Purchase Behaviour of Microcredit: the case of war-affected youth

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Abstract
The main aim of this study is to investigate war-affected youths’ purchase intentions of microcredit. The findings of this study may contribute to promoting their entrepreneurial activities in the post-war era. The Theory of Planned Behaviour underpins the conceptual framework of this study. The sample comprised 1250 youth selected from war-affected Northern Province of Sri Lanka. The results showed that Positive Affects and Subjective Norms increased Purchase Intentions, nevertheless Perceived Deterrents reduced them. Entrepreneurial Desire also enhanced Purchase Intentions, and additionally Desire influenced all the determinants of Purchase Intentions. Based on these findings, implications to theory and practice have been discussed.

Keywords: Microcredit, Purchase Intentions, the Theory of Planned Behaviour, War Affected Youth, Entrepreneurial Desire
Track: Consumer Behaviour

Introduction
In recent times, marketing scholars increased their attention to customers in the deprived conditions, such as those the in bottom of the pyramid market and war-affected contexts (Prahalad 2012). It is argued that marketing activities can contribute to the well-being of these people. In this respect, a large portion of the world’s population resides in war-affected regions where leading multinational companies also operate. Hence, marketing activities can contribute to rebuilding war-affected people (Jamali and Mirshak 2010). However, a little research has been carried out on the products and services necessary for the rehabilitation of war-affected communities. Thus, the main aim of this study is essentially to investigate war-affected youth’s purchase intentions of microcredit, a segment of people who are more vulnerable during times of war. The findings of this study can possibly be useful to enhance youth’s purchase intentions and usage of microcredit in the post-war era. Consequently, they can obtain capital required for their entrepreneurial activities.

Literature Review
The population in general bear the effects of war (e.g. displacement and deaths), nevertheless youth are more vulnerable in this respect. In particular, war has negative impacts on the opportunities for youth, with respect to their education and entry into the labour market. Invariably, unemployment is a major challenge experienced by youth during and after war (Achio and Specht 2003). One effective way to address their unemployment during the post-war periods is to encourage their entrepreneurial activities. However, these youth have little access to capital supplied by traditional banking institutions. This in turn restricts their entrepreneurial activities (Nagarajan 2005). Therefore, alternative capital sources need to be made available to them. It seems that microcredit provides credit access to economically and socially disadvantaged segments of society, thus reducing their financial exclusion (Ault and Spicer 2010). Microcredit can be defined as “a model of lending that gives small loans to the poor who lack access to formal financial institutions” (Khavul et al. 2013p 31). Thus, youth’s access to microcredit needs to be enhanced in the post-war periods, so that it can be an alternative capital source for their entrepreneurial activities (Nagarajan 2005). To enhance
purchase and usage of a product by a target group customers, their purchase behaviour and purchase intentions towards the product need investigation (Malhotra 2010). Hence, the main aim of this research is to understand youth’s purchase intentions of microcredit in the post-war contexts.

**Underpinning Theories**

The Theory of Reasoned Action (TRA) and the Theory of Planned Behaviour (TPB) are prominently applied to investigate purchase intentions (Smith et al. 2008). The Theory of Reasoned Action (TRA) suggests that individuals’ intentions predict their behaviours (Ajzen and Fishbein 1980). In the TRA, attitudes and subjective norms are the determinants of behavioural intentions. However, Ajzen (1991) suggests predictive power of TRA is reduced, when volitional control over behaviour is limited. Thus, he incorporated Perceived Behavioural Control (PBC) into TRA, as an additional determinant of behavioural intentions, and named the revised version the Theory of Planned Behaviour (TPB). Researchers modified TPB in line with the context, product and customer segments, to effectively determine purchase intentions of the product or service (Weisberg et al. 2011; Yang 2012). Similarly, we modified TPB to derive an integrated conceptual model for this study.

**The Proposed Conceptual Model**

The integrated conceptual model of this study is depicted in Figure 1. It shows the possible determinants of war-affected youth’s purchase intentions of microcredit and antecedent effects of Entrepreneurial Desire on the determinants. Justification for the hypotheses follows the model.

