

THE EFFECT OF CREDIT USAGE ON TOURISTIC CONSUMPTION AND APPLICATION IN TURKEY

ABSTRACT

Turkish tourism ~~has managed to be able to enter~~ is one of the top 10 countries in the world tourism with the fastest growth rate in recent years. One of the main factors of this rapid growth in tourism industry is quantitative and qualitative increase in the tourism demand. ~~Turkish tourism has grown depending on international tourism until the 2000s, but in recent years,~~ the international tourism has contributed to the growth of Turkish tourism in recent years. The effect of increase in domestic tourism demand has helped more stable and balanced structure to Turkish tourism. With the increase in personal income and economic stability ~~in recent years~~, banking and finance system has a big great impact on the increase in domestic tourism demand. Revision of the financial system in Turkey and the measures taken for the protection of consumers and contribution of financial institutions to funding touristic consumers are playing an important role in these developments. In this study, the effect of the Turkey's financial system on touristic consumption is investigated in the light of these developments. ~~The study was performed by descriptive method for determining existing situation in Turkey.~~ The descriptive method was to determine the existing situation in Turkey.

Keywords: Touristic Consumption, Financial Institution, Credit Cards, Consumer Credits

Introduction

Unstored features of touristic goods and services, the need to be consumed where they are produced (Usal and Oral, 2001:34; Hacıoğlu, 1997:42 and Icoz, 1996:28) and demand sensitivity (Olali and Timur, 1988:196) makes selling pressure on tourist enterprises.

Consumer credit plays an important role in the evaluation of all kinds of selling opportunities that emerged in reducing this selling pressure. On the other hand, one of the main functions of banks is to fund markets. Thus, loan demand for tourist consumption is creating a significant potential for banks. Consumer credit also allows pre-financing for consumer demand. As a result, all parties benefit on consumer credit in financial sector. The structure of the financial system in a country plays an important role in the increase of the tourism demand. The positive developments that affect tourist demand with the presence of financial institutions willing to finance tourist consumption increases tourist consumption. One of the most influential financial instruments in the financial system that effect touristic spend is the credit (Foscht et al., 2010:152). Increasing economic stability in the economy, decline inflation, falling interest rates and increasing global liquidity has reduced banks' cost of funds in recent years in Turkey's economy. These developments have facilitated access to credit needs of consumers. These developments have also led to an increase in tourist consumption together with demand for consumer loans (BRSA Financial Market Report-2012). Due to these developments, the change in the economic structure and financial system plays an active role in the increase of touristic consumption.

In the study, firstly, we examined both domestic and foreign tourism income and expenditure trends in Turkey. Secondly, we tried to determine relationship between tourist consumption and consumer credit usage. Finally, we evaluated the effect of credit usage on tourist consumption in Turkey.

Tourist Consumption Trends in Turkey

As of at the end of 2013, the number of tourists visiting Turkey is were 39.2 million and the tourism revenues were was \$ 32.3 Billion. 78.9% of these revenues were was obtained from foreign visitors and 21.1% of from the citizens residing abroad. On the other hand, the number of Turkish

citizens who travelled abroad was 7.5 million, while their spending was \$ 5.2 billion in 2013 (TurkStat News Bulletin, January 2014).

The number of visitors to Turkey has increased annually to 8.3% in the last 11 years. In the same period, the rate of increase in international tourism income is 8.0%. These data indicate that rate of increase in international tourism revenue ~~has remained~~ is lower than 0.3% from the rate of increase in the number of visitors. On the other hand, the increase rate of travels abroad from Turkey is 7.44% and annual increase in foreign tourism expenditure ratio is 7.28% in the last 11 years. Also it can be observed from the table below that there is a significant increase in both internal and external tourism revenues and expenses with the exception of some years in the past 11 years. These growth rate are quite high when compared with the growth rate in world GDP of 2.7% (World Development Indicators, 2013) and 4% in Turkey's economy (Ekinci, 2013:84) between the years of 2000-2011. Thus, the factors that influence tourist demand have been improved positively in the same period in Turkey.

