

The role of credit as a financial tool on financing touristic consumption and application in Turkey

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Abstract: Turkish tourism has managed to be able to enter 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 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 impact on the increase in domestic tourism demand. Revision of the financial system in Turkey, the measures taken for the protection of consumers, contribution of financial institutions to funding touristic consumers, are playing an important role in these developments. In our 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.

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

1. Introduction

Loans granted for financing consumption has the stimulative function on tourist consumption in the tourism sector. In the literature, despite of numerous theoretical and practical studies that have been conducted on economic, socio-cultural, and political factors related to tourist consumption, the effect of credit increase on tourist consumption has not been studied yet.

One of the most effective factors in the increase of the tourist consumption is the financing of the touristic demand. The factors that affect tourism demand can be classified as income level, income distribution, real income per capita, the income elasticity of tourism demand, tourist product price, the price elasticity of tourism demand (Bahar and Kozak, 2006:113), exchange rates and monetary policy (Gul, 2008:112) and tax policy (Yagci, 2003:26). On the other hand, 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 demand. One of the most influential financial instruments

in the financial system that affects the increase in touristic consume is the credit.

Increasing financial stability, the decline in inflation, rise in purchasing power and increase long-term positive expectations have reinforced the trend of household debt in recent years. In such times the rates of consumer credit use are also increasing. Furthermore, decline in interest rates on consumer loans as well as the real interest rate has increased the loan volume and domestic demand (BRSA Financial Stability 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.

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) qualified the tourist consumption as a socio-cultural type of consumption and today this consumption is still widely regarded as a luxury consumption.

Table 1. 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>	871	53,6	897	53,1	942	51,1	1 026	48,4	1 118	47,2	-1.700
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>	341	21,0	360	21,4	429	23,3	543	25,6	620	26,2	1.300
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

Change in expenditure elasticity compared with income is less than 1 is argued as mandatory expenditures. If expenditure elasticity greater than 1, these expenditure groups are considered as luxury. In a study conducted by Tari and Pehlivanoglu (2007) in accordance with these criteria associated with tourist consumption expenditure elasticity, it was found 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 decrease and whereas the share of luxury spending increases on consumer budgets.

By analyzing the distribution of consumption expenditure of households in the past 5 years in Turkey, the

average spending associated with tourist consumption seems to increase by 1.3% per year. In contrast, mandatory consumption expenditures are decreased to - 1.7% in the same period per year (see table 1).

The above data show that tourist consumption expenditures have increased significantly compared to mandatory spending in recent years. In domestic tourism in 2013, total of 68 million 452 thousand citizens traveled and they spent 18 billion 416 million TL. 1,274 million TL of which consists of package tour expenditure, while 17 million 142 thousand TL consists of individual expenses (TurkStat Bulletin, May 2014). Change in domestic and international tourism expenditure of the citizens is shown in the table 2.

Table 2. Domestic and International Tourism Expenditure in Turkey

Year	Travels Abroad	Δ (%)	Int. Tourism Expenditure (1000\$)	Δ (%)	Number of Domestic Travel (1000)	Δ (%)	Domestic Tourism Exp. (1000TL)	Δ (%)	Average Exp. Per Travel (TL)	Δ (%)
2003	3 414 844	-	2 424 827	-	-	-	-	-	-	-
2004	3 844 494	12,5	2 954 459	21,8	-	-	-	-	-	-
2005	4 124 829	7,2	3 394 602	14,8	-	-	-	-	-	-
2006	4 063 180	-1,4	3 270 947	-3,6	-	-	-	-	-	-
2007	4 956 069	21,9	4 043 283	23,6	-	-	-	-	-	-
2008	4 892 717	-1,2	4 266 197	5,5	-	-	-	-	-	-
2009	5 561 355	13,6	5 090 440	19,3	60 888	-	12 216 339	-	201	-
2010	6 557 233	17,9	5 874 520	15,4	68 373	12,2	13 843 504	13,3	202	0,0
2011	6 281 972	-4,1	5 531 486	-5,8	65 854	-3,6	15 641 262	12,9	238	17,8
2012	5 802 950	-7,6	4 593 390	-16,9	64 922	-1,4	16 725 035	6,9	258	8,4
2013	7 525 869	29,6	5 253 565	14,3	68 452	5,4	18 416 817	9,1	269	4,2
Annual Δ (%)	7,44	-	7,28	-	2,36	-	8,5	-	6,0	-

Source: TurkStat

* Annual Δ% = $(\sqrt[n]{x/y} - 1)100$ ⇒ Example: Annual Δ% Travels Abroad = $(\sqrt[11]{7525869/3414844} - 1)100 = 7,44$

n: years; x: the value belong to the last year; y: the value belong to first year

Table 2 shows that the increase in the citizen's international tourism spending is 7.28% per annum in the last 11 years. These data show that despite the decline in overseas spending in some years, the upward trend continued in international tourism demand and tourism spending. The annual increase rate in the number of domestic travels is 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. Indeed, during this period the annual 6.0% increase per travel reinforces this finding.

