

Credit Card Services in Kingdom of Saudi Arabia

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Abstract

This research mainly aims at measuring the current usage of Credit Card services in Kingdom of Saudi Arabia. It is based on a real data collected directly from credit cardholders to reflect the barriers and obstacles that may limit the spread of this service among Saudis. The research uses statistical software (SPSS) to analyze the data and end up with recommendations to enhance the usage of the Credit Card services in KSA.

1. Introduction

The most important aspects of the changes in financial innovation have been the improvement in computer and telecommunications technology. When computer technology substantially lowered the cost of processing financial transactions, financial institutions conceived new financial products and instruments dependent on this technology. One of the famous financial innovations is a *Credit Card*. The *Credit Card* is a relatively recent method of payment that offers an alternative use to cash or check.

Credit cards have been around before World War II. Many big stores provide their customers with *credit cards* that allow them to make purchases at these stores without cash. Nationwide i.e. US, *credit cards* were not established until after World War II, when Diners club developed one to be used in restaurants all over the US and abroad. Similar *credit card* programs were started by American Express and Carte Blanche, but because of the high costs of operating these programs, cards were issued only to selected persons and businesses who could afford expensive purchases (Glenn G, 1962)

In the late 1960s, improved computer technology, which lowered the transaction costs for providing *credit card* services, made it more likely that bank *credit card* programs would be profitable. The banks tried to enter this business, and their efforts led to the creation of the two successful bank *credit card* programs: Bank Americard (originally started by the Bank of America but now an independent organization called Visa) and MasterCharge (now MasterCard, run by the Interbank Card Association). These programs have become phenomenally successful (Frederics S., 1998)

Consumers have benefited because *credit cards* are more widely accepted than checks when paying for purchases (particularly abroad), and they allow consumers to take out loans more easily.

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The research uses statistical software (SPSS) to analyze the data and end up with recommendations to enhance the usage of the Credit Card services in KSA.

2. Literature Review

The *credit cards* were firstly used in the early 50s by the major stores, but sooner it was recognized by the banks as potential profitable resources that the consumers are willing to pay high rates of interest in order to gain unsecured credit easily. The broad use began to appear in the late 60s. The profitability of banks began to improve over the years as the services developed and as *credit cards* are used more widely. Today, the number of issuers has increased giving the consumer a wide variety of plans and open choices. The topic of *credit cards* was subject to many discussions that the terms of *credit card* plans reveals some diversity that was neglected in public discussions (Glenn B, 1992).

Credit Card History

In the thirty years or so, credit card turned to be a recognizable financial tool to the majority of the American families. Seventy percent of all US families have at least one credit card compared with 50% in 1970. In 1990 purchases using the credit card service reached \$445 billion of goods and services that represents 13 percent of all consumer purchases compared with 10.8 percent in 1980. Consumer usually focuses on the annual fee, length of the grace period, the availability of desirable enhancements, and the level of the credit limit. Consumer deals with the credit card as a source of credit or debt instrument that credits reached \$60 billion by the end of 1980 representing 19 percent of all installment debt. This number was raised to more than \$240 billion that represents one third of all consumer installment debt (Glenn B & Charles A, 1992).

Types of Credit Card

There are two types of *credit cards*. A two-party card that provides sales credit for all purchases from the card issuer and a general-purpose card that provides a line of credit that a consumer can use to purchase products from any merchant who accepts the card. A cardholder can borrow up to a specific credit limit and repay on flexible terms. In addition, bank card holders are charged an annual fee independent of the frequency of card use or the amount borrowed. Most institutions issuing general-purpose *credit cards* belong to Visa and MasterCard systems, the two primary systems for settling interbank accounts. The holder of Visa card issued by one bank may make purchases from any retailer whose bank also belongs to Visa network. Individual card issuers, not Visa or MasterCard, determine the annual fee charged to cardholders as well as interest rate, the grace period, and other terms of credit. (Paul S, 1992), (Glenn B & Charles A, 1992), (Jean Charles, Michel Laroche and Helen Malette, 1988).

Users of Credit Card

Users of *credit cards* may be divided into two categories- convenience users and revolvers. Convenience users are those who usually pay off their balance in full during the interest-free grace period, avoiding finance charges. Revolvers are those who usually do not pay their balances in full and thereby incur finance charges (Glenn B & Charles A, 1992).

Credit Card's Functions

Credit card has two main functions: a means of payment and a source of credit. These two types of use are reflected by the consumer sensitivity to various aspects of *credit card* pricing. *Credit cards* have also become a source of identification and a convenient tool for reservations (Glenn B & Charles A, 1992).

Cost of Credit Card

The cost structure of *credit card* operations differs significantly from the cost structures of other types of bank lending. The degree of credit risk is a key feature that distinguishes *credit card* lending from most other bank lending. Credit extended through *credit cards*, unlike most other forms of bank credit, is unsecured but not all credit debt is unsecured. A secured *credit card* account is a relatively new product tailored to individuals who have low income or poor histories. Cost structures differ not only

across product lines, but also among credit issuers. The differences reflect among other card issuers, the scale of operations and the underlying level of credit risk the issuer is willing to accept. Concerning the interest rate inflexibility, there is a little apparent reason to believe that operating costs would move substantially in an offsetting direction to funding costs: however, some basis exists for thinking that the costs of bad debts might behave that way. That some types of operating expenses may move in counter-cyclical manner, particularly if costs associated with the servicing of accounts rise with delinquencies. Moreover, rates of response to *credit card* solicitations may fall when economic growth stalls, increasing the cost of acquiring new accounts as well (Glenn B & Charles A, 1992).