![Conceptual model of this study](Figure 1)

**Development of Hypotheses**

**Attitudes towards Microcredit**

Attitudes can determine purchase intentions of products including credits (Amin 2013). To this end, Pinto et al. (2000) proposed three types of attitudes towards youth’s credit card usage; they are positive affect, perceived benefits and deterrents of credit cards. These attitudes towards credit are investigated in this study. Customers can impulsively use credits, which implies the influence of positive affect on credit usage (Wood 1998). Positive affect refers to feelings of being active, enthusiastic, excited and inspired (Russell and Barrett 1999). Also, customers have perceptions of benefits associated with microcredit, which in turn enhance its purchase intentions (Ashraf and Noor 2010; Jose et al. 2012). On the other hand, there are perceptions of deterrents about microcredit, which reduce its purchase intentions (Jose et al. 2012; Li et al. 2011). Hence, we hypothesise the following:

- **H1:** Positive affect towards microcredit positively influence purchase intentions of microcredit
- **H2:** Perceived benefits of microcredit positively influence purchase intentions of microcredit
- **H3:** Perceived deterrents of microcredit negatively influence purchase intentions of microcredit
Subjective Norms towards Microcredit

Another behavioural determinant in TPB is subjective norms, referring to “the perceived social pressure to perform or not to perform the behaviour” (Ajzen 1991p 188). They can enhance purchase intentions of financial products and services like home loan (Amin et al. 2011). Similarly, important others’ such as family members’ perceptions influence intentions of obtaining microcredit (Butler et al. 2012). Thus, we hypothesise:

H4: The stronger the subjective norms for obtaining microcredit, the higher will be purchase intentions of microcredit

Perceived Behavioural Control (PBC) towards Microcredit

TPB postulates that Perceived Behavioural Control (PBC) defined as “perceived ease or difficulty of performing the behaviour of interest” (Ajzen 1991p 183) determines behavioural intentions. PBC increases purchase intentions of financial products like credit cards (Amin 2013). Similarly, potential microcredit clients need confidence in their abilities to bear interests costs and to repay loans (Butler et al. 2012). This confidence influences purchase intentions of microcredit. Hence, it is hypothesised that:

H5: The stronger the perceived behavioural control towards obtaining microcredit, the higher will be the purchase intentions of microcredit

Entrepreneurial Desire

Entrepreneurial desire defined as “the degree to which a person feels an attraction towards becoming an entrepreneur” (Zampetakis 2008p 155), can provide motivation and mental state for obtaining microcredit towards using it for economic oriented activities (Peprah 2012). Consequently, clients’ income and standard of living will be furthered. Hence, it is suggested that microcredit institutions need to instil entrepreneurial interests amongst prospective clients (Panjaitan-Driendisuryo and Cloud 1999). It is due to the fact that entrepreneurial desire can enhance purchase intentions of microcredit, and it can also influence clients’ attitudes and confidence as well as others’ perceptions towards obtaining microcredit (Datta 2004). Thus, we hypothesise that:

H6: Entrepreneurial desire enhances purchase intentions of microcredit

H7: Entrepreneurial desire significantly influences a) positive affect, b) perceived benefits, c) perceived deterrents, d) subjective norms and e) perceived behavioural control surrounding microcredit