As revealed in the data above, a significant increase is observed in both overseas and domestic travel expenses in recent years. The positive impact of the factors that affect tourism demand is argued to be effective in this increases, as

well as funding under more favorable conditions to tourist consumption. In other words, it is also possible to say that structural changes in the financial system contributed to this increase. In this study, in order to verify this assumption, credit applicants, one of the most common sources of funding used in tourist spending has been examined. For this purpose, credit cards and consumer loans will be studied to determine the effect of the increase in tourist consumption.

The study aimed to determine the existing situation with a descriptive method.

2. The Impact of Card Spending on Tourist Consumption

Turkey has hosted many civilizations in history. Thus, it is one of the rare countries in the world that has the richest archaeological, historical and cultural attractions. However, it is difficult to say that the country can market its tourist resources well. The financial support and promoting tourist consumption would be effective to solve this problem. In other words, promoting credit card usage as a sales tool can be a part of this solution.

Table 3. Card Expenditures in the Turkey's Economy

Year	Population (1000)	GDP (Million\$)	Per Capita Income (\$)	Δ (%)	Number of Bank Cards (1000)	Number of C. Cards (1000)	Credit Cards Expenditure (Billion TL)	Δ (%)
2002	66 009	230.494	3.492	-	35 057	15 513	25 661	-
2003	66 873	304.901	4.559	30,5	39 563	19 863	40 316	57,1
2004	67 734	390.387	5.764	26,4	43 085	26 681	64 628	60,3
2005	68 582	481.497	7.022	21,8	48 243	29 978	85 281	31,9
2006	69 421	526.429	7.586	8,0	53 464	32 433	109 159	28,0
2007	70 256	648.625	9.238	21,7	55 510	37 335	142 787	30,8
2008	71 517	742.094	10.438	12,9	60 551	43 394	184 993	29,5
2009	72 561	616.703	8.559	-18,0	64 661	44 392	204 742	10,6
2010	73 722	735.828	10.022	17,0	69 916	46 956	236 472	15,4
2011	74 724	773 980	10 466	4,4	81 879	51 360	263 500	11,4
2012	75 627	786 293	10 504	0,3	91 263	54 342	329 750	25,1
2013	76 667	820 012	10 782	2,6	100 164	56 835	386 565	17,2
An. Δ (%)				9,85				25,36

Source: TurkStat, ICC.

The distribution of loans granted by banks consists of export loans (5.1%), investment loans (5.2%), business loans (27.9%), specialized loans (5.1%), consumer loans (24.4%), credit cards (9.8%) and other loans (22.5%) at the end of 2013 in Turkey¹. The types of loans associated with the tourist consumption are the consumer loans, credit cards loans and debit cards loans. In our study, the impact of these loans on tourist consumption is discussed.

According to Hoti, McAler and Shareef (2005) country risk depending on economic, financial and political factors affect the tourism market. However, using credit cards as a tool for increasing sales carries a payback risk for cards suppliers (Kirdaban, 2005), consumer bankruptcy (Soederberg, 2013), the negative social welfare effect and high unpaid debt interest for cards holders (Karayol, 2007), and the fraud risk.

According to Turkish Interbank Card Center (ICC) the number of credit card users was 56.8 million and bank card users over 100 million at the end of 2013 in Turkey. Turkey increased to the second row with these figures including the number of cards among European countries. The amount of

purchases made with credit cards was 386,5 billion TL, 22 billion TL with bank cards and total 409 billion TL card payments made over the year 2013 (CBRT Financial Stability Report, 2008).

As can be seen from Table 3, in the last 11 years the average annual expenditures made by credit card is 25.36% in Turkey. This growth rate is 15.5% higher than the annual average income per capita increase rate of 9.85%. These ratios are quite high when compared with per annum in foreign tourism spending of 7.28% and increase in domestic tourism expenditures of 8.5% per annum. In other words, although an increase has been observed in overseas and domestic tourism expenditure in real terms, this increase remains below in credit card spending and growth rates in per capita income.