The data also show that despite the reduction in overseas spending in some years, the upward trend continued in international tourism demand and tourism spending. The annual increase rate in number of the domestic travels has been 2.36% in the last 5 years. In contrast, the annual increase in domestic tourism spending is 8.5% in the same period. These results show that citizens traveling abroad have spent much more per capita in the same period.

Table 1. Domestic and International Tourism Income-Expenditure in Turkey, 2003-2013

Year	Number of Foreign Visitors	Δ (%)	Int. Tourism Income (Million\$)	Δ (%)	Travels Abroad	Δ (%)	Int. Tourism Expend. (Million\$)	Δ (%)	Num of Dom. Travel (1000)	Δ (%)	Dom. Tourism Expend. (MillionTL)	Δ (%)
2003	16 302 053	-	13 854	-	3 414 844	-	2 424	-	-	-	-	-
2004	20 262 640	24,3	17 076	23,2	3 844 494	12,5	2 954	21,8	-	-	-	-
2005	24 124 501	19,0	20 322	19,0	4 124 829	7,2	3 394	14,8	-	-	-	-
2006	23 148 669	-4,0	18 593	-8,5	4 063 180	-1,4	3 270	-3,6	-	-	-	-
2007	27 214 988	17,5	20 942	12,6	4 956 069	21,9	4 043	23,6	-	-	-	-
2008	30 979 979	13,8	25 415	21,3	4 892 717	-1,2	4 266	5,5	-	-	-	-
2009	32 006 149	3,3	25 064	-1,3	5 561 355	13,6	5 090	19,3	60 888	-	12 216	-
2010	33 027 943	3,1	24 930	-0,5	6 557 233	17,9	5 874	15,4	68 373	12,2	13 843	13,3
2011	36 151 328	9,4	28 115	12,7	6 281 972	-4,1	5 531	-5,8	65 854	-3,6	15 641	12,9
2012	36 776 645	1,7	29 351	4,3	5 802 950	-7,6	4 593	-16,9	64 922	-1,4	16 725	6,9
2013	39 226 226	6,6	32 310	10,0	7 525 869	29,6	5 253	14,3	68 452	5,4	18 416	9,1
Annual Δ (%)*		8,3		8,0		7,44		7,28		2,36		8,5

Source: TurkStat

* Annual $\Delta\% = (\frac{x}{y} - 1) \cdot 100$. In formula; n:years; x: the value belong to the last year; y:the value belong to first year

Tourist consumption requires the presence of a certain amount of disposable income, even after the mandatory requirements are met. Therefore, the most important source of financing of the tourism demand is the personal income. Usal and Oral (2001) qualifies the tourist consumption as a socio-cultural type of consumption and today tourist consumption is still widely regarded as a luxury consumption.

The surveys ~~are~~ were conducted on household consumption expenditure by Turkey Statistical Institute to produce data the consumption habits of consumers, disposable income of households and income distribution among individuals¹. Therefore, these data provide important clues about monitoring the change in tourist expenditures which related with tourist consumption items directly or

indirectly.

Change in expenditure elasticity compared with income is less than 1 and is argued to be mandatory expenditures. If expenditure elasticity is bigger than 1, these expenditure groups are considered as luxury. In a study conducted by Tari and Pehlivanoglu in 2006 (2007:205) in accordance with these criteria that associated with tourist consumption expenditure elasticity, it was found that 1.26 for "Hotels and restaurants" spending, 1.57 for "transportation" spending and 1.73 for "culture-entertainment" spending. In the same survey, when income increases, the share of mandatory spending decreases and whereas the share of luxury spending increases on consumer budgets.