Previous Studies on Credit Cards

Credit card in Japan- a Borrower Be is an article issued in The Economist, April 27, 2001. It was stated that there is little revolving credit in Japan. Card issuers want to know how to bill the customer that borrowing money is considered shameful, admitting in front of a queue of strangers that you cannot afford to clear your balance can be painfully embarrassing (Credit cards in Japan, The Economist, 2001)

Japan credit-card industry has been held back for years by old habits, the use is small compared with the international standards. The purchases were of 8% in Japan compared with 14% in Europe and 21% in America. Card companies have also been hurt by their inflexible payment systems according to Paul Hwaton of Deutsche Securities. Few offer revolving-payment schemes that enable customers to spend money as long as they make minimum monthly repayments. Most card users end up paying their bills in full, that deprives card companies of the fat profits that consumer-loan rival make by charging customers interest rates of more than 20% on their loans (Credit cards in Japan, The Economist, 2001)

Card companies also suffer from poor marketing that although customers can collect points, they often get unappealing rewards, such as leftover goods from affiliated stores. Use of Internet has not benefited *credit card* companies as much as it has done elsewhere. Seven-Eleven Japan, the biggest chain, says that three quarters of Internet shoppers pick up and pay for their goods at stores, rather than use a *credit card* and have them delivered. Analysts predict that *credit card* use could grow by more than 10% a year, especially if new domestic and foreign firms continue to come into the market. These would ring their marketing and lending skills and they might even manage to introduce the concept of revolving payments (Credit cards in Japan, The Economist, 2001)

Switching Behaviors from *credit card* to cash payment among Ethnically Diverse Retail Customers is a study prepared by Moshe Handelsman and J. Michael Munson (Moshe & Munson, 1987). Study samples included Anglo-American, Chinese-American, and Hispanic-American in ethnicity, education and income along with two-way interactions as ethnicity-education, ethnicity-income and education income. The authors stated that the tendency to switch from *credit card* to cash payment is determined by the peoples' ethnic backgrounds.

Ethnic background also influences the method customers use to repay their credit balance. The study shows that 55.7% pay their monthly balance in full whereas 44.3% pay it in installments. Differences between Hispanic-American and the other two groups were found to be significant. Payment method was the dependant variable, and ethic background; income and education were independent variables. Education is the most powerful discriminator, among those who pay in full and those who pay in installments, followed by ethnic background. Installment payers are less educated including more Hispanic-Americans than from the other two ethnic origins. The study was limited to three samples. The methodology used might serve in the investigating consumers of other ethnic backgrounds (Moshe & Munson, 1987).

A Cross-cultural Comparison of Attitudes Towards and Usage of *Credit Card* was a study prepared by Jean-Charles Chebat, Michel Laroche and Helen Malette (Jean Charles, Michel Laroche and Helen Malette, 1988). The study begins with the user characteristics where there were three studies discussing this issue. The first one was prepared by Kinsey in 1981 where he provides information on the characteristics of *credit card* users without distinction as to bank and non-bank holders. The second

one was prepared by Martell and Fitts in 1981 that deals exclusively with bank *credit card* holders. The third was prepared by Bowers in 1979 that discusses the credit behavior of low-income cardholders.

Attitude towards *credit card* may influence purchase behavior and determine the usage patterns of *credit card* accounts. A questionnaire was prepared and completed by the study samples, of English and French nationalities concluded that the samples of Montreal and Toronto are reasonably representative of the population, with a bias towards males in both cities, and towards older respondents in Toronto. Census data for education and income were not available.

The English group, concerning the actual categories of *credit card* purchases, is more likely than the French one to use *credit cards* for each advance, outdoor clothing, sporting equipment, television, radio, stereo or tape equipment, photographic equipment, vacations and related expenses, and catalogue purchasing. The use of *credit cards* for purchasing various products and services may differ significantly between French and English consumers, especially among higher income consumers. This result contradicts the Socio-Economic Hypothesis of Lefrancois and Chatel (1966) which states that the consumption differences between French and English Canadians were essentially due to differences in socio economic status.

A number of behavioral and attitudinal differences between French and English Canadian consumers were identified, as well as the determinants of *credit card* usage frequency. It was also shown that these differences become more pronounced as income increases pointing in the direction of divergence instead of convergence of the behavior of the two groups. The results of this study therefore suggest that the different strategies be used in marketing *credit cards* towards the two sub-cultural groups (Jean Charles, Michel Laroche and Helen Malette, 1988)

History & Systems of Credit Card Service in Kingdom of Saudi Arabia

3.1. Credit Card Services in KSA

Historical Background

A Credit Card system is considered as a modern system of electronic banking. It is used for both company and individual financial transactions. One of the most important factors is that it precludes the need for an individual to carry and use cash. The growth in the use of credit cards within the kingdom of Saudi Arabia has grown rapidly in live with global expansion over the past two decades. This growth has been motivated by the increase in Saudis traveling outside the Kingdom and foreigners visiting the kingdom of Saudi Arabia.

The first credit cards used in KSA were American Express and Diner's Club credit cards (Ahmed, 1984). The American Express credit card was first issued by a local agency in Bahrain in 1976 and currently it is issued by the Saudi Investment Bank. This was followed by Diner's Saudi Arabia also issued by a local agency for the company in Saudi Arabia in 1976.

The Visa card service was first offered by the Cairo Saudi Bank through a contract with the Visa International Co. and first appeared in Jan. 1981. The service was performed by the Cairo Saudi Bank as the first Saudi bank offering such a service, in addition to the American Express Golden Credit Card Service that was offered through the American Express Office in Bahrain (Werr, 1984).

The Saudi French Bank in cooperation with the Green Card Co. Ltd. issued Visa card in 1984 with a 50% share for each party. The card was known as the green card for the Saudi French Bank. As per the resolution of the Saudi Arabian Monetary Agency (SAMA), banks are the only authority that may issue credit cards and may not enter in joint business with private sector companies. So, the proportion of the Green Card Co. was sold to the Saudi French Bank which became the sole owner.

The card issued by the Saudi French Bank is considered a debit card and it uses the electronic clearance system which performs an immediate payment from the account of the cardholder. In May 1984, the Saudi American Bank began issuing Visa credit cards. In May 1984, the Arabian Consumer Co., a local independent Saudi company for credit cards, executed a contract with Fin Corp. to have the right in issuing MasterCard in several Arab countries including Saudi Arabia. As per the content of this

contract, the Arabian Consumer would have the right to use the motto of the MasterCard and the clearance international system in these countries.

The credit card of the Arabian consumer was considered as the first Arabian credit card with the MasterCard motto that was issued in October 1984. The MasterCard license was transferred in 1987 to the National Commercial Bank which obtained the membership of Visa International Org.

Currently, all Saudi Banks use the credit card system and issue several types of cards such as Visa and both golden and silver MasterCard.

