Turkey's Credit Card Industry: Swipe Wisely

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Introduction

In recent years credit cards have penetrated the Turkish market, with circulation growing to 44.4 million cards as of December 2009, a 182 percent increase over levels in December 2002. (The Interbank Card Center) As a result, Turkey stands as one of the fastest growing credit card markets in Europe and in 2007 ranked third in terms of number of credit cards and tenth in card usage. (Aysan and Yildiz, p. 142)

Plastic was first introduced to Turkey in 1968 with the inception of Diners Club Cards, which were seen solely as an element of prestige that were distributed to the rich. Today, credit card issuers offer multi-branded cards with installment, use award, and loyalty-point features. Point-of-sale machines, devices used to swipe credit cards when making purchases, are found in most stores around the country, making plastic one of the most convenient methods of payment.

Yet growth does not come without further complexities and problems. Complaining customers, rising levels of card defaults, shocking statistics about card-debt-related suicides, and increasing usage have drawn attention to the industry in the past decade. Consequently, the government has been compelled to intervene. In 2003 credit cards were taken under the scope of Turkey’s Consumer Protection Law, and an amnesty was granted that marked the start of a process of regulation and reform; however, despite the increased regulation, difficulties still remain.

In this article I first discuss the nature of credit card processing in Turkey in order to give background on the parties involved and their respective interests. I then present the history of the Turkish credit card market, including that of industry regulation, and address two issues pertaining to the Turkish credit card system: the stickiness of credit card rates in recent years and the rising number of defaults as a result of the global financial crisis. In conclusion, I suggest
that a cycle, fed by the two problems just mentioned, is affecting the Turkish market and threatening the future of price competition.

**The Nature of Credit Card Processing in Turkey**

Credit cards are a method of payment that authorizes the holder to make purchases up to a predetermined limit and pay later. Card-issuing organizations, typically banks, pay retailers at the time of purchase and send customers a bill for the accumulated purchases over a period of time. On the last payment date, the final day on which cardholders are expected to pay their debts, cardholders have the option of paying the balance in full or making a minimum payment. A contractual rate of interest is applied on the residual balance after the minimum payment is made each month. However, the balance will be subject to delay interest, at the higher default rate, if the payment is below the minimum amount. Therefore, in addition to serving as a method of payment, credit cards provide a pool of credit.

In Turkey the body that holds the legal responsibility for regulating the credit card industry and overseeing procedural matters related to information disclosures and licensure is the Banking Regulation and Supervision Agency (BDDK) and its highest decision-making body, the Board. At the same time, in regard to transaction processing in Turkey, the Interbank Card Center (BKM), founded in 1990, is a partnership of public and private Turkish banks that develops the rules and standards of credit and debit cards in Turkey. (The Interbank Card Center) The Interbank Card Center coordinates the infrastructure that supports credit card transaction processing and maintains the efficiency of the domestic clearing and settlement process. In addition, the Credit Bureau of Turkey (KKB), founded in 1995, is a private organization that monitors and gives access to consumer credit information through its Credit Referencing System (CRS). This information enables banks to reduce the risk of consumer portfolios and make well-informed credit decisions. (Credit Bureau of Turkey)

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1 Referred to as the “minimum amount” in the Bank Cards and Credit Cards Law of 2006.
This striking growth can partially be attributed to the return of political and economic stability to Turkey after the crisis. Decreasing inflation and increasing economic growth spurred the popularity of credit cards; and, as government’s demand for funds declined, banks shifted their focus to consumer loans and saw credit cards as the easiest means to build business. Due to high interest rates and, prior to the global financial crisis, low default rates, credit cards were a lucrative business for card issuers. From a banking perspective, the credit card business represents approximately 9.8 percent of loans made in the banking sector and 29.4 percent of the loans made to consumers. (Banking Regulation and Supervision Agency, pp. 26–29)

From the point of view of the consumer, credit cards have become a major source of credit for Turkish households. According to the “Financial Stability Report” released by the Central Bank of Turkey, credit card balances represent approximately 28 percent of household liabilities as of March 2009. (p. 32) Especially in times of economic difficulty, Turkish consumers turn to credit cards to meet household expenses when consumer loans are not readily available.

The growth of credit cards has been accompanied by the simultaneous growth of technology and point-of-sale systems around the country, enabling cardholders to use plastic almost everywhere. As of November 2009, the BKM estimates that there are a total of 1.74 million point-of-sale terminals around the country, over three times the number of terminals that existed at the end of 2002. (The Interbank Card Center) At the same time, the “Financial Stability Report” (p. 90) released by the Central Bank of Turkey states that the volume of credit card transactions rose by 17.6 percent to 1,698 million Turkish lira (TL) and the value increased by as much as 30.8 percent to 184,993 TL from 2007 to 2008.