By analyzing the distribution of consumption expenditure of households in the past last 5 years in Turkey, the average spending associated with tourist consumption seems to be an is increased by 1.3% per year. In contrast, mandatory consumption expenditures is decreased by -1.7% in the same period per year (see table 2). On the other hand, Average share of expenditure of entertainment and culture when compared to with the total expenditure is 2,76% in the last 5 years. This rate is 5.3% in the restaurants and hotels expenditures in the same period. Thus, spending related to tourist consumption is 8.06% of total expenditure in Turkey. Although different calculation methods and methodologies is was used from Turkey, the recreation spending is \$ 250 with 6.69% of total expenditure in the United States. Restaurants, hotels and foreign travel expenses is \$ 249 with 6.66% of the total expenditure². Thus, spending related to tourist consumption is 13.35% of total expenditure in USA. This result indicates that spending related to tourist consumption increases depending on high income per capita among countries as specified in the literature (Usal and Oral, 2001; Olali and Timur, 1988; Gul, 2008).

Table 2. Distribution of Household Consumption Expenditures in the Turkish Economy, 2008-2012

1. Compulsory Expenditure Type	2008	%	2009	%	2010	%	2011	%	2012	%	Δ%
Food and Non-Alcoholic Drink	368	22,6	88	3,0	03	1,9	39	0,7	64	9,6	-0,750
Housing and Rent	472	29,1	477	28,2	500	27,1	547	25,8	611	25,8	-0,925
Health	31	1,9	32	1,9	39	2,1	40	1,9	43	1,8	-0,025
<i>Share of Total</i>	<i>871</i>	<i>53,6</i>	<i>897</i>	<i>53,1</i>	<i>942</i>	<i>51,1</i>	<i>1 026</i>	<i>48,4</i>	<i>1 118</i>	<i>47,2</i>	<i>-1,700</i>
2. Expenditure Types Associated with Tourist Consumption											
Transportation	229	14,1	229	13,6	278	15,1	365	17,2	406	17,2	0,775
Entertainment and Culture	41	2,5	44	2,6	51	2,8	57	2,7	77	3,2	0,175
Restaurants and Hotels	71	4,4	87	5,2	100	5,4	121	5,7	137	5,8	0,350
<i>Share of Total</i>	<i>341</i>	<i>21,0</i>	<i>360</i>	<i>21,4</i>	<i>429</i>	<i>23,3</i>	<i>543</i>	<i>25,6</i>	<i>620</i>	<i>26,2</i>	<i>1,300</i>
3. Other Substitution Expenditures	414	25,4	431	25,5	472	25,6	551	26,0	628	26,6	0,300
Total Consumption Expenditure	1 626	100	1 688	100	1 843	100	2 120	100	2 366	100	

Source: TurkStat

The above data show that tourist consumption expenditures have increased significantly compared to mandatory spending in recent years. In domestic tourism in 2013, a total of ~~68 million~~ 452 thousand 68.452 million citizens traveled and they spent ~~18 billion~~ 416 million 18.416 billion TL. 1.274 million TL of these spending consists of package tour expenditure, while ~~17 million~~ 142 thousand 17.142 million TL consists of individual expenses (TurkStat News Bulletin, May 2014).

As indicated above, a significant increase is observed in both overseas and domestic travel expenses in Turkey in recent years. The positive impact of the factors that affect tourism demand is argued to be effective in these increases, as well as funding under more favorable conditions to tourist consumption.

Tourist Consumption and Consumer Credit Relationship in Tourism

Consumer loans are an effective source of financing for tourist consumption. These loans are offered by banks to meet the cash needs of the consumers in this sector. They can be

named as the education, housing development, housing renovation, furniture, marriage, health, individual support loans, holiday loans depending on the usage. Maturity and interest rate of these loans vary from one bank to the other³.

The type of loans which can be associated directly with the tourist consumption is the travel credit granted under individual needs. But there is no organization that publishes statistical data related to the travel credit in Turkey. Therefore, it is difficult to establish a direct relationship between changes in holiday loans and tourist consumption expenditure. Because of these difficulties, we will try to determine the relationship between change in consumer loans and domestic/overseas tourism spending. Due to the lack of statistical data, it is referenced by this measurement technique that may give an idea indirectly about the relationship between travel credit and tourist consumption expenditure.