In Turkey, the main purpose of using bank cards is for cash withdrawals, and the use of debt cards for shopping seems to be low (ICC Annual Report, 2013). Therefore the numbers of the use of bank cards for getting loan are relatively low. In other words, these cards are related to the use of individual income, and are extensively used to withdraw cash from deposit account. On the other hand, the turning of credit cards into debt is relatively high. Moreover, the amounts of converted loans can be calculated by credit card interest income (Karahana and Cakmak, 2011:45). As such, the credit card serves as a pre-financing because it has a higher capacity to increase tourist consumption.

¹Republic of Turkey Ministry of Development. (23 May 2014). Weekly Economic Developments in Turkey, Ministry of Development: Annual General Directorate of Programs and Evaluation Cycle. Available at: <http://www.kalkinma.gov.tr/Lists/TurkiyeEkonomisindekiHaftalikGelismeler/Attachments/1/23%20MayisBS.pdf> (accessed 28 May 2014).

According to Zandi, Singh and Irving (February 2013), card usage increased by 0.7% and usage of electronic payments added \$983 billion in global economic growth between 2008 and 2012 among the 56 countries that make up 93% of world GNP. Card penetration also contributed to consumption 0.695% with \$15.4 billion in Turkey's GNP in the same period. Kızılot, Kılıç and Tokatlıoğlu (2011) revealed in another study that 1 TL increase in spending with credit cards increases Turkey's GNP by 1.42 TL. Consequently credit and debt cards stimulate economic growth and electronic card payments continue to have a meaningful impact on the world economy.

Credit card spending increases the growth by supporting the stability. In addition, promoting the use of credit cards in shopping prevent tax avoidance and unregistered employment in the country's economy. In a study, the expenditures made by credit card, which will occur in increments of 1 percent of the state's tax revenues have been demonstrated to increase 8.5 percent per thousand. The increase of tax revenues, government borrowing and interest payments are to take down (ICC, Card Monitoring 2013).

While Kaya emphasizes (2012) the function of card payment systems in order to promote tourism, Camas (1998) indicates that the card payment system has expanded the spending capacity in the tourism sector in Turkey's economy. Banks allocate high-limit cards to their reliable customers. Thus, they prefer to use these cards with less risk rather than carry cash on their travels. The validity of these cards is accepted in many countries around the world. Whereby, tourists can easily convert domestic money into the currency of the visited country, which contributes to the development of tourism.

Turkey's first credit card was used in the tourism sector (Kaya, 2012). The amount of card payments as a percentage of household expenditure was only 9% in 2002, but this rate reached 36,9% at the end of 2013 (ICC Bulletin, September 2013; ICC Bulletin, June 2014). The increase in consumer's needs (Yılmaz, Aktas and Arslan, 2009), technological change, diversification of services provided with credit cards, and improved quality of service, and more investment in banking services have played an important role in this increase (Girginer, Celik and Uckun, 2008).

Using credit cards have many advantages for tourist consumers. These can be summarized as advantage of bonus, cash back, cash back by investment reward, miles, point system, grace period, universal acceptance², fraud losses, insurance, improving credit score, installment, gas and retail (Gerstner, 2013; Yılmaz et al, 2009).

Card payment systems have many advantages for card issuers too. Card issuers have income such as interest, fees

and commission, and also benefit from customer tracking, cross-selling, prestige and promotion. In addition, card issuers can increase their fund capacity and spread the credit risk over a broader base (Kaya, 2012:75).

Online sites that sell tourist products with credit cards have rapidly increased in recent years. These sites sell the products for many companies that operate in the tourism sector such as tour operators, airlines, city and resort hotels, restaurants etc. They also offer customers discounts, installment sales, and financing opportunities.³ Sales promotions, and price discounts that are applied on these sites are also good for demand stimulus. In practice, many card issuers offer benefits to the card holders that, depending on their spending for points, they accumulate. These accumulated points can be used in negotiated airline, car rental, buses, ships, city hotels and resorts.⁴ All card payments made from the internet that including for tourist expenditure is 34.6 billion in 2013, and the total of the payments made cards for about 8.4% of the poses (ICC Bulletin, January 2014).

The most common channels used for sales are listed as store, website and mail / phone in Turkey. It is expected that the internet will come in the first place, the second row of stores and mail / telephone will be fall to third place in the next 3 years. Shopping on the internet are ranked as clothing / accessories first (65%), electrical / electronic goods second (32%) and airline / travel agents third with 22% in the ranking of the sector's. Hospitality industry is ranked 5th with 11% in the ranking. Also most preferred purchases made with a credit card installment are listed as white goods, electronic goods, clothing, tools / spare parts, training, and accommodation / resort in the ranking of the industry. The share of accommodation in the total installment is 7% (ICC, Card Monitoring 2013).