3.2. Credit Card System in KSA

Credit cards are issued by many sources such as the American Express Co. through the Bahrain office and Saudi banks such as the National Commercial Bank, Arab National Bank, Saudi American Bank, Saudi British Bank etc. In general, all banks follow the same regulations concerning the issuance conditions, that the banks require certain charges upon issuance and the annual renewal. Some banks require other conditions or opening an account, such as the transfer of the monthly salary to the customer's account. Some other banks require a minimum amount of salary. The Arab National Bank requires SR5.000 as a minimum amount of salary. Some banks retain a certain amount, which equals or exceeds the maximum limit permitted on the credit card. The Saudi American Bank requires SR300 upon the issuance of the golden Visa card and SR150 for the silver Visa card. The Saudi American Bank does not require special conditions such as having an account in the bank as required in the other banks. Usually credit cards are issued by Saudi banks in the local currency (Saudi Riyal), all expenses are charged to the Saudi riyal as per the exchange rate upon transaction registry whatever the exchange rate at the transaction execution.

Credit cards, issued by Saudi banks, are considered as payment cards more than credit cards and the customer shall not be offered any credit, but the holder shall pay all expenses arising within the card validity, not exceeding the permitted level or the available balance.

The banks send a monthly bank statement to the cardholder showing each individual operation performed and which currencies were used, name of merchant and country but the original or copies of invoices are not sent. The due amount is directly claimed by the bank by account deduction, if the due amount exceeds the balance, the customer shall pay the balance with interest on the payment period.

Cash withdrawal, using the credit card, the customer is given a PIN (personal identification number) which is used to withdrawal from the Visa electronic machines that spread worldwide. In the Kingdom, a customer may submit the credit card to any bank that deals with Visa Cards to obtain then amount of money according to the permitted limit.

Contracting the commercial establishments, banks execute contracts with commercial stores. Such contracts show the relationship, obligations and responsibilities of both parties along with the commission that is deducted by the bank from the store. The store shall not impose any additional fees on the credit card purchases and any transaction shall not be completed unless the credit card is checked. If the purchases exceed the permitted amount, the store shall have an authorization from the issuer prior to acceptance.

There are some banks that face bad debt problems because they do not check effectively the credit worthiness of their cardholder. Unless this process of credit worthiness is strictly applied, banks will impose more legislation, restrictions and difficulties in Card issuance.

3.3. Field Analytic Study Credit Card Service in KSA

This section discusses the current usage of Credit Card services. It follows an analytical field study performed in KSA and outlines the problems that prohibit the growth of the service.

This chapter consists of the following elements:

First: Nature of the field study.

Second: Data analysis of the field study.

First: Nature of the Field Study

1. Data Collection Method

Required study data was collected using one type of questionnaire addressed to credit cardholders in KSA containing 29 closed questions of given answers. The questionnaires were distributed and received by the researcher and bank staff volunteers.

2. Study Samples

500 questionnaires were distributed to cardholders in the eastern province of KSA. They were given to the customers of the Arab National Bank, the Saudi American bank, the Riyadh Bank and the National Commercial Bank. Some questionnaires were also given to employees of KFUPM, Saudi ARAMCO and SCECO.

3. Study Sent and Received Questionnaires

400 questionnaires were received out of the total of 500 questionnaires, a 80% response.

Distributed Questionnaires	500
Returned Questionnaires	400

4. Analysis Method of the Study Data

Data has been processed and analyzed manually with the support of the SPSS and Excel program.

5. Obstacles and Difficulties that Faced the Study Execution

The most common obstacles that I faced during the study execution were:

- The shortness of the period for the study execution.
- Insufficient time to cover all the study parts and benefit from all the available sources in data collection. The researcher has concentrated on the basic parts of the study.
- The limited available sources concerning people, finance and time.

Second: Data Analysis

The data has been analyzed according to study objectives and classification according to the following categories:

- A Credit card holders in KSA.
- B Credit cards issued in KSA and issuance problems.
- C Usage and obstacles of credit cards.
- D Expectations concerning the spread of the credit card service between individuals.

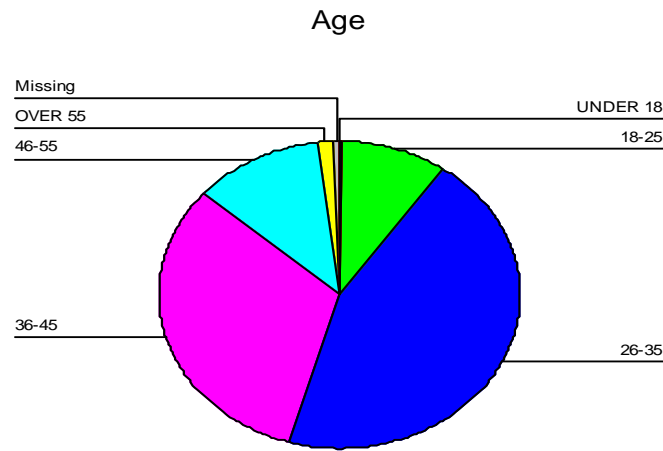
A. Credit Cardholders in KSA

Samples are analyzed as follows according to the data analysis of this category:

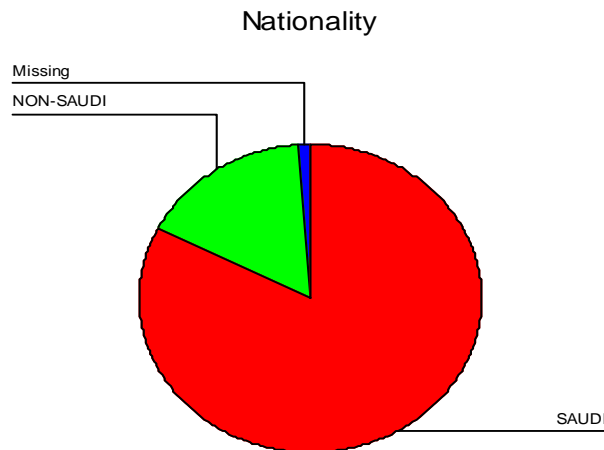
Statistics

		Age	Nationality	Martial Status	Sex	Occupation	Education	Income
N	Valid	398	396	398	398	396	399	396
	Missing	2	4	2	2	4	1	4
Mean		3.50	1.17	2.27	1.12	2.32	3.50	3.38

The above table shows the statistics of age, nationality, martial status of people, sex, occupation, education and income.

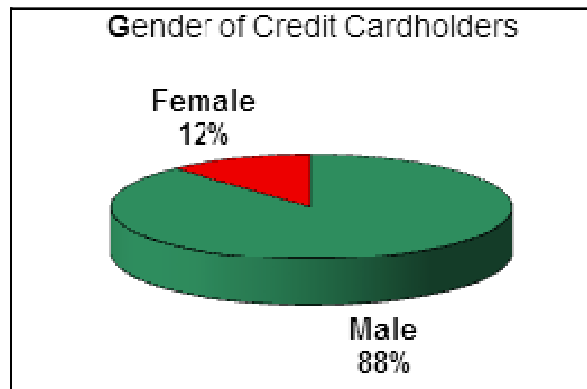


The above graph shows the difference between age groups of people who took part in the survey. Large number of people in the sample whose age is between 26-35 has credit cards. Then comes the age group of 36-45.

