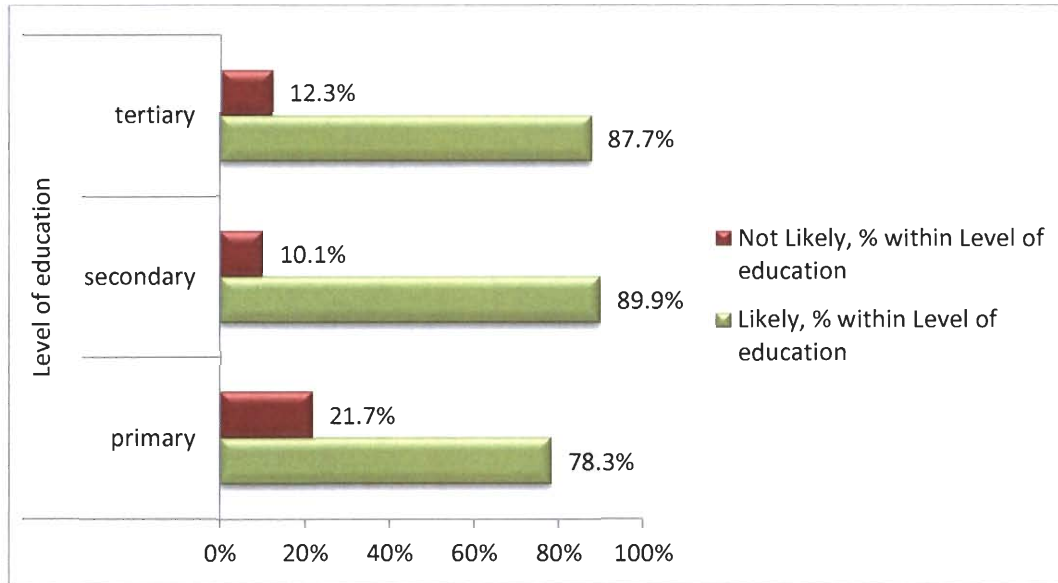


Figure 11: Level of Education and use of Credit Cards

With regard to monthly income level of likely credit card users, 86.8% of respondents with monthly income of GH¢ 0 - 1,000 were likely to use credit cards (Figure 12). Also, 91.9% of respondents with monthly income of GH¢ 1, 001 - 2,000 were likely to use credit cards, while 81.8% of respondents with monthly income of GH¢ 3,001 and above were likely to use credit cards. Thus, although all these categories of monthly income earners were likely credit cards consumers, the highest proportion fell within the GH¢ 1,001 - 2,000 income bracket.



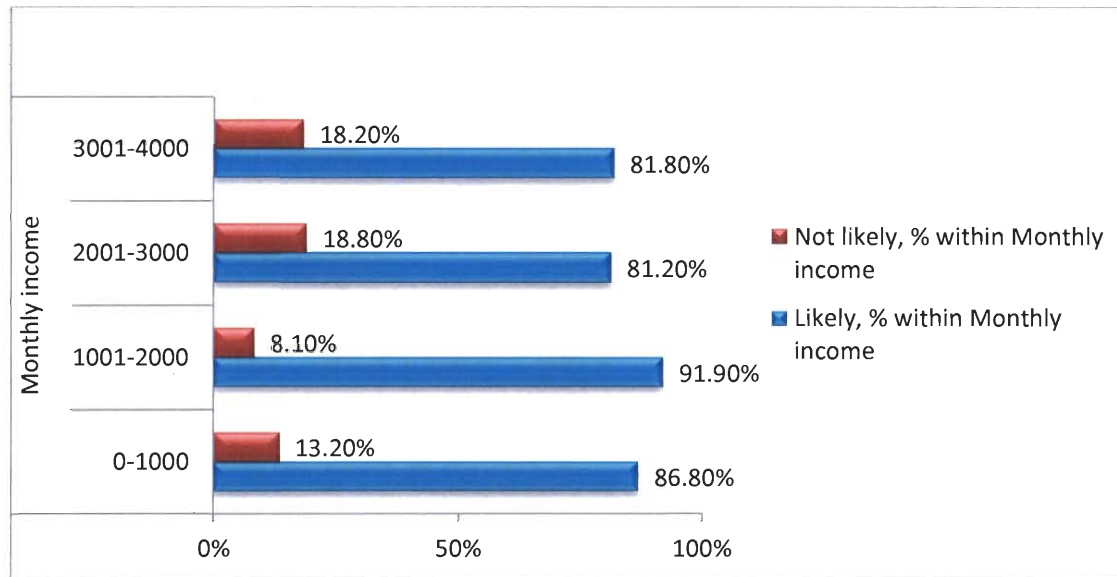


Figure 12: Monthly Income Level of Likely/Not Likely to use Credit Card

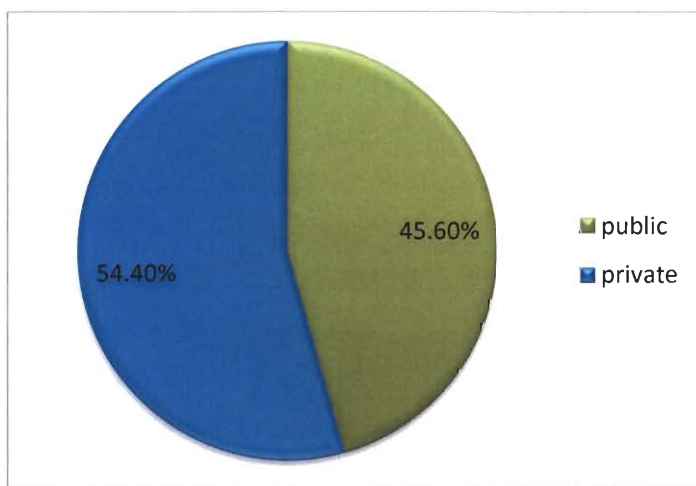


Figure 13: Sector of Employment of Likely Credit Card Users

The sector of employment of likely credit cards consumers was also examined.

Respondents were asked to indicate the sector of employment (public sector or private sector) in

order to determine likely credit card consumers in each sector of employment. Public sector employees comprise all government workers and private sector employees include small business owners and their employees, and other workers who do not receive their pay check from the government. As shown in Figure 13, among the likely credit cards users surveyed were 54.4% of private sector employees and 45.6% of public sector employees. However, within the private sector 88.5% respondents said they were likely to use credit cards while 86.6% consumers within the public sector reported that they were likely to use credit card.