In 2012, the ICC developed national digital wallet that is called ICC Express, cardholders are able to pay easily, quickly and safely without the need to enter card information. As of the end of 2013 the number of ICC Express' members are 14, the number of establishments' members are 230 and number of users are 228 thousand (ICC Annual Report, 2013).

Accumulating points with credit card spending and choosing products from the catalog by using these points has been implemented since 1990 in Turkey. Card holders became acquainted with the practice of installment payments, miles and collecting cash points in 1998 (Kaya, 2012:72).

Credit cards encouraged as a payment instrument for eliminating the risk and the burden of carrying cash, stimulated domestic consumption in the 2000s. By the year 2013, credit cards become a means of encouraging

²10 Reasons to Use Your Credit Card, available at: <http://www.investopedia.com/articles/pf/10/credit-card-debit-card.asp>, (accessed 14 November 2013).

³Available at: <http://www.gezisisitei.com/lp/odeme-secenekleri>; http://www.tatil.com/odeme_secenekleri (accessed 18 December 2013)

⁴Available at: http://www.tebpos.com.tr/#/menu/kampanyalar_bonus/; www.advantage.com.tr/maximiles/maximilesi_kesfedin and www.bankalar.org/kredi-kartlari (accessed 18 November 2013).

consumption expenditures and income that are not yet earned (Bayuk and Kucuk, 2008), and some legal arrangements have been made in this area. These regulations are aimed to reduce the number of credit card installments, determining card limits depending on individual income and increasing the provision of credit card spending.⁵ Government and the relevant regulatory authorities (such as Ministry of Economy, Banking Regulation and Supervision Agency, Central Bank) supported the banking sector's credit card applications in order to record customer's spending. These new regulations aim to control an excessive increase in card spending on such things as holidays, appliances, jewelry, furniture, electronics, clothing, auto and housing sectors.⁶ However, the Turkey Travel Agencies Association consulted with BRSA officials regarding holiday installment limitations has led to the exclusion of limitation of payment. The early reservation system in the tourism sector that necessitated pre-holiday payments and the nature of savings has been effective in this compromise.⁷

3. The Impact of Credit on Tourist Consumption

There are 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. In a study, 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 are mainly financed by banks in the economy, the credit crunch makes it difficult for the revival of the economy (Iscan, 2003:114-118). 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.

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. Credit cards and individual loans play 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, the loan volume has been increased and thus it has been a major factor in the growth of domestic demand (BRSA Financial Stability 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.

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

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, fluctuation in current credit movement is directly proportional to the total consumption demand in the economy (Kurul, 2012). Starting from this judgment, it is possible to establish a direct relationship between the increase in consumer loans associated with tourist consumption and the increase in demand for domestic and foreign tourism in recent years.

Consumer loan is an effective source of financing for tourist consumption. These loans are offered by banks to meet the cash needs of consumers. They can be named as the education, housing development, housing renovation, furniture, marriage, health, individual support loans, travel loans depending on usage. Maturity and interest rate of these loans vary according to the bank⁸.

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. 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.

Table 4 shows that credit loans have increased by an annual average of 35.3% 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) calculated optimal annual credit growth rate of Turkey as 17% for the last 20-year period. The increase

⁵ Available at:

http://www.bddk.org.tr/websitesi/turkce/Mevzuat/Duzenleme_Taslaklari/12308/kredi_kartlari_yonetmelik_degisikligi_calismasi_16_8_2013.pdf (accessed 11 December 2013).

⁶ Available at: <http://www.memurlar.net/haber/424651/> (accessed 12 December 2013).

⁷ Available at: http://www.finansgundem.com/haber/ulusoy-bddk_yi-iknatti/526107#ixzz2nCseREHy (accessed 11 December 2013).

⁸ Kredi Dünyası. (2013). "İhtiyac Kredisi" Available at: <http://kredidunyasi.com.tr/g/ihtiyac-kredisi> (accessed 19 October 2013).

35.3% in credit loans is much higher than the optimal increase 17% in loans that calculated for Turkey's economy.

Table 4. Relationship Between Tourist Consumption and Credit Loans in Turkey

Year	Population (1000)	GNP (Million\$)	Per Capita Income (\$)	$\Delta(\%)$	Household Debt / Disposable Income (%)	Installment Credit (Million\$)	$\Delta(\%)$	Int. Tourism Expenditure $\Delta(\%)$	Domestic Tourism Expenditure $\Delta(\%)$
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
Ann. $\Delta(\%)$				8,13			35,31	7,28	8,5

Source: TurkStat, CBRT, BAT.

