
ANALYZING FACTORS THAT DRIVE THE CUSTOMER PREFERENCE IN USING CREDIT CARD. CASE STUDY OF BANKS IN MANADO

ANALISA FAKTOR YANG MENDORONG PREFERENSI NASABAH DALAM MENGGUNAKAN KARTU KREDIT. SEMUA BANK DI MANADO.

Devid E. Dinar¹, David. P. E. Saerang², Willem Tumbuan³

1,2,3International Business Administration (IBA) Program, Economics and Business Faculty, Sam Ratulangi University, Manado, 95115, Indonesia

E-mail: ¹eukaristimanoppo@gmail.com

ABSTRACT

The banking sector has flourish in Indonesia with a hopeful prospect. Banks and other financial organization are in massive competition to provide better service to their customer. The breakthrough was made by the banking sector is credit card. Credit card is a plastic card mostly known as plastic money that bears an account number assigned to a cardholder with a credit limit used to purchased goods and pay for service. A credit card increases purchasing power, eases the transaction process, allows for obtaining credit facility available. This research is design to identify the factors that drive the customer preference in using credit card. The type of this research confirmatory research. The method used to analyze the data is the confirmatory analysis factor. There are 20 items in this research that determine for questionnaire and to find the factors. The result of this research found there are 5 items that had no high correlation with other items. Those there five items was not valid, because the value of 5 items below 0.5. This research findings 5 factors from 15 variables, those are: discount, promotion, reputation, service quality, convenience service, low interest rate, media awareness, cash advance, customer service, security, communicating information, responsiveness, accessibility, purchase protection, insurance.

Keywords: customer preference credit card

ABSTRAK

Sektor perbankan telah berkembang di Indonesia dengan prospek yang memiliki harapan. Bank dan organisasi keuangan lainnya berada dalam persaingan besar untuk memberikan pelayanan yang lebih baik kepada nasabah. Terobosan yang di buat di sector perbankan adalah kartu kredit. Kartu kredit adalah kartu plastik yang sebagian besar dikenal dengan uang plastik yang dikenakan nomor rekening dengan limit kredit diberikan kepada pemegang kartu untuk pembelian dan membayar layanan. Sebuah kartu kredit yang meningkatkan daya beli, memudahkan proses transaksi, memperoleh fasilitas transaksi melalui kartu kredit. Penelitian ini adalah desain untuk mengidentifikasi faktor-faktor yang mendorong preferensi nasabah dalam menggunakan kartu kredit. Metode yang digunakan adalah konfirmatori analisa faktor. Ada 20 item dalam penelitian ini yang menentukan untuk kuesioner dan faktor-faktor. Hasil penelitian ini di temukan ada 5 item yang tidak memiliki korelasi yang tinggi atau tidak valid karena nilai 5 item dibawah 0,5. Dan adapun ditemukan 5 faktor baru dari 15 variabel, yaitu: diskon, promosi, reputasi, kualitas layanan, kenyamanan, tingkat suku bunga rendah, kesadaran menggunakan media, uang tunai, layanan nasabah, keamanan, komunikasi informasi, reaksi cepat, aksesibilitas, perlindungan bertransaksi, asuransi.

Kata Kunci: preferensi nasabah kartu kredit

1. INTRODUCTION

Research Background

The banking sector has flourished in Indonesia with a hopeful prospect. Banks and other financial organizations are in a massive competition to provide better service to their customers. Modern banking facilities are introducing by the banks to make the financial facilities convenient and available for twenty four hours. The breakthrough was made by the banking sector is credit card. Credit card facility is such an introduction. Credit card is an electronic based plastic card mostly known as plastic money that bears an account number assigned to a cardholder with a credit limit used to purchase goods and pay for services. The card holder repays the money later within specific time. It is convenient to carry a plastic card rather than to carry bundles of cash. It also helps lowering the risks of losing money, usually issued for a year with renewal facility available.

