Consumer Credit Search

A thesis submitted in fulfilment of the requirements for the
award of the degree of

Doctor of Philosophy

By

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March 2010
Abstract

There is consensus among researchers that information is a critical economic commodity in market operations. In particular, consumers search and gather information with a purpose to optimise their decisions and choices, and thereby maximise their consumption utility.

Consumer information search behaviour for goods has been extensively and robustly studied before. By contrast, research in consumer search for services remains relatively less explored, despite previous research indicating:

i. a measurable distinction between goods and services;
ii. that consumers perceive services to be riskier than goods;
iii. that consumers engage different search strategies when searching for services as compared to goods;
iv. a large and considerable contribution of the services sector to the global economy.

Consumer debt and bankruptcy rates have grown dramatically in recent decades. While the literature is replete with studies directed at explaining market factors attributable to the observed trends in personal finances, there is limited research in consumer credit search. Also, despite anecdotal evidence suggesting that data smog affects consumer search behaviour, no research has been conducted to determine the effect of data smog on consumer search activity in an integrated approach. Further, the influence of different sources of financial information on consumer credit decisions is not fully understood.

It was the objective of this study to contribute towards a better understanding of consumer credit search and the influence of different financial information sources on consumer credit decisions. To this end, this study proposed and tested comprehensive structural models of consumer credit search that incorporated both psychological and economic factors. Also, the proposed models explored the role of data smog as a search determinant. The proposed models posited that Consumer Credit Search was directly influenced by the factors of Perceived Financial Risk, Perceived Data Smog, Prior Memory Structure, Prior Credit Knowledge and Perceived Search Benefit, and
indirectly influenced by Perceived Search Cost. Further, the study investigated the antecedents of Perceived Data Smog. In separate models, the study examined the perceived distinct influences of three different Financial Information Intermediaries on consumer credit decisions.

The post-positivism paradigm informed the research methods adopted in the study. A total of 421 usable questionnaires were collected and then split into two discrete samples consisting of small credit (245 cases) and large credit (176 cases). Hypothesis testing was conducted using the Structural Equation Modelling (SEM) and the Paired-Samples t-test.

The small credit search SEM results found Consumer Credit Search to be directly related to Perceived Financial Risk, Prior Credit Knowledge, Prior Memory Structure and Perceived Data Smog. Perceived Search Cost was found to be indirectly related to Consumer Credit Search. The model $R^2$ for the main dependent variable was 0.69. The large credit search SEM results found Consumer Credit Search to be directly related to Perceived Financial Risk and indirectly related to Perceived Search Cost. The model $R^2$ for the main dependent variable was 0.27. Further, the SEM results were suggestive that Perceived Search Cost and Prior Memory Structure are antecedents to Perceived Data Smog.

The paired-samples t-test results from both the small and large credit samples indicated that the perceived influence of Personal financial information intermediary on consumer credit decisions was distinct from that of Commercial and Independent financial information intermediaries. The influence of Commercial information intermediary on consumer credit decisions was not perceived as distinct from that of the Independent information intermediary.

There are several substantive contributions to theory that emerged from the study, notably:

i. comprehensive structural models of consumer credit search, comparable in complexity with those on consumer search for goods, were advanced;

ii. despite goods being characteristically distinct from services, consumer search patterns are similar when relationships are tested simultaneously;
iii. the influence of perceived data smog on consumer external search was determined;
iv. the antecedents to perceived data smog were established;
v. the heterogeneity among the financial information intermediaries in influencing consumer credit decisions was established.

The study findings had implications to policy and practice. In particular, the study findings suggested that Data Smog impedes on consumer decision-making process and hence efforts should be directed towards minimising it. It is suggested that policymakers and marketing managers have a role to play in a drive towards curbing Data Smog, creating a better informed consumer and improving market efficiency. The study concludes by highlighting the limitations of the research and by providing future research directions.
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Publications from the Research

The following papers and publications have been produced from the research reported in this thesis:


Declaration

I certify that to the best of my knowledge this thesis submission is my original work and that all sources used have been duly referenced and acknowledged.

I certify that the substance of this thesis has not already been submitted for any degree and is not currently submitted for other degree or qualification.

Simangaliso Biza-Khupe

2nd March 2010
Acknowledgements

First and foremost, I wish to convey my sincere gratitude to my mentor, teacher and principal supervisor, Associate Professor Tony Ward. His invaluable mentorship, advice and support stretched beyond the realms of the academia and thus affording me the opportunity to navigate through the PhD experience and emerge with an improved outlook to life.

I also would like to extend my thanks to my associate supervisor, Dr Monir Zaman, for his unwavering support and confidence in my capabilities.

There are many who have both directly and indirectly contributed to the completion of this thesis, to whom I am deeply indebted. In particular I wish to mention Dr H.Y. Wong and Dr A. Keen for their guidance and expertise in data analysis. Also, I owe many thanks to other academic members of staff at the Central Queensland University and fellow research students for their invaluable comments and input during the different stages of my study, including Dr S. Ward who assisted with thesis proof-reading.

In the course of my candidature, I received varied support and assistance, both technical and administrative. In particular, I wish to convey my gratitude to the Office of Research-Librarian for their technical services. Mrs L. Blanchard was always available to help with EndNote and the reference list. The Office of Research and the Faculty Office of Research assisted with a lot of administrative matters relating to my study, for that I am grateful. Further thanks go to my sponsor, the University of Botswana, for making available the financial resources that enabled me to embark on the programme.

To my wife, Shadi, and my daughters, Refilwe, Amantle and Anele, I wish to convey my special thanks for believing in me, for their perseverance and above all for their undying love. With them in my life, this journey has been even more rewarding. I am indebted to many, and it was not possible to mention everyone. To all, I wish to say ‘thank you ever so much, and God Bless’.