As shown in Table 7, females between the ages of 36-45 were more likely to use credit cards (74%) than males of the same category (26%). however females within the same age group who were likely credit card users had less savings and checking accounts than their male counterpart; however, males within the same group had more of both savings and checking accounts than the females. In contrast, apart from males between the ages of 36 - 45 all other males were more likely to use credit cards than their female counterparts. Apart from males between the ages of 18 – 25, all other males had more checking accounts than their females of the same age groups

Table 7

## Likely Credit Card Users – Demographic Differences

		Likely to use Credit Card		Likely to use Credit Card by Type of Bank Account		
Age	Sex	Yes	No	Savings	Checking/ Current	Both
18-25	Male	52.9%	100%	62.5%	0%	80%
	Female	47.1%	0%	37.5%	0%	20%
26-35	Male	68.8%	42.9%	58.8%	100%	78%
	Female	31.2%	57.1%	41.2%	0%	22%
36-45	Male	26%	27.8%	59.1%	83.3%	68.4%
	Female	74%	72.2%	40.9%	16.7%	31.6%
46 or older	Male	54.3%	41.7%	64.9%	100%	39%
	Female	45.7%	58.3%	35.1%	0%	61%

From Table 8, both males and females with secondary education (90.3% and 88.9% respectively) were more likely to use credit cards than counterparts with either primary or tertiary education. However the likelihood of consumers having both savings and checking accounts increases as people attain higher level of education.

Table 8

Likely Credit Card Users – Demographic Differences

Level of education	Gender		Likely to use Credit Card		Total	Likely to use Credit Card by type of Bank Account			Total
			Yes	No		Savings	Checking/ Current	Both	
Primary	Male	%	78.60%	21.40%	100%	72.70%	9.10%	18.20%	100%
		No.	11	3	14	8	1	2	11
	Female	%	77.80%	22.20%	100%	85.70%	0%	14.30%	100%
		No.	7	2	9	6	0	1	7
Secondary	Male	%	90.30%	9.70%	100%	71.20%	3.40%	25.40%	100%
		No.	56	6	62	42	2	15	59
	Female	%	88.90%	11.10%	100%	73.90%	0%	26.10%	100%
		No.	24	3	27	17	0	6	23
Tertiary	Male	%	90.20%	9.80%	100%	36.50%	7.30%	56.20%	100%
		No.	83	9	92	35	7	54	96
	Female	%	84.50%	15.50%	100%	45.10%	1.40%	53.50%	100%
		No.	60	11	71	32	1	38	71

In terms of geographic region, respondents who were natives of Eastern region were the most likely group (26.56%) to use credit cards, followed by the Central region (19.5%), Volta region (17.84%), Greater Accra (13.69%), and Ashanti Region (11.2%) respectively (Figure 14). As shown in Table 9, within each region, males were more likely to use credit cards than their

female counterparts except the Greater Accra (60.1%) and Northern (67%) where females were dominant likely users. Also, males who were natives of the Northern Region were the least group (33%) among males likely to use the system.

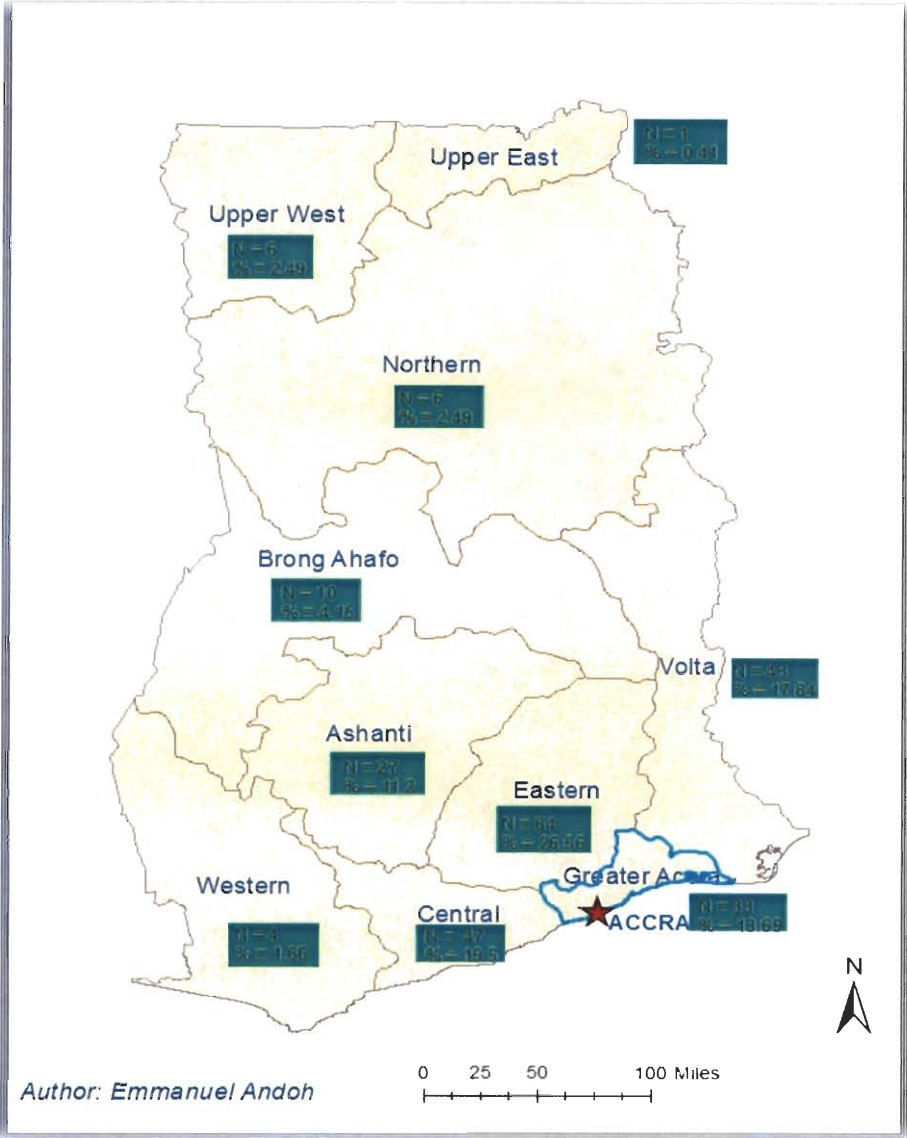


Figure 14: Administrative Map of Ghana Showing Likely Credit Card Users by Region

Table 9

## Likely Credit Card Users – Demographic Differences by Region

		Likely to use credit card	
Region	Gender	Yes	No
Ashanti	Male	18 66.7%	1 33.3%
	Female	9 33.3%	2 66.7%
Brong-Ahafo	Male	6 60%	1 100%
	Female	4 40%	0 0%
Central	Male	26 55.3%	1 20%
	Female	21 44.7%	4 80%
Eastern	Male	52 81.3%	5 71.4%
	Female	12 18.7%	2 28.6%
Greater Accra	Male	13 39.4%	5 55.6%
	Female	20 60.6%	4 44.4%
Northern	Male	2 33%	0 0%
	Female	4 67%	0 0%
Upper East	Male	1 100%	0 0%
	Female	0 0%	0 0%
Upper West	Male	5 83.3%	1 100%
	Female	1 16.7%	0 0%
Volta	Male	26 60.5%	3 42.9%
	Female	17 39.5%	4 57.1%
Western	Male	2 50%	1 100%
	Female	2 50%	0 0%

## Consumer Perception toward the Credit Card System

In order to find out the perception of the Ghanaian consumer towards the credit card system, respondents were probed further to explain why they are likely or not likely to have credit cards. All the 87.6% consumers who reported that they are likely to use credit cards explained that they like the system because it enhances convenience, online transaction, defer of payment, access to more money and also it is easy to carry. In contrast, the 12.4% consumers who said they were not likely to use credit cards explained that credit cards could lead to fraud, impulse buying, and high interest rate (Figure 15).