In terms of market concentration, the credit card industry is fairly concentrated, with the top six issuers (out of a total of 22 issuers) controlling 87 percent of the market in terms of outstanding balances and 80 percent in terms of the number of customers. (Akin et al., “Non-price...,” p. 8) Over the course of the past decade, card issuers have taken advantage of the expanding market. However, with growth comes complexity. I will now discuss the process of regulation that has accompanied the market’s development.

The Process of Regulation and Reform

As discussed earlier, prior to the capping of credit card rates in 2006, credit cards in Turkey were a high margin product, with defaults low relative to those in Europe and average credit card rates higher than four times the cost of funds. (Aysan and Muslim, pp. 1–2) After 2001, as the credit card market experienced rapid growth, consumer complaints about the excessive rates and card-debt-related deaths and suicides drew increased attention to the industry, galvanizing the government into action. According to Mark Landler, a news correspondent for the New York Times, “From 2003 to 2006, consumer groups said, 41 people died because of credit card debt, either through suicide or homicide. In one widely publicized case, a 37-year-old policeman shot himself in the head on an Istanbul street after friends tried to wrest the gun from him. He was depressed over $40,000 in debts.” (Landler)

In response to such social unrest, the government first granted an amnesty to debtors in 2003, and credit cards were taken under the scope of the Consumer Protection Law. This amnesty aimed to end credit card problems by allowing qualified debtors to consolidate unpaid debt into twelve monthly installments with a maximum annual 50 percent interest rate to pay off the balance. (Aysan and Yildiz, p. 146) However, the amnesty fell short of expectations as very few debtors chose to apply. According to Ahmet Faruk Aysan and Lerzan Yildiz, 2 Ersin Özince, chairman of the Banks Association of Turkey, claimed that only 150,000 people applied for the amnesty, when between 500,000 and 1 million people were expected to benefit. In addition, Abdurrahman Yildirim, an economist for Sabah newspaper in Turkey, argues that many debtors did not have the financial means to pay back their debt even under the installment plan offered by the government and that other cardholders believed that another amnesty would be granted again in the future. (Yildirim,

2 Economists at Boğaziçi University.
in Aysan and Yildiz, p. 146) Aysan and Yildiz conclude that the amnesty of 2003 was a temporary solution that would serve as a benchmark for the amnesty of 2005.

However, the amnesty of 2005 also fell short of expectations. The new amnesty, which was issued along with the Bank Cards and Credit Cards Law, benefited only those debtors who suffered from high card rates and who had been taken to court. This excluded individuals who had outstanding balances but had neither defaulted prior to January 2006 nor been taken to court. Once again, the amnesty was criticized for being a temporary solution. Of the nearly one million people with card debts, roughly 25 percent took advantage. (Aysan and Yildiz, p. 149)

Meanwhile, the Bank Cards and Credit Cards Law went into effect in March 2006 and, in contrast to the amnesties of 2003 and 2005, was a comprehensive law that sought to address a number of issues. This law had numerous provisions that sought to address the exploitive marketing tactics of issuers and to reduce the number of card defaults. The law officially gave the Central Bank of Turkey the sole authority to determine maximum credit card interest rates, and these would be announced every 3 months. In addition, issuers were no longer able to distribute unsolicited cards, a minimum payment percentage of 20 percent per period was established, and new requirements were set in regard to unauthorized increases in card spending limits. These measures were taken to deter banks from issuing cards to unworthy customers and then locking them in at exorbitant rates. Even though certain provisions of the law were questioned by consumer unions, economists, and banks, the Bank Cards and Credit Cards Law shored up aspects of the credit card industry. For example, the non-performing loan ratio for credit cards declined after the law’s enforcement and continued to do so until September 2008. (Central Bank . . . , p. 66)

In terms of more recent legislation, in June 2009 the Turkish parliament amended the credit card law in order to bring financial relief to debtors. Under the amendment, delinquent cardholders were eligible to have their total accrued interest (since the loan became non-performing) recalculated. The newly established debt balance could then be paid back under various installment plans lasting up to 36 months. At the same time, this new legislation set new minimum payment requirements. While the original credit cards law passed in 2006 required a 20 percent minimum payment percentage per period, minimum payment percentages can now be increased up to 30 percent or decreased to as low as 10 percent subject to appropriate authorization from banking regulators. (O’Neill)

Still, despite the regulation, problems remain, and the global economic crisis has brought to the forefront weaknesses inherent within the industry. I will next discuss the stickiness of credit card rates and the rising level of card delinquencies in Turkey.