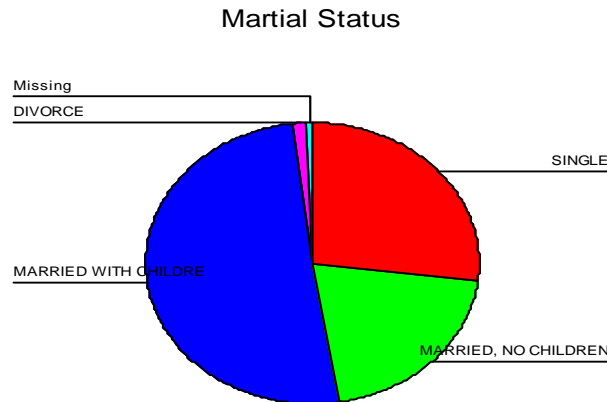


The above pie chart shows that the percentage of the Saudi cardholders is 85% whereas the percentage of foreign cardholders is 14% and 1% didn't answer the question.

The following pie chart shows the gender of credit cardholders in the Kingdom. This pie chart shows that the percentage of the male credit cardholders is 88. % whereas the percentage of the female credit cardholders is only 12%. This may be caused by the low percentage of female Saudi employees. In addition, most banks pay more attention to male than female customers. Usually they send their sales representatives to male work sites to promote Credit Cards and explain their benefits whereas it rarely occurs in female work sites.

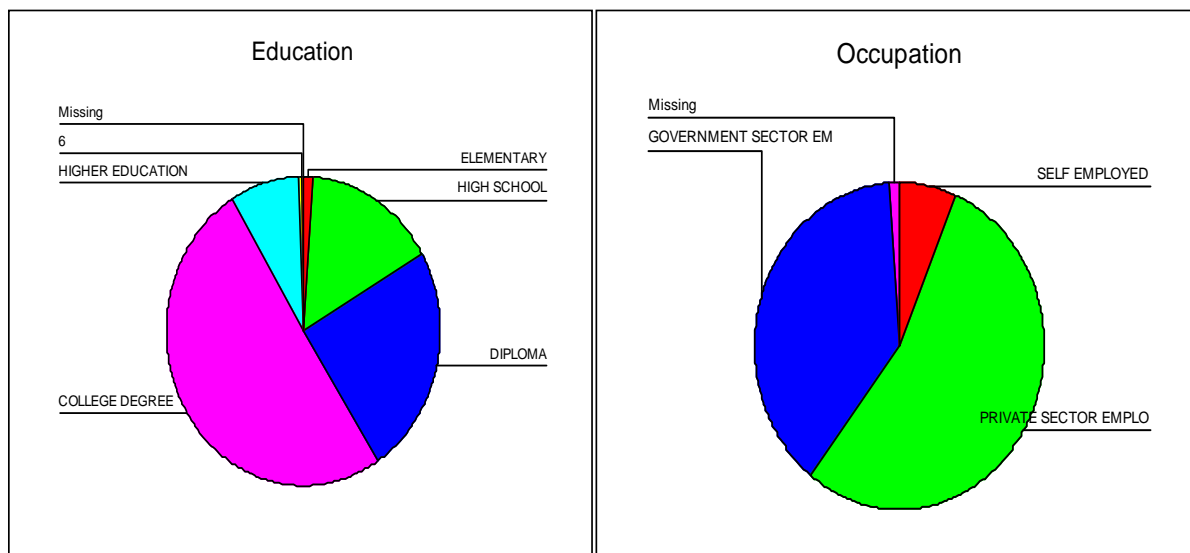


This chart shows the marital status of credit cardholders in the Kingdom:



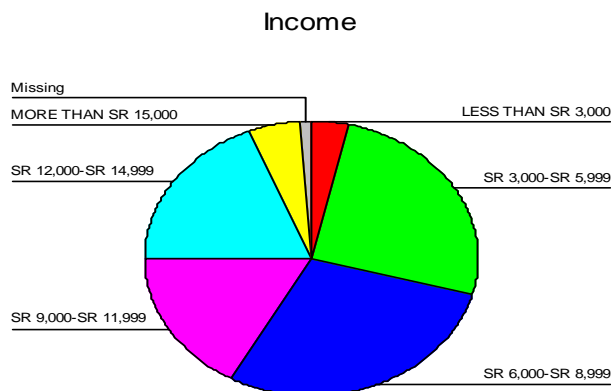
The chart shows that the highest percentage is of the families with children 42.3%. This indicates that the need for credit arises when a person has high financial obligations. According to the chart, we could say that as the number of the family members increases (high financial obligations), the need for credit also increase.

Concerning the educational level and occupation of credit cardholders questioned in the questionnaire were charted as follows:

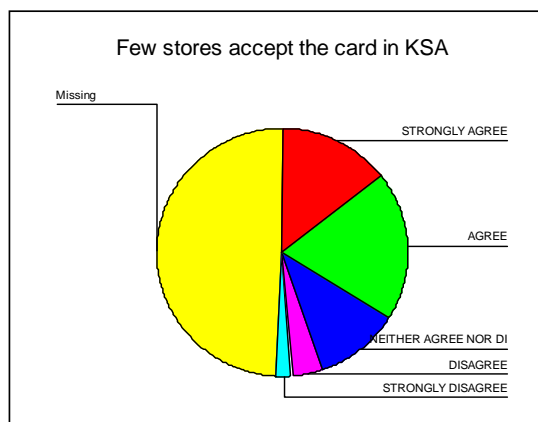
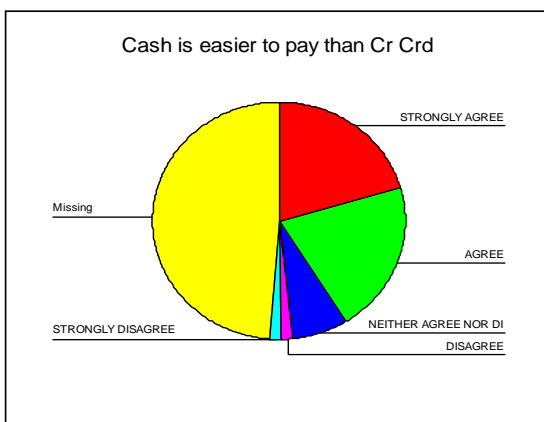