Banks loan figures consists of the difference between the loan amount that are compiled from the credit balance for the period up to the amount of loans granted during the period of repayment in Turkey. In general, fluctuations in current credit movement is directly proportional to the total consumption demand in the economy (Kurul, 2012:7). Thus, it is possible to establish a direct relationship between the increase in consumer loans associated with tourist consumption and the increase in domestic and foreign tourism demand in recent years.

Today, worldwide consumption is more concentrated in urban centers. Inflation and growth are the most important factors affecting the consumption (Asia Pasific, 2004:6). On the other hand, increasing economic stability, falling inflation and interest rates, global liquidity due to the decreasing cost of funds of banks make easier to access consumer credits for touristic consumers in Turkey's economy in recent years. These developments has led to an increase in tourist consumption and consumer loans.

In a survey conducted by Mercan (2013), it is estimated that 1% increase in the volume of domestic credit increased growth rate 0.6% between the years of 1992-2011 for Turkey's economy. Also in an other study conducted by Iscan (2003), it is suggested that 7.2% growth occurred in the Turkish economy in 2000, loans were increased 19.2%. Whereas 7.3% contraction experienced in 2001, loans was decreased 36.3%. On the other hand, when loans is mainly financed by banks in the economy, the credit crunch makes it difficult for the revival of the economy. Therefore, it would be logical to use other financing channels in the financing of tourism demand at the time of economic, political and social crisis.

According to Hoti, McAler and Shareef (2005) country risk depending on economic, financial and political factors affect the tourism market. There is a significant relationship between economic growth and loans in an economy. A similar relationship can be argued with the increase in tourist demand and increase in individual loans used to finance tourist consumption. Similar relationship is also put forward between the increase in consumer credit and increase in tourist consumption. The experiences faced in several countries indicate that rapid individual loans support economic growth. But on the other hand, these loans cause inflation rises, increases interest rate, make pressures on exchange rate, cause monetary crisis, increase household debt ratio, increase the risk of default and the current account deficit as the economic problems.

To be able to spend more than income for consumers depends on savings or borrowing facilities. In this context, consumer loans plays an important role in the increase of consumption when individual savings are inadequate. Inag (1990) indicate that consumer loans taken consumer preferences forward in time, while the Tekirdag (2009) emphasize these loans allows new consumer spending. On the other hand, Consumers are more willing to finance the current consumption with using credit. Nowadays, facilitating the use of credit, the benefits of the widespread use of credit and consumer awareness about the risks associated with credit use is supporting this process (Chien and Devaney, 2001:162).

The institutions that publish statistical data related to consumer loans in Turkey is Turkish Statistical Institute (TurkStat), the Banking Regulation and Supervision Agency (BRSA), Central Bank of Republic of Turkey (CBRT), Banks Association of Turkey (BAT) and Turkish Interbank Card Center (ICC). These organizations are discussed housing, vehicle and loans for various needs within the context of consumer credit.

The Effect of Credit Usage on Tourist Consumption in Turkey

Other conditions are fixed, if the banks ~~decrease~~ ~~reduce~~ the interest rate, it ~~will increase~~ ~~the demand~~ for consumer loans. ~~If they increase interest rate~~ ~~If interest rate is increased~~, it reduces the demand for consumer loans. In other words, interest rate is the main factor for determining the demand for consumer loans and degree of its influence was calculated as 53.6% in Turkey between the years 2004-2009 (Ibicioglu and Karan, 2009:12). Tekirdag (2009:87) are sorted the factors affecting the demand for credit as interest rates, income, asset accumulation, occupational status, marital status, age, education level, household size and unemployment.

The most important problem for lenders in consumer loans is the risk of these loans. In order to reduce the risk of consumer loans, banks and public authorities can use the capital increase options, limiting the amount of credit and credit risk reduction techniques (Sagkol et al., 2013:1-8). ~~On the other hand~~, The risk of default on consumer loans vary according to the type of loan. These risks is quite higher in other consumer loans (including holiday loans) except automobile and housing loans and is related to the level of economic development and stability (Tekirdag, 2009:32). In practice in the tourism sector, firms do not undertake any responsibilities on the approval of travel loans to consumers by financial institutions. Banks' travel credit conditions, interest rates and maturities of these rates may vary credit to be granted ⁴.