Method

The sample for this study comprised 1250 youth aged above 18 years old selected from the Northern Province of Sri Lanka. This province experienced civil war for a period of thirty years, which concluded in 2009. To collect data for this research, a paper based survey instrument was designed from previous validated scales that were adapted for the purpose of this study. We measured Positive Affect of microcredit using 3 items adopted from Hayhoe et al. (1999). Perceived Benefits included 3 items, of which first two were adopted from Ashraf and Noor (2010) and the last was from Jose et al. (2012). Perceived Deterrents were measured with 4 items taken from Turvey and Kong (2009). Items of Subjective Norms were derived from Chudry et al. (2011) and items evaluating Perceived Behavioural Control were drawn from Smith et al (2008). The items for Entrepreneurial Desire were adapted from Krueger, Reilly and Carsrud (2000), whilst we used 3 items drawn from Schmidt (2010) to evaluate Purchase Intentions. We modified these statements to suit the context of microcredit, where appropriate. A 7-point Likert type scale anchored at 1 for strongly disagree and 7 for strongly agree was used for items operationalising all the constructs, except for Purchase Intentions for which, 1 meant “Very unlikely” and 7 “Very likely”. Table 1 (Appendix A) depicts items of
each construct. The survey instrument originally in English was translated to Tamil, the respondents` first language. We pre-tested the survey using two focus groups, each comprising eight youth who resided in the Northern Province of Sri Lanka. The survey was conducted in Sri Lanka during March–April 2013. We distributed the paper based surveys to 1250 youth. A total of 860 completed surveys were received, out of which 65 had missing data, and hence were discarded. The respondents comprised 47.9% male and 52.1% female, 87% of the youth had monthly family income below 115 US$, 9% had the income US$ 115-230 and the rest had above US$ 230. A majority of the respondents lived in rural areas (49%), followed by within city-limits (32%) and outside city-limits (sub-urban areas) (19%).

Measurement Model

Confirmatory Factor Analysis (CFA) was performed to ensure that items used to measure study constructs were theoretically consistent. The results of this analysis are presented in Table 1 in Appendix A. The fit indices of CFA tests shown at the bottom of Table 1 suggest a good model fit to the sample data. CFA results revealed that factor loadings of items in all the study constructs were above 0.5, the minimum threshold value, and Average Variance Extracted (AVE) values of all constructs were also above 0.5, both of which are indicative of convergent validity of measures (Hair and Anderson 2010). The square root of AVE values presented in the upper diagonal of Table 2 in Appendix B for each construct was greater than the constructs` correlation coefficients with other constructs. This is indicative of discriminant validity amongst constructs (Fornell and Larcker 1981). Additionally, Cronbach`s Alpha coefficient of each construct was above 0.7, implying reliability of construct measures.

Hypothesis Testing

A structural model was run to test the hypotheses and the model had fit statistics as shown at the bottom of Table 3. These fit indices suggest adequate model fit to the sample data. R² was 0.69, indicating that 69% variance in war-affected youths` purchase intentions of microcredit was explained by this model. The results of the test are summarised in Table 3.

Table 3- Results of Hypotheses Testing

<table>
<thead>
<tr>
<th>Proposed Hypothesis/ path relationships</th>
<th>Coefficient (β)</th>
<th>t-value</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Effects on Purchase Intentions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive Affects → Intention</td>
<td>.41</td>
<td>8.14***</td>
<td>H₁-Accepted</td>
</tr>
<tr>
<td>Perceived Benefits → Intention</td>
<td>.06</td>
<td>.97ns</td>
<td>H₂-Rejected</td>
</tr>
<tr>
<td>Perceived Deterrents → Intention</td>
<td>-.31</td>
<td>-6.48***</td>
<td>H₃-Rejected</td>
</tr>
<tr>
<td>Subjective Norms → Intention</td>
<td>.14</td>
<td>1.97*</td>
<td>H₄-Accepted</td>
</tr>
<tr>
<td>Perceived Behavioural Control → Intention</td>
<td>.07</td>
<td>.86ns</td>
<td>H₅-Rejected</td>
</tr>
<tr>
<td>Entrepreneurial Desire → Intention</td>
<td>.48</td>
<td>8.26***</td>
<td>H₆-Accepted</td>
</tr>
<tr>
<td><strong>Effects of Entrepreneurial Desire on the Determinants</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrepreneurial Desire → Positive Affects</td>
<td>.65</td>
<td>7.92***</td>
<td>H₇a-Accepted</td>
</tr>
<tr>
<td>Entrepreneurial Desire → Perceived Benefits</td>
<td>.34</td>
<td>4.01**</td>
<td>H₇b-Accepted</td>
</tr>
<tr>
<td>Entrepreneurial Desire → Perceived Deterrents</td>
<td>.23</td>
<td>2.81*</td>
<td>H₇c-Accepted</td>
</tr>
<tr>
<td>Entrepreneurial Desire → Subjective Norms</td>
<td>.40</td>
<td>4.92**</td>
<td>H₇d-Accepted</td>
</tr>
<tr>
<td>Entrepreneurial Desire → Perceived Behavioural Control</td>
<td>.35</td>
<td>4.10**</td>
<td>H₇e-Accepted</td>
</tr>
</tbody>
</table>