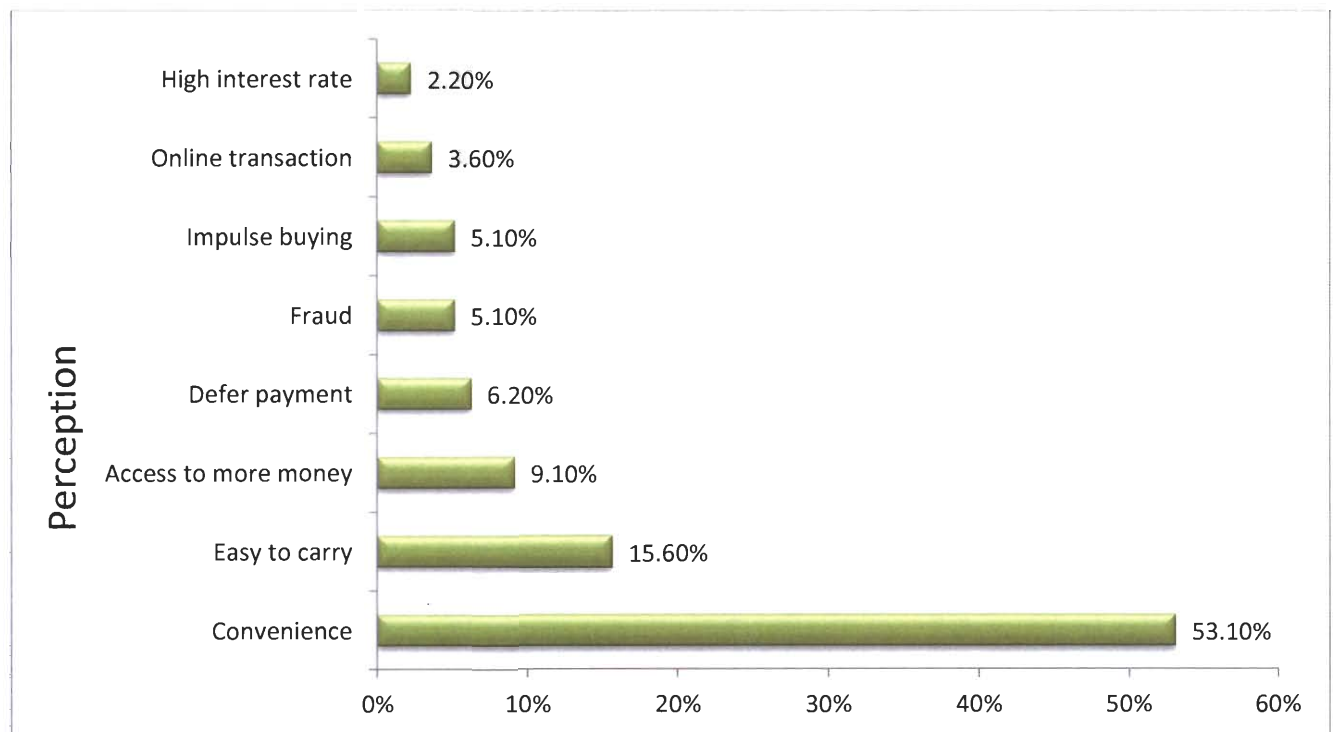


Figure 15: Consumers Perception toward Credit Cards

A majority of 53.1% of likely credit card consumers reported that they would prefer to use the credit cards because of its convenience (Figure 15). They reported that the usefulness of credit cards during emergency cannot be overemphasized especially when one is broke and there is no money in your bank account or anywhere else to rely on; you can use the credit card to pay for whatever you need during this period and pay later when you have the money. A public servant in his fifties said

“Look, if either I or any member of my family gets sick in the middle of the night and the person is rushed to the hospital and I have no cash on me or even in my bank account what do I do? If I had a credit card on me I will simply use it to pay instantly and save a soul.”

A few parents also argued that they could use it to pay for their children’ school fees or text books if they had no money on them to avoid the embarrassment of their wards being dismissed from classes.

“No one is going to go to the banks and go through all these rigid requirements just to get a loan of GH¢1000, which is equivalent to \$500, to pay for your child’s school fees and if you are not lucky the semester will be over before you get the money; so if I had access to this credit card I can easily use and pay later,” a parent reported.

They also explained that although Ghanaians are naturally interdependent it is really difficult to get financial help from friends or even family members these days. The embarrassment of going to people to borrow money in time of crises could be avoided if access to credit cards is enhanced. A petty trader stated,

“These days if you needed money and you go to family members or friends to borrow, they surely will listen to all your problems and after you are done they will tell you, I’m



sorry, I don't have any money to help. Moreover they will tell other people of your problems and even look down upon you as an irresponsible person. Nothing can be humiliating than this, so you see, I could avoid all of these if I had access to credit card.”

This perception supports Littwin (2008) argument on the stigma associated with borrowing form relations instead of using credit cards.

Another 15.6% of likely credit card consumers explained that it is easy to carry (Figure 15). This perception confirms a similar study done in Pakistan by Ahmed, Amanullah and Hamid in 2009. They explained that the era of carrying bulky cash on you all over for businesses or personal use could be reduced if not eliminated completely and a cashless society the central bank (Bank of Ghana) have been preaching currently could be enhanced. Furthermore, with credit card no one knows how much money you have in your wallet or purse and this will help to reduce robbery attacks across the country. A pharmacist, who is also a small business owner, stated

“I usually have to carry thousands of Ghana cedis every day to my bankers to deposit after the taking the pain of several hours to counting the money each evening. It gets so scary sometimes that I have to close down the shop before the usual closing time and this means loss of sales. If people have access to credit cards, they would definitely purchase the products with their cards and all of us could be saved from the agony of counting money and the fear of losing your money on the way to the bank.”

Another 9.1% of likely credit card consumers also explained that the system will enable access to more money. “It serves as a financial backup plan”, one respondent explained. They explained the fact that you always have money in the form credit card on you gives one

confidence to go about in doing their daily activities because at least you know you are safe and secured financially, and this in the long run enhances productivity. A public servant reported

“I have worked for almost thirty years and yet my monthly income is so meager that I usually go broke by the end of the second week of the month and it is so difficult to survive till the next pay check at the end of the month; sometimes you have to do whatever it take just to survive, you know what I mean?. But with credit card in your wallet you know that at least you’ve got extra money somewhere to depend on.”