A credit card increases purchasing power, eases the transaction process, and allows for obtaining credit facility for a definite period. Bank Indonesia as the authorities that regulate the payment system in Indonesia has launched the Grand Design to increase use of non-cash payments, or often called toward a Less Cash Society (LC S). The development of payment transactions towards Less Cash Society is the direction of change that can't be avoided. Transactions with the physical payment of money already being replaced by non-cash payment system. With the advantage gained 3 state through reduction of transaction costs, expected the trend towards changes on cash transactions to the non-cash transactions. Less cash society can be defined as the culture or growing trend in society to perform payment transactions using non-cash payment media.

Bank Indonesia noted that there have been twenty two credit card issuers comprising twenty two banks and two non-bank institution. ATM card issuers, there were 50 publishers. Meanwhile, already there are 56 pieces of debit card-issuing bank. While there are 17 publishers of electronic money issuer, which consists of nine bank and eight non-bank institutions.

Development of non cash payment system instruments based electronic cards in Indonesia has great potential this can be evidenced by the number of outstanding credit cards in Indonesia. Based on data from Bank Indonesia, there were 9.1 million credit cards in circulation in 2007 and 14.8 million credit cards in circulation in 2012 (bi.co.id 2012) and can be seen from the increase in transactions by using APMK (Alat pembayaran menggunakan kartu/means of payment in using card) credit cards, ATM, debit cards and e-money is very significant in recent years, their ease of use and development of technology, trends and demands of the public to transact using an instrument that is more efficient and secure, as well as some of the advantages of an electronic payment instrument compared with the use of money cash has prompted Bank Indonesia to be more inclined to seek the creation of a non cash society.

Research Objectives

1. To identify the factors that drive the customer preference in using credit card..

Theoretical Framework

Banks

Frederic S Miskhin (2007) Bank is a financial institution that accepts deposit and make loan. In terminology, the bank is a company such as commercial banks, savings and loan associations, mutual savings banks and credit cooperatives. The bank is a financial intermediary where the average by people often interact. Bank is the largest financial institution such as insurance, finance companies, pension funds, mutual funds, and investment banks.

Credit Card

Celil and Nuri (2014) a credit card is a payment card issued to users as a system of payment. It allows the cardholder to pay for goods and services based on the holder's promise to pay for them. The issuer of the card creates a revolving account and grants a line of credit to consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user.

Consumer Behavior

Solomon (2013) stated that the field of consumer behavior covers a lot of ground: It is the study of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires. Consumer behavior is a process. In its early stages of development, researchers referred to the field as buyer behavior; this reflected an emphasis on the interaction between consumers and producers at the time of purchase.

Discount

Discount is a straight reduction in price on purchases during a stated period of time or of larger quality. Discount include a cash discount, a price reduction to buyers who pay their bill promptly (Kotler and Armstrong 2012)

Reward

Rewards credit card usually means a credit card which gives you a cash back, rebate, or reward points which the card owner may use in buying certain services and goods by using the reward they get from their credit cards. Card holders can easily, even without them knowing it sometimes, earn rewards points from almost all the goods and services that they me purchase or avail (Shakti Singh 2010)

Promotion

Promotion is aspect of the marketing mix concern with the most effective techniques for communicating information about product. The most important promotional tools include

advertising, personal selling, sales promotions, publicity/public relations, and direct or interactive marketing (Ronald and Ricky 2013)

Reputation

Reputation plays a part of the role in credit card selection whereas the major factors attracting clients to banks are credentials, financial reputation and service offered by them (Wilson R 2011)

Flexibility

flexibility as increasing the range of product available, increasing a firm's ability to respond quickly, and achieving good performance over the range of product produce. (Upton, D 1995)

Service Quality

Service quality is measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customer "expectation on a consistent basis". (Lewis and Booms 1983),

Convenience Service

Convenience Service is inexpensive good or service purchased and consumed rapidly and regularly Ronald and Ricky (2013)