The chart shows that college degree holders represent the highest percentage 52.4 percent, followed by Diploma holders which represent around 22%. There is a big relationship between education and credit cardholders. The chart illustrates that the number of credit cardholders increases as the educational level increases. The elementary stage represents only 0.88%, secondary school represents 16.1, and the higher education with 8.6 percent. This relationship between education and credit cards may be referred to as the awareness of cardholders. Therefore the bank concentrates on issuing cards to certain educated categories. The second chart shows that, most credit cardholders are employed in the private sector with a percentage of 51.9, followed by the general sector with a percentage of 41.6%. This refers to the amount of the earned income and the awareness between the mentioned categories. On the other hand, the self-employed category is only 6.4%.

The monthly earnings (Income) of credit cardholders, that card issuance is concentrated on the categories that



Some Saudi banks require a minimum monthly salary for credit card issuance.



These above charts are self explanatory, so it is not difficult to understand them.

How easy to use the card

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VERY EASY	106	26.5	26.8	26.8
	EASY	232	58.0	58.6	85.4
	SOME WHAT DIFFICULT	39	9.8	9.8	95.2
	DIFFICULT	8	2.0	2.0	97.2
	VERY DIFFICULT	11	2.8	2.8	100.0
	Total	396	99.0	100.0	
Missing	System	4	1.0		
Total		400	100.0		

Procedure to get the card

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VERY COMPLICATED	28	7.0	7.1	7.1
	COMPLICATED	102	25.5	26.0	33.2
	EASY	202	50.5	51.5	84.7
	VERY EASY	58	14.5	14.8	99.5
	NOT APPLICABLE	2	.5	.5	100.0
	Total	392	98.0	100.0	
Missing	System	8	2.0		
Total		400	100.0		

The reason for the lack of usage of the card in the Kingdom may be as follow:

1. Cash payment is easier and quicker than credit card payment. The cause of that the store owners use several ways of procrastination and accepting no cards in purchasing transactions because of the shortage of card payment devices and insufficient awareness of the card payment method.
2. The customer usually bears high fees imposed by the bank Lack of stores using the card payment service. Even of the cards are widely used in KSA, stores that deal in such a system are relatively few.
3. Some stores refuse to accept credit cards in purchases of low amounts.
4. Dealing badly with cardholders.

Retailers ask for extra payment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VERY OFTEN	107	26.8	27.0	27.0
	OFTEN	107	26.8	27.0	54.0
	SOMETIMES	102	25.5	25.8	79.8
	RARELY	52	13.0	13.1	92.9
	NEVER	28	7.0	7.1	100.0
	Total	396	99.0	100.0	
Missing	System	4	1.0		
Total		400	100.0		

How often retailer reject to take card

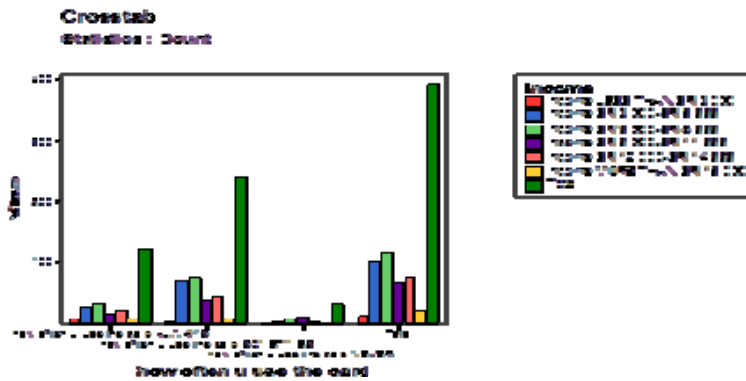
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VERY OFTEN	68	17.0	17.2	17.2
	OFTEN	74	18.5	18.7	35.9
	SOMETIMES	172	43.0	43.4	79.3
	RARELY	55	13.8	13.9	93.2
	NEVER	27	6.8	6.8	100.0
	Total	396	99.0	100.0	
Missing	System	4	1.0		
Total		400	100.0		

It is stated above that 27 % retailers ask extra payment on the original price if credit card has been used. And only 7 % never ask for extra payments in KSA. And also we can see that 18.7 % on the average retailers reject the credit cards when they were given card instead of cash, the answer they give is that they don't have a machine.

Crosstabulation Count

		how often u use the card			Total
		ALWAYS	SOMETIMES	NEVER	
Income	LESS THAN SR 3,000	9	3	1	13
	SR 3,000-SR 5,999	29	70	3	102
	SR 6,000-SR 8,999	33	73	9	115
	SR 9,000-SR 11,999	17	39	11	67
	SR 12,000-SR 14,999	23	46	5	74
	MORE THAN SR 15,000	10	9	2	21
Total		121	240	31	392

The analysis in the above table was done in Crosstabulation. The idea of this analysis depends on how does the usage of credit card, depends on the income of the people which they get every month.



Cross tab Count

		how often u use the card			Total
		ALWAYS	SOMETIMES	NEVER	
Nationality	SAUDI	115	183	30	328
	NON-SAUDI	5	58	1	64
Total		120	241	31	392

Cross tab Count

		how often u use the card			Total
		ALWAYS	SOMETIMES	NEVER	
Sex	MALE	116	202	29	347
	FEMALE	4	41	2	47
Total		120	243	31	394

Cross tab Count

		how often u use the card			Total
		ALWAYS	SOMETIMES	NEVER	
Occupation	SELF EMPLOYED	7	18		25
	PRIVATE SECTOR EMPLOYEE	94	111	9	214
	GOVERNMENT SECTOR EMPLOYEE	19	113	22	154
	Total	120	242	31	393

Cross tab Count

		how often u use the card			Total
		ALWAYS	SOMETIMES	NEVER	
Martial Status	SINGLE	9	92	5	106
	MARRIED, NO CHILDREN	34	46	2	82
	MARRIED WITH CHILDREN	76	100	24	200
	DIVORCE	1	5		6
Total		120	243	31	394

The above four Crosstabulation tables explain that does the usage of the credit cards depends on marital status, sex, occupation and nationality. From the results we can say that people who are married with children spend more through credit cards than others and private sector employees use (spend) more credit cards than government sector employees and Saudis use credit cards more frequently than non-Saudis.