Another 6.2% respondents of likely credit card consumers explained that the system helps to defer payment. They argue that if one purchase goods or services today with a credit card, the system enables the user to organize him or herself to actually pay for the product when the billing cycle is ended. Furthermore, they explained the credit system enhances the time value of money theory; GH¢ 1,000 spent today is not the same as GH¢ 1,000 that will be spent tomorrow because as time passes by the value of money depreciates as result of factors such as inflation. One Accountant remarked “I’ve got nothing to lose; I rather gain because if I purchase something today with my credit card and I’m able to pay my entire bill by the end of the billing cycle I have saved money.” This perception supports Jalbert, Stewart and Martin (2010) argument on Time Value of Money advantage of using credit card.

Despite the high percentage of likely consumers credit card users in the sample, there were other respondents who were not likely to use the system. A group of respondents (2.2%) reported that they were not likely to use credit cards because the prevailing high interest rates in the country. At the time of this survey the interest rate being charged by banks in Ghana was between 20 to 25%. This, according to respondents was abnormal compared to what was being charged in other economies. They thought the proliferation of credit cards in the country would

rather be a goldmine for the banks in the country who only think of making astronomical profit without thinking of the wellbeing of their unsuspecting customers. They explained that it does not make sense to borrow money and pay such a high interest rate because by the time you finish paying your debt, it would have doubled or even tripled. A primary school teacher reported

“These banks think we have no other choice so they don’t care about charging us such high interest rates because they know consumers will definitely come to them in times of difficulties, how I wish they have strong competitors coming into the country.”

Another 5.1% of non likely credit card users explained that the system enhances impulse buying, where consumers buy products which is not on their budget list and in the long run increase their individual debts. Furthermore, they explained, easy access to credit cards would increase their spending since they were always eager to buy more material possession. A woman at a shopping mall responded

“Sometimes I buy stuff that I really don’t need with my meager income, so you can imagine if I have credit card on me, I will spend everything on it to buy material things and regret later when it is time pay back the bill.”

## The Views from Professional Bankers

This section presents the views of professional bankers on the credit card system in Ghana. Out of the seven different banks interviewed, only one bank had actually started issuing credit cards to customers who have account with the bank. The rest were still at the planning stages of the implementation of the credit card system. Factors banks consider before giving credit facilities are discussed. Also discussed are the bankers' perception of credit cards, obstacles to a widespread implementation, and what needs to be done to make a widespread credit card system a reality.

### Factors Banks Consider When Giving Credits

Banks all over the world consider several factors before issuing credit to their customers, be it businesses or individuals, and Ghanaian banks are no exception. The factors according to professional bankers interviewed include; business' financial cash flow, collateral security, credit history, corporate governance structure, salary of the borrower, and relationship with the borrower.

According to the bank officials, borrowers' credit history such as the corporation's or individual borrower's ability to pay and the consistency in paying previous loans are usually checked before granting the request for the loan application. The recently established Credit Bureau of Ghana under the auspices of the Central Bank of Ghana is usually in charge of checking the credit history of the borrower. The application may be rejected if the borrower's credit report indicates a default in paying previous loans acquired. The bank according to the bank professional may also decide to grant the application with a higher interest rate due to the higher risk involved.

Cash flow loan is usually a short term loan acquired by businesses to finance their debts or operation. In acquiring such a loan the banks are always interested in the corporation's sales revenue and expense or current assets which include; cash and account receivables, and current liabilities. According to the bank professionals interviewed, banks are always interested in borrowers whose current assets exceeds current liability which is an indication that the borrower is able to meet its debt obligations. In situations where the borrowing corporation does not meet this requirement the banks may reject the application outright or grant the application with stricter conditions of payment and might even reduce the amount of loan being requested depending on other factors.

Collateral security which is the most common requirement banks demand from their borrowers in Ghana mostly for secured loans according to the bank professionals, is usually required so that in case the borrower is not able to pay back the loan the property is confiscated. According to the bank officials the property used as collateral is usually weighted against the requested amount of loan to make sure the price of property involved is the same or exceeds the loan. This is done by the banks in order to reduce the high risk involved in lending. Moreover, collateral security is common in Ghana because either most borrowers do not meet other requirements or it is the easiest way of retrieving defaulted loans.

According to the bank officials interviewed, having a solid and cordial relationship with their most trusted and valued customers, be it corporations or individuals, is a very important factor banks consider before denying or approving a loan application. As one interviewee put it "no serious bank will be happy to lose a valued customer who has been consistent in making deposits many years prior to the loan application. After all, having such a reliable customer helps

us to achieve the bottom line.” Hence bank officials will always consider their relationship with the corporation or individual before making the final decision on the application.

### Bankers’ Perceptions of the Credit Card System in Ghana

Like consumers, banks in Ghana also have various perceptions towards credit cards. All the bank professionals interviewed had positive attitude towards the credit card system. These perceptions of the system as explained by the bankers include; provision of quick and easy access to credit, expansion of customer base, movement from cash base to electronic mode of transaction, reducing cost of printing currency, and reducing cost and time of business transactions.

According to the professional bankers interviewed, a widespread credit card system will help broaden their customer base; so far there are a lot of Ghanaian people who do not have bank account at all especially those in the informal sector and the rural areas of the country. These folks, as explained by the bankers, who are outside the banks’ customer net are difficult to bring on board because they believe it is time wasting to deal with the banks since they would have to come all the way to the banks to make deposit or cash their own money. They would rather keep their money under their beds and use it anytime they want instead of running to the banks to cash money in times of emergency, a professional banker explained. These people who are outside the banks’ customer base could be persuaded to open bank accounts with the banks in order to access these credit cards which are usually much easier to access than other types of credits.

A widespread use of credit cards in the country will save the Central Bank of Ghana the cost of printing new currency. As explained by a professional banker, it cost Bank of Ghana, the central bank, a lot to print new currency every year because of the way people handle cash in the

country. For example, according to a banker, in 2012 the Bank of Ghana spent US\$ 30,000,000 (Thirty million US dollars) in printing the new GH¢50 just to enhance security features.

Moreover, a vast majority of the Ghanaian people uses only cash to transact business instead of checks or other forms of legal tender like credit cards; and as the currency circulate from one person to another every day it gets older and dirtier. Thus, the need to print out new currency every year at such an exorbitant cost just to keep the economy running, a banker explained.

A widespread credit card system according a banker will fit into the Bank of Ghana' recent policy of creating a cashless economy in order to enhance quicker and easier way of transacting business in the country. It has been realized that using electronic mode of transaction saves people a lot of time in dealing with every day business activities. "If the Bank of Ghana really means business with the creation of a cashless society, then they would have to speed up with the basic infrastructural facilities to enable a widespread electronic mode of business transaction" a banker remarked.

#### Obstacles to a Widespread Credit Card System

Implementing a widespread credit card system in every country requires some vital ingredients to be in place, and the lack of these basic ingredients becomes obstacles to the success of such a system. To the Ghanaian professional banker, the obstacles to a widespread implementation of credit cards include lack of proper identification system, lack of proper address system, lack of efficient internet facility, lack of central database system, inadequate education about the system, and high rate of default.