Low Interest Rate

Low interest rate at which member banks can borrow money from the fed. The fed wants to reduce the money supply, it increase the discount rate, making it more expensive for banks to borrow money and less attractive for them to loan it conversely low rate encourage borrowing and lending and expand the money supply (Ronald and Ricky 2013)

Media Awareness

Media is prime system of mass communicating, which includes radio, television, and newspaper regarded collectively. On the other hand, advertising is mass media content intended for promoting a purpose among the audience, including readers, viewers, listeners to engage with the products service and ideas Ismail S et al (2009)

Cash Advance

Cash advance are short-term loans that you are able to take againts your credit card, up to a certain amount. But unlike when you make a purchase with the card which is also a short-term loan you're taking the loan in the form of cash. This can be accomplished by going to an ATM or a bank, where you'll your credit card (rather than your debit card) to get the cash (Lindsay Konsko 2014)

Customer Service

Customer service is perhaps the most important dimension of banking while most public sector banks offer the same range of service with similar technology, the level of customer service matters the most in bringing in more business (Supreet and Sakshi 2015)

Security

Show, consumers may appreciate the anonymity of cash for privacy reasons, or because using debit or credit cards may increase their exposure to fraudulent activities, including the unauthorized use of a lost or stolen card. When such fraud occurs, consumers are usually protected by liability agreements. However, the effects of fraud can be extensive (Kahn et al 2005)

Communicating Information

Communications everything is important, words as well as images, but else the choice of the features of each brand. More than ever, every brand needs to build a communication environment that fits its identify and allows it to improve a personalized dialogue with customer and prospect (Malcorps 2013)

Responsiveness

The fast and efficient service, friendly and helpful staff and reputation of the bank are important factors in the selection of a bank. Some customer were found to be sensitive to the core services offered, some were conscious of every aspect of their banks and some others would shop around for the best deal (Mokhlis 2009)

Accessibilty

Accessibility is the size of the easiness covering the time, the cost, and effort in doing a move between places or region of a system. One of the variable that can be tasted wether accessibility level is high or low can be seen from the number of the system network available in the area (Maghribi 1999)

Purchase protection

Credit card are a great way to shop conveniently and securely. In addition, many cards also offer a variety of purchase protection policies that can be very valuable. Unfortunately, most credit card users are hardly aware of these protections, and those who do rarely take advantage of them. Here are some of the purchase protection polices available from some of the major card issuers (Jason Steele 2014)

Low Annual Fee

Credit card annual fee is a fee automatically charged once a year to your credit card account for convenience of the credit card. Low rate credit card is that, as you'd expect, the annual interest rate is lower than those on standard credit card and on 0% credit cards, once the interest free period has ended (Latoya Irby 2016)

Insurance

Most credit cards automatically come with a plethora of consumer protections that people don't even realize they have, such as rental car insurance, travel insurance and product warranties that may exceed the manufacturer's warranty (Amy Fontinelle 2016)

High Maximum Limit

Credit card come with a credit limit the maximum amount customer's can charge without penalty. But, credit card issuers don't intend for customer to max out customer's credit card by using whole credit card limit. In fact, bad things can happen when customer credit card balance, approaches or even exceeds customer credit limit (Latoya Irby 2016)

Long Grace Period

A grace period is the time between the end of a billing cycle and the day your payment is due. During this time, no interest accrues to your outstanding balance so long as you pay the balance off in full by due date. (Danielle Corcione 2016)

2. RESEARCH METHOD**Type of Research**

This research used quantitative method that formed from the respondents responses by a questionnaire.