Implementing the individual risk report contribute to the solution of the problems encountered for consumer loans in recent years in Turkey. Individual credit risk report that including individuals credit score is a report which outlines individual credit deals in the banking sector. These reports and scores are used all kinds of consumer loans including travel credit and credit cards that are allocated to individuals by banks. The application of credit rating affect credit limit, interest and costs in Turkey. Thus, customers who have high credit scores will pay less interest and expenses in the future (Kucukozmen, 2014). According to Nelson (2010:41) credit score applications that applied for consumer is an important factor in determining customers risk, interest rates and cost of the loans. On the other hand, payment history, credit utilization, credit history, credit used and new credit play crucial role for determining the credit scores ⁵.

Nowadays, both credit score and credit risk report can be prepared for credit users. These reports make two-way benefit for lenders as well as credit users in terms of minimizing risk ⁶. These methods that reducing risk can also be used by tourism businesses. Implementing long term sales policies for customers who have positive credit record and payment habits, will be effective in reducing risk.

Another point to be considered in term of loans are legal regulations about credits use. According to Peterson (1983:1304) legal regulations is not effective to control especially in terms of high-risk borrowers. However, with the impact of the global financial crisis faced worldwide in 2008, many countries are directed to stabilize the financial sector and those new regulations to protect consumers and creditors. According to Hofmann (2012) European Union gives emphasis to strategies to ensure transparency for the protection of consumers in all new arrangements. In this context, the annual interest rates on consumer loans and credit conditions relating to different banks can be compared with standard that allows information to ensure. Union also tries to give responsibility to creditors about the consumer credit agreements such as consumers' income, savings, debts and other financial transactions that is related matters to determine the credibility of the customer.

Financial stability, decrease in inflation, increase in purchasing power and rise in long-term positive expectations have increased the debt of households in the the past 11 years. Financial stability period has been increasing real and nominal growth of consumer credit. As of December 2012 in Turkey, household financial liabilities to financial assets ratio has risen to 43.2% and liabilities to GDP ratio is 17.7%. These rates are manageable risks according to international standart. Individual credit cards and personal loans plays an important role in the growth of consumer credit and the increase in financial liabilities of households in total. In addition, in recent years the decline in interest rates on consumer loans as well as real interest rates is downward, has been increased the loan volume and thus has been a major factor in the growth of domestic demand (BRSA Financial Market Report-2012). Therefore, these developments could be effective in increase of domestic tourism demand and in the having of travel habit of citizens in Turkey in recent years.

Table 3 below shows that consumer lending have increased by an annual average of 35.31% in Turkey in the last 11 years. While this growth rate is quite high till seventh year, the rate of increase slowed down in the last three years. Ekinci (2013:90) calculated optimal annual credit growth rate of Turkey as 17% for the last 20-year period. The increase of 35.31% in consumer loans is much higher than the optimal increase of 17% in loans that calculated for Turkey's economy.

Table 3 shows In table 3, it is also show that annual increase in international tourism expenditure is 7.28% in Turkey in the last 11 years. The increase in domestic tourism spending is 8.5% followed by TurkStat since 2009 in the last four years for the last four years. These rates are much below than the increase 35.31% in installment loans' growth. In other words, the figures shows that despite the high increases in consumer loans, this increase are not emerging adequately in tourist consumption. Therefore, this weak relationship between consumer loans and tourist consumption, it is thought to be more useful to analyze a sub-category of consumer loans with the establishment of a relationship between tourist consumption. In this study, such a relationship is conceived to fit for holiday loans but there is no systematic data regarding such a calculation could be made adequately.