To the Ghanaian banker the absence of proper identification system makes it difficult to implement the credit card system in the country. Before introducing a system such as the credit

card the issuer needs unique identification number of the customer such as the social security number use in the United States of America to make it easy for tracking. Banks are always concerned about how to retrieve borrowed money back from their customers, and one of the vital ways to do that is to tag every customer with this unique number so that it will be easier to locate the customers no matter where they may be in case of default. As explained by a banker “Look, because of the lack of proper identification system, the Know Your Customer (KYC) principles does not apply in our market.” Banks also need these unique identification numbers to do background checks such as running the credit history of the customer without which it will be to determine the creditworthiness of the customer before granting the application for credit card or any other credit. This argument confirms the initial expected result that there was the need for citizens’ unique identification numbers to enable a widespread credit card system in the country.

“A lot of times it is difficult to determine who is creditworthy and we end up giving credit to customers who default and you cannot even know their whereabouts. That is why we have to come out with these stringent requirements which obviously are very difficult for a lot of Ghanaians to meet,” a banker remarked.

Another obstacle to widespread credit cards across the country is because of the absence of proper address system. According to the professional bankers interviewed, most of the time banks require their customers to provide their residential addresses before granting their applications but unfortunately they cannot even use these addresses to locate the people. Moreover most of their customers do not have house addresses at all and even those who have the banks cannot trace it to them when the need arises.

“This is why we always ask the customers to provide us with their employers’ address, at least well established company offices are easy to locate, so that we can always trace



them to their offices in case of default. This is a major concern for us because we cannot use the inefficient and outmoded P. O. Box addresses to locate our customers,” a banker explained.

This argument confirms the initial expected result that there was the need for proper address system to enable a widespread credit card system in the country.

The low-speed internet facility in the country is a huge hindrance to a widespread credit card system. Currently, according to the bankers interviewed, there are only a few places within the country that can boast of access to the internet facility, and even those who have such a facility always complain about how slow it is. Most of the banks in Ghana are now networked to enhance speedy banking system for quick customer services but sometimes the internet just shuts down and that means customers would have to wait for a long time or come the next day when the problem is solved. So before banks can expand the credit card system there is a need for a high-speed broadband internet facility in every corner of the country to enable smooth operation, the bankers remarked.

The lack of a central database system is also an obstacle to the expansion of the credit card system. The bankers explained that there is the need for a central database system that contains records of all consumers so that banks can easily verify records of every customer that walks into the bank for credit. With such a system in place banks can check creditworthiness of every credit applicant, provided they have unique identification number, to reduce the current high rate of default and also enhance efficient and effective banking system.

The current high rate of default in the country in a way dissuades most banks to even consider the expansion the credit card system. The bankers reported that banks in the country are

very much concerned with the high default rate and until proper infrastructural facilities, such as the aforementioned, are in place it will be high risk to consider. “With proper identification numbers and a centralized database system in place this incessant rate of defaults could be curtailed,” a banker remarked.

The high rate of illiteracy in Ghana is also considered as an obstacle to a widespread credit card system. According to the bank officials it is difficult to convince people who have little formal education or no education at all to switch from the use of physical cash to electronic card. Even those who are fortunate to have very good formal education are ill-informed about the use of electronic card system for business transactions. People are used to handling physical cash throughout their life and some even consider having bulky cash in their pockets as a prestige. Moreover, people do not easily accept change. A banker remarked,

“The central bank tried to introduce e-Zwich card, a form of debit card, but because the education did not go down well with the Ghanaian people, a lot of people do not even know such a facility exist. It looks like the system has failed.”

#### What Needs To Be Done To Implement a Widespread Credit Card System

After determining the obstacles to the implementation of a widespread credit card system, it is imperative to find solutions to these problems. The action that needs to be taken as mentioned by the professional bankers interviewed include the need for collaboration between banks and the government through the Bank of Ghana, encouraging banks (given quota) to issue credit cards, expansion of internet infrastructure, central database system, publicity and education, point of sales terminals, implementation of citizen identification numbers and fixing the address system.

The Bank of Ghana cannot just talk about creating a cashless economy without taking any relevant actions to implement the idea. “They should walk the talk,” according to a banker. The Bank of Ghana which is the regulator of the banking system should create enabling environment to encourage all debit and credit cards issuing institutions in the country. There also should be a collaborative effort between Bank of Ghana and all the banks operating in Ghana, and the credit bureau to establish a centralized database system where all financial records could be traced to help fast track credit application processes and also reduce the current rate of default among consumers.

According to the bankers, for a widespread credit card system to be possible there is the need to have point of sale terminals or registers at every business location to avoid situations where debit or credit cards users would be found wanting. The e-Zwich cards, according the bankers did not work because most business centers did not have the device to accept the card.

The current infrastructural facilities in the country especially the internet facility do not encourage a widespread credit card system. A banker proposed that the National Communication Authority (NCA), the entity responsible for all communication systems in Ghana should bring all internet service providers within the country together as well as other investors who are interested to build a high speed broadband internet facility to enhance a speedy banking transaction.

According to a banker, for over a decade now, the central government has tried to implement the National Identification System but so far it looks like there is no headway to this noble idea. For a widespread credit card system to be possible the National Identification Authority (NIA), which is in charge of the implementation of the national identification, should

start with all earnest to make sure that everyone living in the country have a unique identification number within the shortest possible time. This, according to the bankers will go a long way to help the banks to reduce the risk involved with the rate of credit defaults.

According to the bankers, the street address system, which has been shelved for several decades, should as a matter of urgency be brought back to the drawing board for a speedy implementation process. Metropolitan, Municipal and District assemblies who are in charge of the street naming and address system under the local government system should involve all stakeholders for a successful modernized address system for effective planning and business activities, a banker proposed.

A widespread credit card system cannot be successful in Ghana without a massive publicity and education, the bankers argued. Credit card issuing companies should sell the product not only through television or radio advertisement but also through effective office to office and if possible house to house education of the credit card system. Retailers and other service providers should be well educated about the system since they are main pivot of a successful system. The failure of the e-Zwich according the bankers could also be attributed to the fact that most retailers and service providers as well as the general consumers did not receive enough education about it.

### Summary

The purpose of this chapter was to present the analysis and results of the study. The chapter focused on three main areas: the awareness of credit card system in Ghana, the general attitude towards credit card system, and reasons why the use of credit card is not widespread in Ghana and how a widespread use might be implemented. The analysis has shown that majority

of the 280 Ghanaian consumers (85%) interviewed had knowledge of the credit card system, however, only 4 consumers actually had credit cards. All those who reported to have credit cards were males and also had tertiary education. However, the percentages of consumers who were not likely to use credit cards in both primary and tertiary education were higher than those with secondary education. This is an indication that consumers with secondary education were the most likely group to use credit cards. Also the majority of those with no credit cards were males. Furthermore, as income level increases the number of consumers with no credit cards decreases.