Occupation * Number of Credit Cards Crosstabulation Count

		Number of Credit Cards						Total
		None	one	two	three	four	more than four	
Occupation	SELF EMPLOYED	2	11	7	1	4	1	26
	PRIVATE SECTOR EMPLOYEE	3	133	54	17	6	3	216
	GOVERNMENT SECTOR EMPLOYEE		84	53	10	6	1	154
Total		5	228	114	28	16	5	396

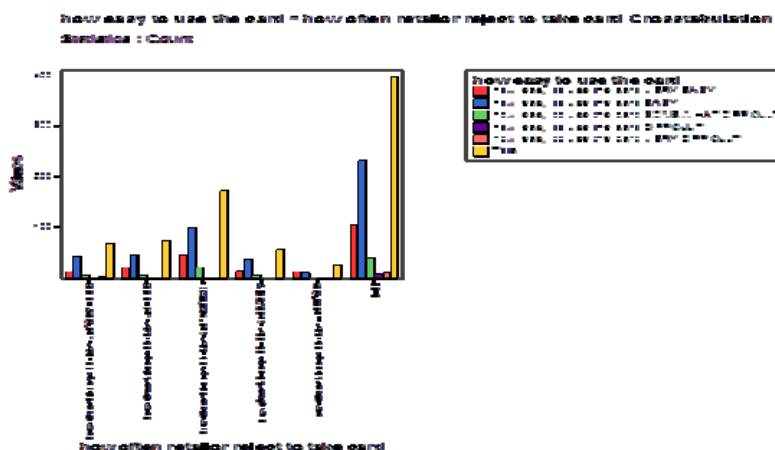
This shows the number of credit cards one owns and their relationship with their occupation.

How easy to use the card * how often retailer reject to take card Crosstabulation Count

		how often retailer reject to take card					Total
		VERY OFTEN	OFTEN	SOMETIMES	RARELY	NEVER	
how easy to use the card	VERY EASY	12	21	45	14	12	104
	EASY	43	45	98	36	10	232
	SOME WHAT DIFFICULT	7	6	21	5		39
	DIFFICULT	2	1	3		2	8
	VERY DIFFICULT	4	1	3		3	11
Total		68	74	170	55	27	394

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	29.542	16	.021
Likelihood Ratio	29.993	16	.018
Linear-by-Linear Association	1.588	1	.208
N of Valid Cases	394		



The above analysis is about the easiness of using the credit card and how often the retailer rejects to take the card. The above analysis is also valid and the model is good because the significance value associated with the Chi- Square, which is 0.021 is less than 0.05.

Descriptives

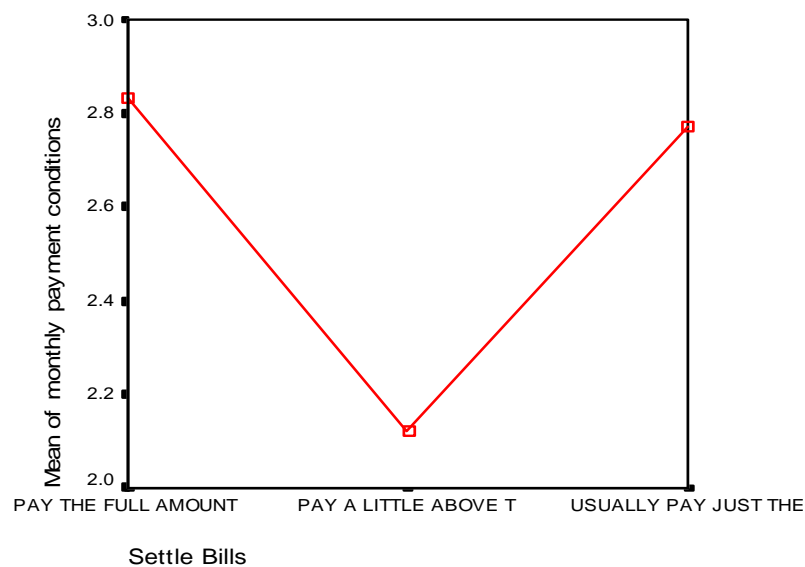
Monthly payment conditions

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
PAY THE FULL AMOUNT EVERY MONTH	203	2.83	1.12	7.88E-02	2.68	2.99	1	5
PAY A LITTLE ABOVE THE MINIMUM MONTHLY AMOUNT	139	2.12	1.02	8.63E-02	1.95	2.29	1	5
USUALLY PAY JUST THE MINIMUM MONTHLY AMOUNT	48	2.77	1.28	.18	2.40	3.14	1	5
Total	390	2.57	1.15	5.84E-02	2.46	2.69	1	5

ANOVA

Monthly payment conditions

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	43.784	2	21.892	17.885	.000
Within Groups	473.705	387	1.224		
Total	517.490	389			



The above analysis is about the monthly payment conditions. We will pay more concentration on the F-value because the value here is 17.88, which too high. This shows more differences in means. And the significance value associated with the F-value, which is 0.00, which is less than 0.05, so we reject the non-hypothesis. i.e. means are not equal.

Correlations

		how often u use the card	how easy to use the card
how often u use the card	Pearson Correlation	1.000	.073
	Sig. (2-tailed)	.	.146
	N	396	396
how easy to use the card	Pearson Correlation	.073	1.000
	Sig. (2-tailed)	.146	.
	N	396	396

Correlations

		Work or Study before outside KSA	Card received from
Work or Study before outside KSA	Pearson Correlation	1.000	-.077
	Sig. (2-tailed)	.	.125
	N	400	396
Card received from	Pearson Correlation	-.077	1.000
	Sig. (2-tailed)	.125	.
	N	396	396

Correlations

		Fees vs Benefits	renew the card when it expires
Fees vs Benefits	Pearson Correlation	1.000	.052
	Sig. (2-tailed)	.	.301
	N	397	396
renew the card when it expires	Pearson Correlation	.052	1.000
	Sig. (2-tailed)	.301	.
	N	396	398

These are all valid because the Sig. Level is above 0.05. The above correlations are about six variables which are fees and benefits of the card and renew the card when it expires, also work or study before outside KSA and card received from, and how often you use the card and how easy to use the card.