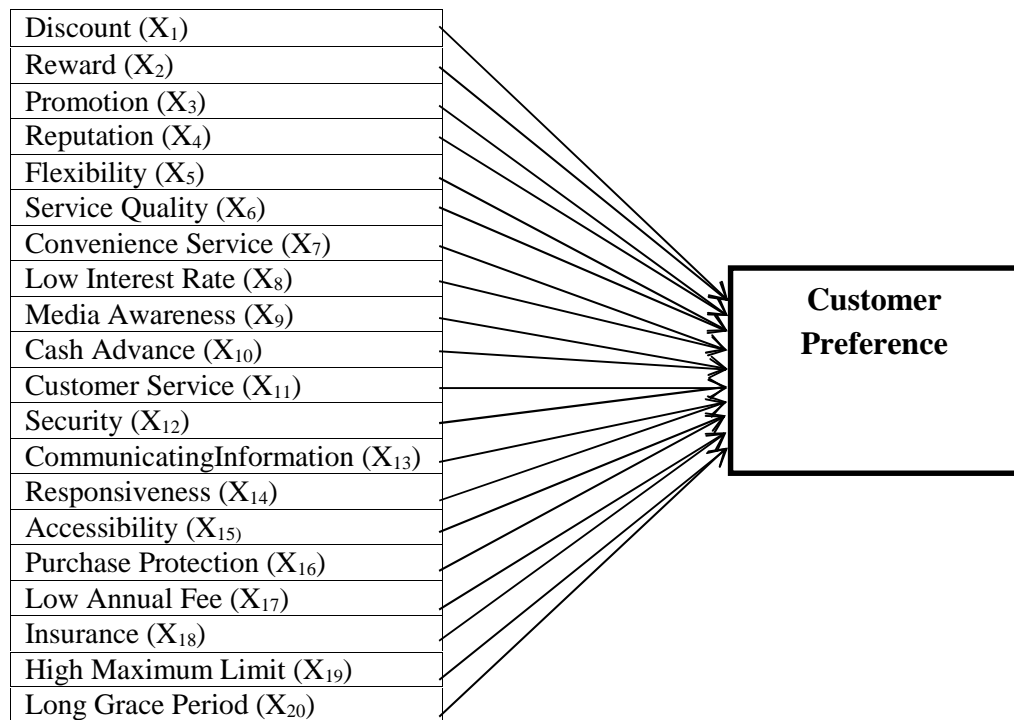
Place and Time of Research

The study was conducted in Manado with three period of June – August 2016

Research Framework

This research was conducted to know about the influence of music playing in store on males and females buying behavior. The research procedure will be explained by this following conceptual framework.

Picture 1. Conceptual Framework



Source: data processed, 2016

Population and Sample

Population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate (Sekaran 2003). The population of this research is people in Manado who use credit card.

Simple

(Gorsuch 1983) recommended the N should be at least 100, and (Kline 1979) supported this recommendation. So, the sample of this research is 100 customer of credit card users in Manado city.

Data Collection Method

The data used in this research consist of 2 types between primary data through questionnaire and secondary data taken from books, journal, and relevant literature from library and internet

to understand the theoretical support in this research.

Data Analysis Method

Validity Test

Validity is the ability of a measure to measure what it is supposed to measure. If it does not measure what it is designated to measure, there will be problems. Constructing validity is the assessment of validity (truth that an item is measuring something that actually measurement) based on the pattern of linkages between items that measure the questions to (Zikmund 2003)

Reliability Test

Reliability is the degree to which measures are free from error and therefore yield consistent results (Zikmund 2003) Reliability test is to make sure that the used measurement tool (questionnaire) is really consistent in measuring some cases, even though the observation has been conducted frequently at the same object.

Confirmatory Factor Analysis

Confirmatory factor analysis is a special form of factor analysis, most commonly used in social research (Kline, 2010). It is used to test whether measures of a construct are consistent with a researcher's understanding of the nature of that construct (or factor). As such, the objective of confirmatory factor analysis is to test whether the data fit a hypothesized measurement model. This hypothesized model is based on theory and/or previous analytic research.