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Proposed Hypothesis/ path relationships | Coefficient (β) | t-value | Conclusion
--- | --- | --- | ---
Notes: *** p < 0.001; ** p < 0.01; * p < 0.05, ns= not significant. Fit indices $X^2$ (241) =453.08, (p = 0.13), CFI =.91, GFI = .96, TLI= .96, RMSEA = .048, SRMR = .045. CFI= comparative fit index; GFI=goodness-of-fit index, TLI= Tucker-Lewis index, RMSEA = root mean square error of approximation; SRMR=standardized root mean residual

Discussion and Conclusions
The results revealed that Positive Affects (β=.41*** had significant influence on Purchase Intentions, hence $H_1$ was accepted. This suggests that affects, such as excitement and happiness associated with microcredit enhance purchase of microcredit. Perceived Benefits (β= .06ns) of microcredit had no significant influence on Purchase Intentions, therefore $H_2$ was rejected. Perceived Deterrents of microcredit (β= -.31***) had significant negative effects on Purchase Intentions, meaning that $H_3$ was accepted. This implies that youth’s concerns about exorbitant service charges, long delays, collateral requirements and excessive paper work associated with microcredit reduce its purchase intentions. Subjective Norms (β=.14*) had significant positive effects on purchase intentions, hence $H_4$ was accepted. This suggests that the more friends support and encourage youth’s cause of obtaining credit, the more likely they apply for microcredit. Perceived Behavioural Control (β= .07ns) had no significant influence on Purchase Intentions, thus $H_5$ was rejected. One possible explanation to this scenario may be that war-affected youth were less likely to be involved in entrepreneurial activities. Also, in the aftermath of war, they would be increasingly concerned about lack of marketing facilities, interferences of external parties and business safety. The results suggest Entrepreneurial Desire (β=.48***) enhanced Purchase Intentions, thus $H_6$ was accepted. This implies that youth’s enthusiasm, interest and hard work towards becoming entrepreneurs increase Purchase Intentions. These desires and interests also enhanced Positive Affects (β=.65***) such as excitement and happiness of microcredit as well as Perceived Benefits (β=.34**). However, entrepreneurial desires enhanced negative concerns (β=.23*) about microcredit, such as service charges and collateral. Also, desire increased Subjective Norms (β=.40**), namely friends’ and family’s support for obtaining microcredit. Additionally, desire enhanced Perceived Behavioural Control (β= .35**), i.e., youth’s confidence in obtaining microcredit.

Implications for Theory and Practice, Limitations and Directions for Future Research
This research proposed a conceptual model to investigate war-affected youth’s purchase intentions of microcredit, implying that this model could possibly be applied to similar customer segments globally. Thus, it can contribute to consumer behaviour literature in identified contexts. Also, this research provides many implications to practice. As the results suggest, microcredit institutions need to promote positive affect and emotional appeals associated with microcredit. They can effectively achieve this by organising seminars and awareness campaigns highlighting augmented aspects of microcredit (e.g. special interest rates and repayment periods available to youth). As the findings suggest, youth have perceptions of deterrents associated with credits, which reduce their intentions of seeking credit. Hence, service charges, collateral requirements and the cumbersome procedures relating to microcredit need to be considered judiciously. Also, Entrepreneurial Desire needs to be instilled among these youth. Hence, training programs and awareness campaigns need to be organised to inculcate entrepreneurial skills and interests amongst these youth.

This research was conducted in one war affected country, Sri Lanka. Hence, to better generalise the findings, this study needs replication amongst youth in other war-affected
countries. Also, the respondents were youth who could read and understand the survey. Nevertheless, war-affected communities could possibly comprise illiterate youth, who may not respond to surveys. Hence, future researchers may adopt a different method to obtain responses of such youth. Additionally, conceptual model proposed in this research can be expanded in future research by incorporating other constructs, such as past behaviour and self-identity that can enhance purchase intentions.