Table 3. Relationship Between Tourist Consumption and Credit Loans in Turkey

Year	Population (1000)	GNP (Million\$)	Per Capita Income (\$)	Δ(%)	Household Debt / Disposable Income (%)	Installment Credit (Million\$)	Δ(%)	Int. Tourism Expenditure Δ(%)	Domestic Tourism Expenditure Δ(%)
2003	66 873	304.901	4.559	-	7.5	4 050	-	-	-
2004	67 734	390.387	5.764	26,4	12.9	9 087	124,3	21,8	-
2005	68 582	481.497	7.022	21,8	20.9	21 236	133,6	14,8	-
2006	69 421	526.429	7.586	8,0	19.0	32 248	51,8	-3,6	-
2007	70 256	648.625	9.238	21,7	22.7	50 392	56,2	23,6	-
2008	71 517	742.094	10.438	12,9	36.6	62 721	24,4	5,5	-
2009	72 561	616.703	8.559	-18,0	36.4	58 550	-6,6	19,3	-
2010	73 722	735.828	10.022	17,0	41.2	83 268	42,2	15,4	13,3
2011	74 724	773 980	10 466	4,4	44.7	97 077	16,5	-5,8	12,9
2012	75 627	786 293	10 504	0,3	48.1	103 713	6,8	-16,9	6,9
2013	76 667	820 012	10 782	2,6	55.2	112 825	8,7	14,3	9,1
Annual Δ (%)				8,13			35,31	7,28	8,5

Source: TurkStat, CBRT, BAT.

Table 4. Effect of the Consumer Loans on Domestic and Int. Tourism Expenditure

Year	Per Capita Income (TL)	Δ(%)	Installment Credit (Million TL)	Δ(%)	Consumer Credit (Million TL)	Δ(%)	Other Credit (Million TL)	Δ(%)	Int. Tourism Exp. Δ(%)	Domestic Tourism Exp. Δ(%)	Income Elasticity of Demand for C. Loans (E _g)
2003	8 760	-	6.048	-	-	-	-	-	-	-	-
2004	10 150	15,8	12.925	113,7	-	-	-	21,8	-	-	-

2005	11 390	12,2	28.474	120,3	**9 372	-	-	-	14,8	-	-
2006	12 890	13,1	46.151	62,0	15 712	67,6	-	-	-3,6	-	5,13
2007	13 870	7,6	65.586	42,1	25 869	64,6	-	-	23,6	-	8,50
2008	15 000	8,1	81.093	23,6	33 526	29,5	-	-	5,5	-	3,63
2009	14 520	-3,2	90.583	11,7	40 769	21,6	*** 596	-	19,3	-	6,75
2010	16 040	10,4	124.936	37,9	45 600	11,8	13 675	-	15,4	13,3	1,13
2011	17 810	11,0	162.119	29,7	62 261	36,5	20 275	48,2	-5,8	12,9	3,31
2012	18 390	3,2	185.906	14,6	67 365	8,1	27 606	36,1	-16,9	6,9	2,51
2013	18 834	2,4	248 357	33,5	85 893	22,2	36 001	21,2	14,3	9,1	9,19
Annual Δ (%)		7,2		40,17		27,9		27,37	7,28	8,5	5,01

Source: TurkStat, CBRT, BAT*, BRSA

* ICC data covers the data of member of deposit banks, and development and investment banks. Data provided can vary depending on the number of banks and years.

**In previous years, installment loans have been followed as auto, mortgage and other loans. Then, consumer loans have been followed under a separate heading since 2005.

***These group cover out of vehicles, mortgage and consumer loans that can not be classified in any of the types of consumer credit. Travel loans is under in this group and classified as one of the types of other consumer loans. Consumer loans began to be monitored as loans of the marriage, loans of the durable and semi-durable goods, education loans and health loans since 2009. But first year data seems unreliable and inadequate. It is not used in the analyze.

It can be seen from table 4 that the annual average growth rate of 27.9% in consumer loans for the last nine years ~~This rate~~ is below ~~than~~ the increase in installment loans of 40,17%. But it is quite ~~high~~ higher than 8.5% increase in the domestic tourist consumption expenditures and 7.28% increase in foreign tourist consumption expenditures. In other words, it is understood that this high increase in consumer loans arise from out of holiday loans.