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 for the last four years. These rates are much below than the increase 35.31% in installment loans' growth. In other words, the figures show that despite the high increases in consumer loans, this increase is 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 travel loans but there is no systematic data regarding such a calculation could be made adequately.

Table 5. Effect of the Consumer Loans on Domestic and International Tourism Expenditure

Year	Per Capita Income (TL)	$\Delta(\%)$	Installment Credit (Million TL)	$\Delta(\%)$	Consumer Credit (Million TL)	$\Delta(\%)$	Other Credit (Million TL)	$\Delta(\%)$	Int. Tourism Exp. $\Delta(\%)$	Domestic Tourism Exp. $\Delta(\%)$	Income Elasticity of Demand for Consumer Loans (Eg)
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	**82 325	22,2	**33479	21,2	14,3	9,1	9,19
Avr.		7,2		40,17		27,3		25,08	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.

** ICC data september 2013

*** 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.

It can be seen from table 5 that the annual average growth rate is 27.3% in consumer loans for the last nine years. This rate is below than the increase in installment loans of 40.17% in TL terms. 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 loans.

Income per capita was 11 390 TL in 2005 in Turkey, which is increased to 18,834 TL in 2013. Thus, the rate of

increase in per capita income in TL terms is 65.3%, while the average annual increase in income per capita is 5,74% for the last eight years. In the same period, the elasticity is 5.01 depending on change in the demand for consumer loans comparing with the income per capita. These 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 income per capita will be \$ 25 000 in 2023 in Turkey (Aydinonat, 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, 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 spending⁹.

Travel credit 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 for 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 months¹⁰. 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 member workplace¹¹.

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 may 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.

4. Conclusion

The increase in consumer loans and card payment system has expanded the spending capacity in Turkish tourism in recent years. The lessening of the need for carrying cash and reduction in currency conversion problems encountered has contributed greatly to the development of tourism. One of the main advantages of using credit cards for travelers is the ability to purchase in installments and spendless money with the same income level.

There are significant relationships between the increase in card payments 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 Stability 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.

Consumer loan 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 these loans vary according to the bank. Consumer loans also play an important role as a means of enhancing domestic and foreign tourism expenditures. The increase in tourist consumption allows growth of credit markets in terms of banks. On the other hand, the increase in tourist consumption brought forward the consumer preferences over time and allows new consumer spending (Inag, 1990; Tekirdag, 2009). The effect of stimulating demand of consumer credit is very important for business in terms of tourism.

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

Annual increase in international tourism expenditure is 7.28% in Turkey in the past 11 years. The increase in domestic tourism spending is 8.5% followed by TurkStat since 2009 for the last five years. These rates are much below than the increase of 35.3% in installment loans' growth at the basis of \$. In other words, the figures show that despite the high increases in consumer loans, this increase are not emerging adequately in tourist consumption. On the other hand, annual growth rate of the consumer loans is 27.3% for the last nine years. This rate is

⁹ Haber 7. (2014). "Ekotrent: Yasak Etkisini Gosterdi" available at: <http://ekonomi.haber7.com/finans/haber/1129990-yasak-etkisini-gosterdi-15-milyar-lira-azaldi> (accessed 7 April 2014).

¹⁰Bankalar. (2013). "Tatil Kredileri" available at: [http://www.bankalar.org/krediler/ihtiyac-kredileri/tatil-kredisi; Kredikredi. \(2013\). "Kuveyt Turk TL Seyahat Kredisi" available at: www.kredikredi.com/kredi-detaylari/ihtiyac/91/kuveyt_turk_tl_seyahat_kredisi.htm](http://www.bankalar.org/krediler/ihtiyac-kredileri/tatil-kredisi; Kredikredi. (2013).) (accessed 18 October 2013).

¹¹ Association of Turkish Travel Agencies. (2013). "Yapi Kredi Bankasi Turizm Sektor Kampanyasi" available at: www.tursab.org.tr/tr/tursab/ihtisas-komite/iyata-komitesi/komite-duyurulari/yapi-kredi-bankasi-turizm-sektor-kampanyasi_7391.html (accessed 18 October 2013).

below than the increase in installment loans. 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 loans.

The average annual increase in income per capita is 6.57% in the last eight years 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. These results indicate that credit demand is extremely sensitive to income increases in Turkey.

It is expected that per capita income will rise up to 130% during the next 10 years in Turkey. 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 may create more business opportunities for the reveal in Turkey.

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