3. RESULT AND DISCUSSION

Result of Factor Analysis

Confirmatory factor analysis was used to determine how many factors were appropriate and which items belonged together

KMO and Barlett's Test
Table 1. KMO and Barlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy..798	
Barlett's Test of Sphericity Approx. Chi-Square	496.913
Df	105
	Sig..000

Source: Data Processed, 2016

Table 1 shows that the Kaiser-Meyer-Olkin Measure of Sampling Adequacy = 0.798 or greater than 0.5 which indicates that the sample is adequate and we may proceed with the factor analysis. The Barlett's Test of Sphericity or p-value (Sig.) of .000 < 0.05, therefore the factor analysis is valid. The Kaiser-Meyer-Olkin (KMO) and Barlett's Test measure of sampling adequacy was used to examine the appropriateness of factor analysis. The approximate of Chi-square is 496.913 with 28 degrees at 0.05 of significance.

Communalities

Table 2. Communalities (Principal Component Analysis)

	Initial	Extraction
Convenience Service	1.000	.554
Responsiveness	1.000	.739
Customer Service	1.000	.729
Low Interest Rate	1.000	.831
purchase Protection	1.000	.722

Extraction Method: Principal Component Analysis
Source: Data Processed, 2016

Table 2 shows that all variable has extraction value greater than 0.5. So, after deleting Flexibility (X5), all the variables can be used for factor extraction.

Rotated Component Matrix

Table 3. Rotated Component Matrix

	Component	
	1	2
Convenience Service	.554	.145
Responsiveness	.739	.207
Customer Service	.729	.172
Low Interest Rate	.232	.831
Purchase Protection	.194	.791

Rotation Method: Varimax with Kaiser Normalization. a
 Rotation covered in 3 iterations
Sources: Data Processed, 2016

Table 3 shows the value for five variables that divided in two main factors as defined bellow.

Convenience Service

This item include in first factor, because had biggest loading value in this factor (0.554)

Responsiveness

This item include in second factor, because had biggest loading value in this factor (0.729)

Customer Service

This item include in third factor, because had biggest loading value in this factor (0.739)

Low Interest Rate

This item include in second factor, because had biggest loading value in this factor (0.831)

Purchase Protection

This item include in second factor, because had biggest loading value in this factor (0.791)

Discussion

From all 5 variables, there are 2 factors conducted. it is caused by eigen values above 1 only in the first 2 factors that is why the factoring process is ended only in two factors.

First Factors (Bank Reputation Service)

Divided by three items, those are:

Convenience Service. Inexpensive good or service purchased and consumed rapidly and regularly as the advantage of having credit card.

Responsiveness. Fast and efficient service, friendly and helpful staff as the advantage of having credit card.

Customer Service. The most important dimension of banking to help the customer either by answering his question or providing him a service such as opening a new card.

First factor is bank reputation service. This kind of factor is related with the result of research from Rashel and Faruk (2014) that concluded Reputation Service has relationship with the customer preference in using credit card.

Second Factor (Protection and Insurance Service)

Divided by two items, those are:

Low Interest Rate. A bank charge lower interest rate on unpaid amount.

Purchase Protection. A great way to shop conveniently and securely in addition, many card also offer a variety of purchase protection policies that can be very valuable.

4. CONCLUSION AND RECOMMENDATION

Conclusions

Based on the analysis and discussion, there are 2 main factors formed: 1). Bank Reputation Service; 2) Protection and Insurance Service out of five variables (Convenience Service, Responsiveness, Customer Service, Low Interest Rate, Purchase Protection)

Recommendation

Based on the conclusions, the recommendation can be proposed. The researcher recommended to all bank in Manado to attract more customer. These are:

1. banking needs to improve the service and provide the facilities to customer
2. employees should provide friendly service, quickly, as well as qualified.
3. in front office needs to take care the service because first impression will be in the in front office.

4. banking should provide a lower interest rate to customer to make customer became interest.
5. banking need to take care the data of customer and security in the transaction

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