Income per capita is 11.390 TL in 2005 in Turkey, which is increased to 18,834 TL in 2013. So for the last eight years, the rate of increase income per capita in TL terms is 65.3%, while the average annual increase in per capita income is 5.74%. In the same period, the elasticity is 5.01 depend on change in the demand for consumer loans comparing with the income per capita. This results indicate that credit demand is extremely sensitive to income increases in Turkey. No doubt the same will be true for travel loan demand sensitivity.

It is expected that per capita income will be \$ 25 000 in 2023 in Turkey (Aydınoğlu, 2012). Per capita was \$ 10,782 in 2013. Thus, when it comes 2023, per capita income rates up to 130% can be realized by an increase in the foreseeable. By considering per capita income increase and consumer loans demand elasticity in the projected period, the increase in the demand for consumer loans and travel loans will continue. Thus, it can be foreseeable that the credit demand for touristic consumption will continue to increase in the coming years and banks will create more business opportunities for the reveal in Turkey.

As of December 2013, amounting to TL 332.2 billion of individual loans consists 74.7% of installment loans and 25.3% of the credit card. Installment loans consists 52.1% of consumer loans and other loans, 44.4% of housing loans, 3.4% of vehicle loans (BRSA, Turkish Banking Sector Overview-2013). On the other hand, non-mortgage debt, which includes consumer, personal and instalment loans, but also private loans from relatives, friends, employers, etc. is held by 22.4% of households in Euro Area. Whereas credit lines and credit card debt are much less prevalent, with 10.2% and 4.3% of all households reporting such types of debt, respectively (ECB Statistics Paper Series2, April 2013:59). In Turkey, credit card debt ratio is 25.2%. This rate is 20.9% higher than the Euro Area in Turkey. In order to solve problem, government applied restriction policies to decline card

expenditures. Due to restrictions on credit card spending that came into force in March 2014, it is estimated that the demand for consumer loans will increase in the coming years. In addition, some banks install long-term consumer credit to POS devices which are relevant as cards spending⁷.

Travel credits has been widespread in Turkey in recent years. These credits are one of the individual credit types that extended to consumers by banks to meet social and psychological needs of people with holiday expenses. Maturities and interest rates of these loans vary according to the bank, but the term may be up to a maximum duration of 60 months⁸. In addition, some banks organize campaigns such as increasing the number of installments and defer payment that are valid only for travel spending made by members credit cards in the members workplace⁹.

The growth rate of domestic tourism and international tourism expenditure is well above the growth rate of the economy in Turkey in recent years. This high growth rate in tourist consumption is creating new business opportunities for banks in the market. Supporting this new credit market by banks and other funding sources has great importance in terms of the stability for tourist consumption. This process will be contribute to market expansion and deepening. But there are needs to gather reliable and sufficient data in this area. In this context, related organizations such as the ICC, CBRT and TurkStat are extremely important to produce the necessary statistical data. Thus, the effect of using travel credit on the increase in tourist consumption may be easily examined.

Results

One of the most influential financial instruments in the financial system that affect the increase in touristic consumption is the credit. Increasing economic stability in the economy, decline inflation, falling interest rates and increasing global liquidity has reduced banks' cost of funds in recent years in Turkey's economy. These developments have led to an increase in tourist consumption together with demand for consumer loans.

There are significant relationships between the increase in consumer loans and the increase in tourism demand. ~~In recent years~~, The decline in interest rates has been an important factor in the growth of domestic demand (BRSA Financial Market Report-2012). Therefore, this development has been effective in the increase in the domestic tourism demand and allowing nationals to travel more often in recent years.