**References**


### Appendix A-Table 1 - Results of Confirmatory Factor Analysis for Study Constructs

<table>
<thead>
<tr>
<th>Construct</th>
<th>Statements</th>
<th>FL</th>
<th>(\alpha)</th>
<th>CR</th>
<th>AV E</th>
</tr>
</thead>
<tbody>
<tr>
<td>PA</td>
<td>Microcredits that I take make me feel happy</td>
<td>.71</td>
<td>.76</td>
<td>.54</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I like using Microcredits</td>
<td>.80</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The very thought of using Microcredits excites me</td>
<td>.67</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PB</td>
<td>My household income will increase, if I take Microcredits</td>
<td>.85</td>
<td>.70</td>
<td>.50</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Welfare of my family will improve, if I take Microcredits</td>
<td>.77</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Providers of Microcredits are helping the community by providing work for recipients</td>
<td>.52</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PD</td>
<td>Collateral requirements or need for security affect my usage of</td>
<td>.54</td>
<td>.72</td>
<td>.76</td>
<td></td>
</tr>
</tbody>
</table>
Appendix B - Table 2 - Descriptive statistics and correlation matrix for study constructs

<table>
<thead>
<tr>
<th>Construct</th>
<th>M</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Positive Affects</td>
<td>4.52</td>
<td>1.69</td>
<td>.73a</td>
<td>.71a</td>
<td>.45</td>
<td>.38</td>
<td>.32</td>
<td>.42</td>
<td>.45</td>
</tr>
<tr>
<td>2. Perceived Benefits</td>
<td>4.61</td>
<td>1.53</td>
<td>.01ns</td>
<td>.08ns</td>
<td>.87a</td>
<td>.38</td>
<td>.31</td>
<td>.19</td>
<td>.33</td>
</tr>
<tr>
<td>3. Perceived Deterrents</td>
<td>5.00</td>
<td>1.32</td>
<td>.01ns</td>
<td>.87a</td>
<td>.71a</td>
<td>.90</td>
<td>.40</td>
<td>.08ns</td>
<td>.44</td>
</tr>
<tr>
<td>4. Subjective Norms</td>
<td>4.73</td>
<td>1.43</td>
<td>.38</td>
<td>.01ns</td>
<td>.74</td>
<td>.40</td>
<td>.71</td>
<td>.34</td>
<td>.35</td>
</tr>
<tr>
<td>5. Behavioural Control</td>
<td>4.62</td>
<td>1.38</td>
<td>.32</td>
<td>.19</td>
<td>.03</td>
<td>.40</td>
<td>.71</td>
<td>.34</td>
<td>.35</td>
</tr>
<tr>
<td>6. Entrepreneurial Desire</td>
<td>4.93</td>
<td>1.90</td>
<td>.42</td>
<td>.33</td>
<td>.19</td>
<td>.35</td>
<td>.34</td>
<td>.85</td>
<td>.34</td>
</tr>
<tr>
<td>7. Purchase Intentions</td>
<td>3.69</td>
<td>1.77</td>
<td>.45</td>
<td>.08ns</td>
<td>-35</td>
<td>.21</td>
<td>.08ns</td>
<td>.44</td>
<td>.77</td>
</tr>
</tbody>
</table>

Notes: ** Correlation is significant at p<0.01, * Correlation is significant at p<0.05, ns= not significant

a Diagonal value indicates the square root of AVE of individual latent construct

Notes: Fit indices $X^2$(231) = 445.83, (p = 0.102), CFI = .95, GFI = .95, NFI= .93, TLI= .93, RMSEA = .046, SRMR = .043.

PA-Positive Affect, PB-Perceived Benefits, PD-Perceived Deterrents, SN-Subjective Norms, PBC-Perceived Behavioural Control, PI-Purchase Intentions, ED-Entrepreneurial Desire, FL-Factor Loading.

Cronbach’s Alpha, CR- Construct reliability, AVE-Average variance extracted, CFI-comparative fit index; GFI-goodness-of-fit index, NFI-normed fit index, TLI-Tucker-Lewis index, RMSEA=root mean square error of approximation; SRMR-standardized root mean residual