Although a majority of the consumers interviewed did not have access to credit cards, nevertheless, 90% believed that a widespread credit card system will benefit the Ghanaian economy while 10% thought it would rather hurt the economy. A majority of 87.6% of respondents were likely to use credit cards with majority of them being bank account holders and males as well as private sector workers. Likely credit card consumers had positive attitude toward credit cards while majority of unlikely users had negative attitude toward it.

Out of the seven different banks interviewed, only one bank had actually started issuing credit cards to only those who actually have account with the bank and the rest were still at the planning stages. Banks in Ghana, according to the professional bankers interviewed, like their counterpart all over the world consider several factors before issuing credits to their customers and these include credit history, collateral security, annual or monthly income, and relationships that exist between the bank and the customer. Banks in Ghana, just like consumers, also had different perceptions toward the credit card system. The entire professional bankers that granted the interview had positive attitude and perceptions towards the credit card system. The Bankers explained that the lack of infrastructural facilities such as efficient internet, proper address

system and personal identification numbers, and centralized database system as some of the major obstacles to a widespread credit card implementation.

## CHAPTER V

### SUMMARY, FINDINGS, AND RECOMMENDATIONS

#### Summary

The role of credit cards in the global finance and credit system cannot be overemphasized. It is a convenient form of payment throughout much of the world giving consumers the opportunity to use electronic card instead of physical cash, allowing deferred payment for goods and services as well as serving as a medium of obtaining short term loans.

Since the idea of using credit cards to transact business was first introduced in the 1730, the system has metamorphosed through the era of Diner's Club in the 1940s, Bank Americard in the late 1950s and all the way to today's Visa Card, American Express, MasterCard, and many others across the globe. Many countries, especially the more economically developed ones such the United States of America, the United Kingdom, Germany, Canada, Japan and many others, have benefited immensely from using credit cards to transact businesses.

However, despite the fact that emerging economically developing countries such as China, Brazil and many others are taking advantage of the credit card system, Ghana is still lagging. As a result most of the Ghanaian people find it very difficult to access short term loans against the backdrop of rigid banks' requirements. Thus, people would have to save all their lives in order to purchase necessities of life. To others this will never materialize. Moreover, the people have to carry bulky cash across the country to transact business, which is breeding domestic as well as highway robbery among the populace.

Against this background, the objective of this research was to investigate why credit card system has not been implemented more broadly in Ghana, and how a broader use could be implemented.

Specifically, the objectives of this study were to

- 1) Investigate the advantages and disadvantages of the credit card system.
- 2) Determine the awareness of credit cards among the Ghanaian consumers.
- 3) Examine the perception of credit cards among the Ghanaian consumers and professional bankers.
- 4) Examine the obstacles to the implementation of credit cards in Ghana.
- 5) Identify what needs to be done to implement such a system and make recommendations for implementation

To answer the first objective of this study, the relevant literature on the advantages and disadvantages of credit cards was reviewed. To answer the rest of the objectives Accra Ghana was used as a case study. This was done by conducting a survey of 280 non-bank professional and purposive and quota consumer survey in Accra to answer the second and third objectives. Purposive and snowball interviews of professional bankers in Accra were also conducted to answer objectives three, four and five.

## Findings

The literature revealed that consumers as well as issuing companies benefit from the credit card system. The consumer benefits include the monetary advantage of gaining to time to pay back, the ease of accessing short term loan and the lack of stigma at the time borrowing, and loyalty awards. Issuing companies also gain from the fees charged such as default fee and



interest rate fee. However, several disadvantages of credit cards have been identified. These include increasing debts among consumers, and encouraging compulsive purchasing behavior.

In terms of awareness of credit cards among Ghanaian consumers, a majority of the 280 consumers (85%) interviewed had knowledge of the credit card system, however, only 4 consumers (1%) actually had credit cards. Demographically, all those who reported to have credit cards were males and also had tertiary education. Also, as income level increases the number of consumers with no credit cards decreases. Out of the seven different banks interviewed, only one bank had actually started issuing credit cards to only those who actually had account with the bank and the rest were still at the planning stages.

In terms of the likelihood of using credit cards or not, majority of 87.6% of respondents said they were likely to use credit cards. Demographically, majority of this group of consumers were males, bank account holders and private sector workers. The largest group of likely users was between the ages of 26 – 35 followed by those between the ages of 18 – 25, while respondents between the ages of 46 or older were the least group likely to use credit cards. Also the largest age category of respondents who were not likely to use credit cards were those between the ages of 46 or older while those between the ages of 26 – 35 maintained the least group of unlikely users. This confirms the findings of Ahmed, Amanullah and Hamid's (2009) study in Pakistan that those at age 35 or less were more likely to use credit cards than those at the age of 36 or older. However, the percentages of consumers who were not likely to use credit cards in both primary and tertiary education were higher than those with secondary education, indicating that consumers with secondary education were the most likely group to use credit cards. Also the majority of those with no credit cards were males. Furthermore, as income level increases the number of consumers with no credit cards decreases.

With regard to income level, consumers with the income level of GH¢ 1,001 – 2,000 were highest category of likely credit card users while those with GH¢ 2,001 – 3,000 were the least group.

The perceptions and attitudes of consumers towards credit cards in Ghana varied. Although the majority of the respondents did not have access to credit cards, nevertheless, 90% of them believed that a widespread credit card system would benefit the Ghanaian economy. Respondents explained that implementing a widespread credit card system would help to accessing short term loans, which similar to what Ahmed, Amanullah and Hamid (2009) found in Pakistan; reducing high rate of armed robbery across the country; speeding up business transactions and also enhance a speedy and efficient international trade. However, a minority of 10% of respondents believed credit cards would rather hurt the Ghanaian economy. They explained that a widespread credit card system would encourage compulsive buying due to the rate of illiteracy in the country, which supports Lo and Harvey (2009) argument on compulsive buying; increase individual debts and also increase fraud in the country. Likely credit card consumers had positive attitude toward credit cards while majority of unlikely users had negative attitude toward it. Ghanaian consumers with positive attitude towards credit cards explained that a widespread credit card system would enhance convenience, easy online transaction, defer of payment, access to more money in the wallet or purse and also it easy to carry. This is another confirmation of what Ahmed, Amanullah and Hamid's (2009) study in Pakistan. In contrast, those with negative attitude argued that the credit card system would encourage impulse buying, increase fraud, and also because of the current high interest rate. Banks in Ghana, just like consumers, also had different perceptions toward the credit card system. The professional bankers that granted the interview had positive attitude towards the credit card system. These

enabling customers to access credits easily and quickly as well, banks to expand their customer base, movement from cash base economy to electronic mode of transaction, reducing the cost of printing currency, and reducing cost and time of business transactions.

However, the infrastructure needed for widespread use of credit card system in the country was lacking. Among these were efficient internet facility, central database system, proper street address system, and proper individual identification system. These confirm the initial expected results of the major hindrances to a widespread credit card system. Other obstacles include inadequate public education about the credit card system as well as high rate of default.