Annual average increase rate of foreign visitors is 8.3% for the last 11 years. In the same period, the rate of increase in international tourism income is 8.0%. Thus the rate of increase in international tourism revenue has remained low than 0.3% from the rate of increase in the number of visitors in the past 11 years. On the other hand, average increase rate of travels abroad from Turkey is 7.44% and annual increase in foreign tourism expenditure is 7.28% in the last 11 years. These findings indicate that there is a significant increase in both internal and external tourism revenues and expenses with the exception of some years in the past 11 years. These growth rates are quite high when compared with the growth rate in world GDP of 2.7% (World Development Indicators, 2013) and 4% in Turkey's economy (Ekinçi, 2013:84) between the years of 2000-2011.

Despite the reduction in domestic spending in some years, the upward trend continued in internal tourism demand among Turkish citizens. The annual increase rate is 2.36% for domestic travels in the last 5 years. In contrast, the annual increase in domestic tourism spending is 8.5% in the same period. These results show that citizens traveling abroad have spent much more per capita in the same period.

The average annual spending associated with tourist consumption is increased 1.3% in the past 5 years in Turkey. In contrast, mandatory consumption expenditures is decreased - 1.7% in the same period. These data indicate that increase in tourist consumption expenditures will be continue in the coming years.

Consumer loans is an effective source of financing for tourist consumption. These loans are offered by banks to meet the cash needs of consumers. Maturity and interest rate of travel credits vary according to the bank.

The type of loans which can be associated directly with the tourist consumption is the travel credit that granted under individual needs. But there is no organization that publishes statistical data related to the travel credit in Turkey. Therefore, it is difficult to establish a direct relationship between changes in travel credit and tourist consumption expenditure.

Implementing the individual risk report contribute to the solution of the problems encountered for consumer loans in recent years in Turkey. Individual credit risk report that including individuals credit score is a report which outlines individual credit deals in the banking sector. These reports and scores are used all kinds of consumer loans including travel credit and credit cards that are allocated to individuals by banks. The application of credit rating affect credit limit, interest and costs in Turkey. Implementing long term sales policies for customers who have positive credit record and payment habits, will be effective in reducing risk in the tourism sector.

Annual increase rate of consumer lending is 35.31% in the last 11 years. This rate is much higher than the optimal increase 17% in loans that calculated for Turkey's economy by Ekinci (2010). Annual increase in international tourism expenditure is 7.28% in the same period. The increase in domestic tourism spending is 8.5% followed by TurkStat since 2009 for the last four years. These rates are much below than the increase 35.31% in installment loans' growth. In other words, the figures shows that despite the high increases in consumer loans, this increase are not emerging adequately in tourist consumption.

The annual average growth rate of consumer loans is 27.9% for the last nine years. This rate is below than the increase in installment loans of 40,17%. But it is quite high than 8.5% increase in the domestic tourist consumption expenditures and 7.28% increase in foreign tourist consumption expenditures. In other words, it is understood that this high increase in consumer loans arise from out of travel credits.

The average annual increase in per capita income is 5.74% the years between 2005-2013 in Turkey. In the same period, the elasticity is 5.01 depend on change in the demand for consumer loans comparing with the income per capita. This results indicate that credit demand is extremely sensitive to income increases in Turkey. No doubt the same will be true for travel loan demand sensitivity.

Discussion

One of the main limitations of this study is the lack of data about the consumer loans used directly for tourist consumption. As such, the results may not be generalizable for travel credit. Another limitation is the lack of the data related to domestic tourism expenditure. A study that include travel credit and tourist consumption would be more desirable. The study also notes that the relationship between economic growth and tourist consumption. But the benefits considered was limited. A more expansive study would probably have more results. This would also allow better understanding about credit loans that can be used for tourist consumption.

Conclusions

Economic stability, decline inflation and falling interest rates promote consumer loans in an economy. This study offers findings about consumer credit loans regarding tourist consumption. Our findings show that increase in consumer credit promote tourist consumption. Tourist consumption and credit usage have been increasing regularly in recent years as a result of positive developments in the macroeconomic indicators in Turkey. However, despite the high increases in consumer loans in the last 10 years, this increase are not emerging adequately in tourist consumption in Turkey. Our figures contributed to this outcome.

Endnotes

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