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
how often u use the card * Overall	Between Groups	(Combined)	2.213	4	.553	1.665	.157
	Within Groups)	128.580	387	.332		
	Total		130.793	391			

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
how easy to use the card * Overall	Between Groups	(Combined)	3.133	4	.783	1.139	.338
	Within Groups		266.041	387	.687		
	Total		269.173	391			

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
Number of Credit Cards * Occupation	Between Groups	(Combined)	3.083	2	1.542	1.925	.147
	Within Groups		314.823	393	.801		
	Total		317.907	395			

The above three ANOVA tables (analysis of variance) are all valid and the model is good because the F-value of all the tables are small that means that there is not much difference in means and also the Significance level is above 0.05. So the model is good. Means are equal.

Regression ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	92.506	2	46.253	48.944	.000
	Residual	370.446	392	.945		
	Total	462.952	394			

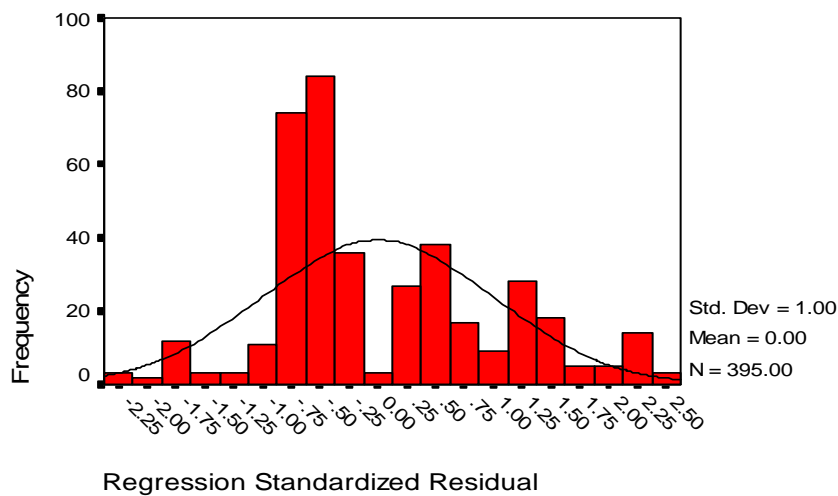
Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.741	.175		4.240	.000
	Quality difference of cards	.145	.063	.105	2.296	.022
	All banks offer same credit card	.391	.043	.419	9.173	.000

This regression is done between the variables which are quality difference of cards and all banks offer the same card. This model is good because the significance value associated with the F-value is less than 0.05. And also the Significance value associated with the t-value is less than 0.05. So this means that the regression coefficient is different from zero.

Histogram

Dependent Variable: All cards r the same



Using Cards in KSA

1. Preferring cards to cash in dealing outside the kingdom to avoid theft which is not mentioned in studying the dealings within the Kingdom.
2. Easy dealings with the credit card which is widely accepted.
3. Easiness in issuing new credit cards in case of loss or theft. This encourages credit cardholders to use the card more than cash.
4. Spread of ATM machines where cash is available whenever it is required.
5. Flexibility in paying invoices, the cardholder may pay the amounts in installments.

Regression

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.320	.102	.090	.90

ANOVA

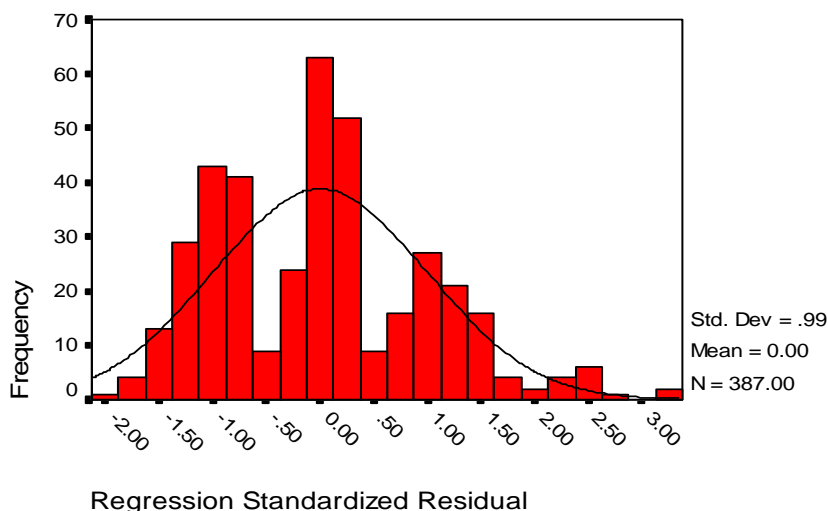
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.952	5	6.990	8.667	.000
	Residual	307.301	381	.807		
	Total	342.253	386			

Coefficients

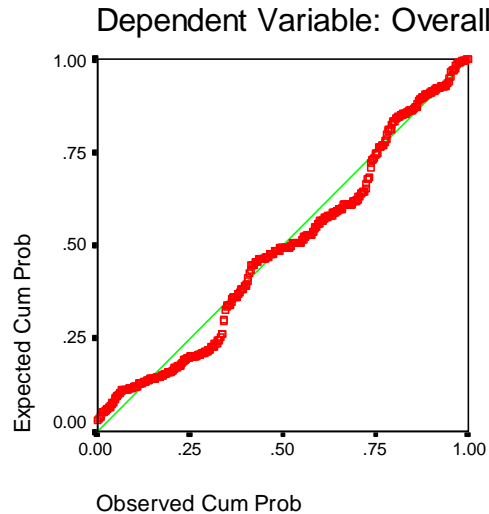
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.262	.215		5.879	.000
	service charges	-1.657E-02	.031	-.026	-.530	.596
	Credit limit	6.752E-02	.052	.070	1.290	.198
	Acceptability in KSA	4.939E-02	.061	.044	.810	.419
	International Acceptability	3.445E-02	.054	.032	.638	.524
	Security	.268	.048	.280	5.633	.000

Histogram

Dependent Variable: Overall



Normal P-P Plot of Regression Standardized Residual



This regression is done between the variables, which are service charges, security, credit limit, and acceptability of the card internationally and in KSA. This model is good because the significance value associated with the F-value is less than 0.05. But the regression coefficient is not different from zero except security.