The necessary action that needs to be taken in order to clear the aforementioned obstacles to a widespread credit card system as mentioned by the professional bankers interviewed include the need for collaboration between banks and the government through the Bank of Ghana, encouraging banks (given quota) to issue credit cards, expansion of internet infrastructure, central database system, publicity and education, point of sales terminals, implementation of citizen identification numbers and fixing the address system.

### Recommendations

The following recommendations are made to address the major obstacles to a widespread implementation of the credit card system.

1. Credit card issuing corporations should incorporate stakeholders, especially retailers, health care and hospitality industries, participation at the initial stages of the planning process. Industries such as retail trade and hospitality are the major players when it comes to implementation of the system. Thus, their inputs at the planning stage will

definitely help issuing companies to address some of the problems a widespread credit card system would face even before the actual implementation.

2. Once all stakeholders' inputs are incorporated into the implementation processes, public education, which according to the bankers interviewed was a major problem, could be approached easily. Throughout the interviewing process it was noticed that most of these major players did not even understand how the credit card system operates although they were aware of its existence. It would be difficult for retailers and other players to accept a system that they barely understand how it operates. Although radio and television adverts are good but they are not enough to help the general public to understand the system. Credit card issuing companies should buy air time of about 30 minutes to an hour on radio and television stations to educate or sensitize the public. They should also do intensive public education and awareness by going to homes, offices, retail shops and even market places where the people actually are to market and promote the product. This would help the general public to interact with the issuing companies by asking them questions to clarify bordering issues.
3. The issue of unique identification numbers for consumers is a major obstacle facing credit card issuing companies in Ghana. Although the National Identification Authority is still working on national identification system, this has taken a long time to complete. Moreover, no one even knows when this program would come to a reality. But before this is done, every eligible voter in Ghana has unique voter' identification number issued by the Electoral Commission of Ghana that they use to vote during election. Financial institutions should collaborate with the Electoral Commission of Ghana to use the existing voter's identification numbers.

4. Using the voters' identification numbers would help to solve the address system problem raised by the financial institutions. According to the Electoral Commission of Ghana, the voters' identification numbers are set up in such a way that a voter could be traced to a particular region, constituency and even polling station, and once you get to a particular polling station it is easier to locate the house number of the individual.
5. Once the voters' identification numbers are obtained from the Electoral Commission of Ghana, financial institutions instead of building individual database systems, should come together and collaborate with Bank of Ghana or the Credit Bureau to build a centralized database system. This would make it easier for financial institutions to track credit history and other information of individual consumers from a centralized system.
6. Before financial institutions jump into the wagon of credit card system they should make sure they have well trained technical expertise in place to enable them solve all the problems that might surface. One of the major problems that caused the failure of e-Zwich was the lack of technical expertise to solve the problems when they surfaced. Issuing companies should also make sure they have major infrastructures that would enable smooth operation of a widespread credit cards system in place. Facilities such as point-of-sale terminals or registers should be placed in every shop and sales points to enhance easy usage and acceptability of credit cards at every sales point.
7. One of the consumers' major concerns was high interest rates charged by banks. Issuing companies should charge lower interest rates of credit cards than other credit facilities to attract more consumers which ultimately would increase profits, which is the bottom-line, and increase their customer base as well.

## Further Research

This is a preliminary study on Credit Card System in Ghana. Although the current result offer some interesting findings on why the credit card system is still not widespread in Ghana, there is more room for further research to improve on this as well as other areas of this problem. Because of inadequate funding to do this study, the survey was conducted only in Accra. Although Accra is a primate city in Ghana and the results of the present study presents some sort of geographical balance, future studies could be conducted in all the regional capitals to reflect on the quality of regional balance and the Ghanaian consumer as a whole. The central bank, Bank of Ghana, could sponsor this kind of research to reach their goal of creating a cashless economy.

Another area is to examine the exact nature of consumers' perceptions and attitudes toward the credit card system vis-à-vis demographic differences. The present study only talks about positive and negative perceptions. It would be interesting to look into the demographic differences of these perceptions and attitudes.

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## Appendix A

Sample Tables for Individual Who Use/Do Not Use Credit Cards in Pakistan

Table 2.1: Sample characteristics

Part A: Individuals who do not use credit cards			
		No. of respondents	
Male		47	
Female		21	
Total		68	
Age	Concentration of sample	Intended to use credit cards	
		Yes	No
15-25	58.82%	21	19
26-35	29.41%	7	13
36-45	1.47%	1	0
46 and above	10.29%	1	6
Total	100%	30	38
Profession	Concentration of sample	Intended to use credit cards	
		Yes	No
Banker	16.18%	1	10
Engineer	19.12%	7	6
Doctor	4.41%	2	1
Lawyer	1.47%	1	0
Educationist	17.65%	4	8
Management	14.71%	4	6
Artist	1.47%	1	0
Others	25%	10	7
Total		30	38
Income		Income and intended to use credit cards	
Rs 5,000-20,000	66.18%	Sig (2-tailed)	0.931
Rs 21,000-35,000	17.65%	N	68
Rs 36,000-50,000	8.82%	Pearson correlation	-0.011
Rs 51,000-65,000	5.88%		
Rs 66,000 and above	1.47%		
Potential perceived problems in the use of credit card			
Lack of trust while making transaction	22.06%		
Unacceptability at retail outlet	20.59%		
High interest rate	26.47%		
Terms and conditions of banks	14.70%		
Technology linkage issues	16.18%		
Perceived uses of carrying credit card			
Additional credit line	12%		
Fashion statement	9%		
Secure as compare to other payments mode	26%		
Ease while shopping	29%		
Convenience	24%		
		Yes	No
Importance of adverts in compelling the decision to open credit card account		57.30%	42.70%
Importance of bank name and standing of bank in the market for credit card		70%	30%
Use of plastic money in the future as very promising		65%	35%

Table 2.2: Sample characteristics

Part B: Individuals who use credit cards						
						No. of respondents
Male						47
Female						19
Total						63
Age	Concentration	Main card	Supplement card		Avail reward points of sample	
			Yes	No	Yes	No
15-25		30.16%	14	5	9	10
26-35		42.86%	27	0	13	14
36-45		15.87%	10	0	6	4
46 and above		11.11%	6	1	2	5
Total		100%	57	6	30	33
Age	Convenient user		Revolver	One credit card		
15-25	19		11	8		
26-35	27		17	7		
36-45	10		4	9		
46 and above	7		3	4		
Total	63		35	28		
Profession	Concentration of sample					
Banker	26.98%					
Engineer	19.05%					
Doctor	3.71%					
Educationist	14.29%					
Management	26.98%					
Artist	9.52%					
Total	100%					
Income	Concentration		Income and avg transaction amt/month			
Rs 5,000-20,000	30.16%		Sig (2-tailed)		0.001	
Rs 21,000-35,000	23.81%		N		68	
Rs 36,000-50,000	11.11%		Pearson correlation		0.397	
Rs 51,000-65,000	20.63%					
Rs 66,000 and above	14.29%					
Motivation behind carrying multiple credit cards						
Better acceptability			17%			
To avail different offer			21%			
More credit line options			58%			
Fashion statement			4%			
Factors determine choice of credit cards						
Looks of the card			12%			
Co branding offer			3.0%			
Power by (Visa/Amex/Master)			22%			
Credit limit			32%			
Marketing campaign			7%			
Image of issuing bank			24%			