2.4. Recommendations Submitted by the Cardholders

1. Introduction of all types of cards used worldwide to increase the competition between the issuers.
2. Reducing the fees for card issuance depending on the current account of the client (required salary).
3. Persuade the majority of hotels, shopping centers and other services to accept credit cards.
4. Reducing the exchange rate of the dollar against SR upon card usage abroad because the high rate encourages paying in cash instead of using the card.
5. Reducing issuance and renewal fees for the card in K.S.A.
6. Facilitating the paying of bills. It is preferred to inform the client about the due bills before deducting from his account and sending promptly a copy of bills.
7. Decreasing the conditions for the getting a card and issuing the card which is dependent upon client income.
8. Increase the mutual trust between banks and customers for getting credit.
9. Encourage using the card by offering discounts and other benefits.
10. Increase the number of (ATM machines) especially in markets and similar places.
11. Spreading the usage of the card in all transactions, such as fuel, workshops and similar places.
12. Preventing traders from increasing prices upon card usage.
13. Acceptance of the card in addition to cheques among the traders.
14. Accepting the card for paying electricity, water, telephone bills and others.

3.1. Results and Recommendations

I. Study Results

3.1.1. The Results Related to Users of Credit Cards in Kingdom

1. The study refers to credit cardholders. It reveals that the middle age group (26-35 year olds) hold the highest percentage which decreases when old age is reached.
2. Credit card holders are characterized by high level of education. University education and higher education are a higher percentage than intermediate education.

3. **Most of the cardholders in the Kingdom are working in private and governmental sectors while the minority of cardholders work in other jobs. (e.g.: Students and Workers).**
4. **Most of the cardholders in the Kingdom are characterized by high-income level (including high and moderate income) while the number of cardholders decrease with decreased income.**
5. **Most of the cardholders in the Kingdom spent part of their lives outside the Kingdom especially in USA and Europe studying or working.**
6. **Master card and Visa are the highest percentage of commonly used cards in the Kingdom.**
7. **The percentage of banks issuing credit cards inside the Kingdom exceed those outside the Kingdom.**
8. **Most of the people in the Kingdom claim to have a credit card to use mainly when traveling abroad.**
9. **The bank issuing credit cards outside the kingdom face negligible problems while the Kingdom's banks face many problems: -**
 - a) **Complicated and long routine processes.**
 - b) **Long time between the application and getting the card.**
 - c) **The high insurance amount to be reserved.**
10. **Low awareness of the people about credit cards and its importance due to lack of information available for the people and insufficient marketing by the bank.**
11. **Most of cardholders are not using their cards inside the Kingdom.**

There are many reasons for this:

 - a) **Paying in cash in the Kingdom is easier and faster than the card.**
 - b) **Traders in the Kingdom increase the price for the goods bought with the card.**
 - c) **Low acceptance of the card among the shops in the Kingdom.**
 - d) **Some traders refuse to accept the card for small amounts.**
 - e) **Few cash machine when the cardholder needs cash.**
12. **Most of cardholders in the Kingdom use their card outside the Kingdom for many reasons.**
 - a) **Preferring to carry the card instead of cash to avoid theft.**
 - b) **The wide acceptance of card outside the Kingdom.**
 - c) **Presence of a high number of machines outside the Kingdom where the user could withdraw cash.**
13. **The bills of card holders are paid easily because the deduction is done from the account directly which is comfortable for some card holders after a suitable interval.**
14. **Growth and spread of the card in Kingdom increases year by year.**
15. **Most of cardholders renew their cards upon expiration.**

3.1.2. Results Related to the Bank Issuing the Credit Card in the Kingdom

1. **Saudi banks concentrate on certain categories for issuing the card where some conditions are available (high income and education).**
2. **Saudi banks concentrate on dealing with big and medium shops disregarding the small ones.**
3. **Loss of mutual trust between the parties dealing with credit cards in the Kingdom.**
4. **In spite of the effort made by some Saudi Banks , they still do not fulfill their role regarding awareness of Saudi culture about the credit card.**
5. **Some local banks are facing problems in payment by some card holders who abuse the card due to absence of sharp laws to regulate this process.**
6. **There is a lot of difficulty facing credit card requesters.**
7. **High fees for issuing and renewing of the card in the Kingdom.**
8. **Difficulty and complexity of means of communication between shops accepting cards and the issuing the bank.**
9. **Some banks which issue credit cards in the Kingdom do not supply the service associated with the credit cards. (e.g.: electronic instruments, quick transactions, fast collections).**

3.2. Recommendations and Suggestions

According to the study we would like to introduce some recommendations and suggestions which we hope will improve and develop the use of credit cards in Kingdom.

1. Departments like the Saudi Arabian Monetary Agency (SAMA) should release laws to control using credit cards in the Kingdom to eliminate the big loss resulting from card abuse.
2. Increase the trust between different parties.
3. Using the media to increase the awareness of the population of the credit card and its importance.
4. Widen and facilitate these processes to get credit cards for different categories and give each client a suitable credit limit.
5. Reduction of conditions and guarantees for issuing credit cards.
6. Charging a percentage of profit on the amount which has not been paid yet which encourages some customers to use the card as a credit tool.
7. Reduction of issuing and renewing the fee of the card which will increase the number of cards and so reduce the cost of issuing the cards.
8. Issuing of special cards for college students which matches their income.
9. Offering some incentive or discount to encourage the use of the card.
10. Give card holders facilities which match Saudi culture.
11. Improvement to the service related to credit cards, (e.g. Cash machines).
12. Enlarge the base of the shops dealing with cards to include different services, (e.g.: Petrol Station, Workshops, Hospitals and others and accepting of card in paying for electricity, water and telephone bill).
13. Introduce more guarantees for repaying shops dealing with card and give them some advantages like reduction of commission when the sales reach a certain level or make advertising for shops dealing with cards to encourage them accept cards.
14. Providing the trader with electronic tools which enable him to check the validity and get permission from the bank center quickly and easily.
15. Increase follow up and awareness for the trader about dealing with cards through holding lectures where the trader is invited or through a brochure of a bank.
16. Facilitate repaying processes for bills resulting from using the card through installments or giving the customer more chance and time to pay.
17. Increase the range of card acceptance to include small shops throughout the Kingdom.
18. Improve the service of traders, (e.g. rapid collection of their bills and supplying them with equipment for card usage).
19. The bank issuing the card should control the traders and prevent them from increasing the price of goods sold on credit.

Conclusion

The research has shown that Credit Card service in KSA makes some progress so far, but the existence of some obstacles may hinder its spread among Saudis. For instance, High fees, long procedure to obtain the card besides many other obstacles made many people select not to use the credit card until new improvements to the current system take place. However, Banks have to offer facilities to encourage Saudis to shift from cash society to cashless society exactly like the rest of the world.

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