## Appendix B

### Interview Questions for Consumers in Accra

## Consumer Survey

1. Do you know about credit cards?  
\_\_\_\_\_ Yes \_\_\_\_\_ No

2. Do you have a credit card?  
\_\_\_\_\_ Yes \_\_\_\_\_ No

(If your answer to question 2 is "Yes," skip question 11, if "No" continue from question 8)

3. How many credit cards do you have in your name?  
\_\_\_\_\_ One \_\_\_\_\_ Two \_\_\_\_\_ Three \_\_\_\_\_ Four \_\_\_\_\_ Five or more

4. What do you use your credit card for? (Check all that apply)  
\_\_\_\_\_ Buy a car \_\_\_\_\_ Buy or Rent a house \_\_\_\_\_ Tuition and fees \_\_\_\_\_ Groceries  
\_\_\_\_\_ Clothes and other personal items \_\_\_\_\_ Convenience  
\_\_\_\_\_ Other Please Specify \_\_\_\_\_

5. What will discourage you from using a credit card?  
\_\_\_\_\_ High interest rate \_\_\_\_\_ Late payment fee \_\_\_\_\_ Fraud  
\_\_\_\_\_ Other Please specify \_\_\_\_\_

6. List three advantages of a credit card.  
a. \_\_\_\_\_  
b. \_\_\_\_\_  
c. \_\_\_\_\_

7. List three disadvantages of a credit card  
a. \_\_\_\_\_  
b. \_\_\_\_\_  
c. \_\_\_\_\_

8. Do you think a credit card system will help the Ghanaian economy?

\_\_\_\_\_ Yes \_\_\_\_\_ -No

Please explain \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

9. Do you have a bank account? \_\_\_\_\_ Yes \_\_\_\_\_ No

10. If "Yes" what type of account? \_\_\_\_\_ Savings \_\_\_\_\_ Checking  
\_\_\_\_\_ Both

11. How difficult is it for you to get a bank loan? \_\_\_ Very easy \_\_\_ Somewhat easy  
\_\_\_ Easy \_\_\_ Very difficult \_\_\_ Somewhat difficult  
\_\_\_ Difficult

12. Would you like to have a credit card? \_\_\_\_\_ Yes \_\_\_\_\_ No

Please explain \_\_\_\_\_  
\_\_\_\_\_

13. Do you think the level of bribery and corruption has any relationship with the lack of a credit card system?

\_\_\_\_\_ Yes \_\_\_\_\_ No

Please explain \_\_\_\_\_  
\_\_\_\_\_

14. What is your age? \_\_\_ 18-25 \_\_\_ 26-35 \_\_\_ 36-45 \_\_\_ 46 or older

15. What is your gender? \_\_\_\_\_ Male \_\_\_\_\_ Female

16. What region are you from? \_\_\_ Ashanti \_\_\_ Brong-Ahafo \_\_\_ Central \_\_\_ Eastern

\_\_\_ Greater Accra \_\_\_ Northern \_\_\_ Upper East \_\_\_ Upper West

\_\_\_ Volta \_\_\_ Western

17. What is your marital status? \_\_\_\_\_ Single \_\_\_\_\_ Married \_\_\_\_\_ Divorce

18. What is your level of education?  Primary  Secondary  Tertiary

19. What sector do you work for?  Public  Private

20. What is your occupation? \_\_\_\_\_

21. What is your monthly income?  500 -1000  1001 – 2000  2001 – 3000

3001 – 4000  4001 or above

22. What type of housing do you currently live in?  Own housing  
 Rental Housing  Student Housing  Parents home  Other

23. Do you have concerns about your financial situation?  Yes  
 No.

Please explain \_\_\_\_\_

\_\_\_\_\_



## Appendix C

### Interview Questions for Financial Institutions in Accra

## Financial Institutions Interview

1. What is your name? \_\_\_\_\_
2. What is your title? \_\_\_\_\_
3. What is the name of this institution? \_\_\_\_\_
4. How long have this institution been in existence? \_\_\_\_\_
5. Do you give credit to your customers? \_\_\_\_\_
6. If no, why? \_\_\_\_\_
7. If yes what type of credit? \_\_\_\_\_
8. What are the factors you consider when giving credit? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
9. How do your customers pay back their loans? \_\_\_\_\_  
\_\_\_\_\_
10. What percentage of the institution's income is given out as credit annually? \_\_\_\_\_
11. Do you think credit cards are important? \_\_\_\_\_
  - a. Please explain \_\_\_\_\_
12. Why do you think the credit card system is not widely used in Ghana? \_\_\_\_\_  
\_\_\_\_\_
13. What do you think needs to be done to make that possible? \_\_\_\_\_  
\_\_\_\_\_
14. Do you think the credit card system will help the economy? \_\_\_\_\_
15. If yes, how? \_\_\_\_\_

16. If no, why not? \_\_\_\_\_
17. Do you think issuing credit cards will increase your customer base? \_\_\_\_\_
18. Do you issue credit cards to your customers? \_\_\_\_\_
19. If yes, what type of credit card (Visa, MasterCard, etc)? \_\_\_\_\_
20. If no, does your institution intend to implement credit card facility? \_\_\_\_\_
21. If yes when do you intend to do that? \_\_\_\_\_
22. If no, why not? \_\_\_\_\_

## Appendix D

### HSIRB Approval Letter


# WESTERN MICHIGAN UNIVERSITY



Human Subjects Institutional Review Board

Date: March 18, 2013

To: Benjamin Ofori-Amoah, Principal Investigator  
Emmanuel Andoh, Student Investigator for thesis

From: Amy Naugle, Ph.D., Chair 

Re: HSIRB Project Number 13-03-16

This letter will serve as confirmation that your research project titled "Credit Card System in Ghana: An Investigation of Why Credit Cards are not widely Used in Ghana and How Widespread Use May be Implemented" has been **approved** under the **expedited** category of review by the Human Subjects Institutional Review Board. The conditions and duration of this approval are specified in the Policies of Western Michigan University. You may now begin to implement the research as described in the application.

Please note: This research may **only** be conducted exactly in the form it was approved. You must seek specific board approval for any changes in this project (e.g., ***you must request a post approval change to enroll subjects beyond the number stated in your application under "Number of subjects you want to complete the study."*** Failure to obtain approval for changes will result in a protocol deviation. In addition, if there are any unanticipated adverse reactions or unanticipated events associated with the conduct of this research, you should immediately suspend the project and contact the Chair of the HSIRB for consultation.

**Reapproval of the project is required if it extends beyond the termination date stated below.**

The Board wishes you success in the pursuit of your research goals.

**Approval Termination: March 18, 2014**

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