**Sticky Credit Card Rates**

The stickiness of credit card interest rates in Turkey has been the subject of recent research. As seen in Figure 1, credit card interest rates remained at about the same level from 2003 to 2007, while other credit rates in Turkey generally declined over the same period. In a study conducted at Boğaziçi University in 2008, Gulsun Akin and his colleagues concluded that credit card rates are insensitive to downward fluctuations in the cost of funds, as determined by the rates on overnight loans, due to the lack of price competition in the credit card market. The increase in the cost of funds during Turkey’s economic crisis was quickly reflected in credit card interest rates; however, as the cost of funds declined in the market thereafter, banks adjusted credit card rates by a disproportionate amount. From 2003 to 2007, overnight loan rates fell from 44 percent to 15.75 percent while weighted average credit card rates declined to approximately 60 percent in 2006, only to bounce back to roughly 80 percent at the end of 2007. (Akin et al., “The Failure . . . ,” p. 2) At the same time, inflation rates declined over the same period. Credit card rates are directly related to overnight rates

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3The provisions that were questioned included the minimum payment provision and the capping of interest rates by the Central Bank of Turkey.

4Rates on overnight loans are used to determine the cost of funds given the immediate liquidity often demanded of banks on credit card obligations.
and inflation rates; therefore, one should expect movements in the former to cause corresponding movements in the latter. However, this did not appear to be the case, and the interest rate activity seen in the card market did not mirror the behavior of rates in the consumer, home, and auto loan markets.

Several theories have been proposed for the downward inflexibility of credit card rates in Turkey. In their 2006 examination of price competition in the Turkish credit card market, Ahmet Faruk Aysan and Nusret Ahmet Muslim\(^5\) state that convenience users and revolvers comprise 76 percent and 24 percent of the Turkish market respectively. Convenience users pay all of their bills on time and do not have any outstanding balances after the final payment day. In contrast, revolvers take advantage of the credit feature on cards and pay the high rates of interest on their debt.\(^6\) The high cost of accommodating convenience users is subsidized by the profits generated from interest on revolvers. Consequently, as Aysan and Muslim explain, a “vicious cycle” occurs where higher credit card rates lead to fewer revolvers and more convenience users; in turn, the higher costs associated with convenience users push rates even higher. (Aysan and Muslim, p. 9)

In reference to the U.S. card market in the 1980s, Lawrence Ausubel, a professor at the University of Maryland, argued that the consumer characteristics of the market created a disincentive for banks to lower rates. While Ausubel studied the U.S. credit card market, scholars in Turkey frequently reference his ideas when discussing the Turkish situation. According to Ausubel, by lowering rates banks will only attract the riskier revolvers whose demand is sensitive to interest rate changes but will not attract the convenience users who pay the entire balance when due. (Ausubel) Therefore, the demand of revolvers is price elastic while the demand of convenience users is price inelastic.

Furthermore, due to the high level of non-price competition in the Turkish credit card market, card users face significant opportunity costs if they choose to switch to a different card issuer. The rapport that cardholders develop with their respective banks is explored

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\(^5\)Economists at Boğaziçi University.

\(^6\)These categorizations were previously made in the work of Sujit Chakravorti, a senior economist at the Federal Reserve Bank of Chicago, and Ted To, a research economist at the Bureau of Labor Statistics in Washington, D.C. The work is titled “A Theory of Credit Cards” and was presented in May 2002 at the Federal Reserve Bank of Philadelphia’s Innovation in Financial Services and Payments Conference.

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**Figure 1**

**Credit Card Interest Rates vs. Other Credit Interest Rates in Turkey from 2003 to 2007**

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumer Credit Rates</th>
<th>Home Loan Rates</th>
<th>Auto Loan Rates</th>
<th>Other Consumer Credit Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>80%</td>
<td>10%</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>2004</td>
<td>85%</td>
<td>15%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>2005</td>
<td>90%</td>
<td>5%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>2006</td>
<td>85%</td>
<td>15%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>2007</td>
<td>90%</td>
<td>10%</td>
<td>15%</td>
<td>5%</td>
</tr>
</tbody>
</table>

*Source: Akin et al., “The Failure of Price Competition in the Turkish Credit Card Market,” p. 3.*
in the research of Gulsun Akin and his colleagues at Boğaziçi University. Most cardholders in Turkey obtain cards from banks that provide them with other financial services. In a nationwide survey, cardholders indicated that the primary criterion for selecting a credit card was whether it was issued by the customer’s primary bank. Non-price competition among issuers ensues when issuers seek to differentiate their cards through card level benefits and bank level benefits. Akin and his colleagues suggest that from 2002 to 2006 the level of non-price competition in the Turkish market enabled issuers to charge high rates based on various bank quality and performance factors. Non-price competition led to higher switching costs for customers, and according to the study, customers value banks that have a greater number of branches, a higher capital ratio, and a larger market share. The level of credit card rates was found to be statistically dependent on these factors. (Akin et al., “Non-price . . .”)

Meanwhile, the development of co-branded and multi-branded cards further enhanced customer loyalty in the Turkish credit card system. First introduced to Turkey in 1997, co-branded cards are sponsored by two companies, usually a retailer and a card-issuing bank, and offer loyalty-point programs and special deals to the companies’ joint customers. Co-branding with airlines and soccer clubs is an example of a tactic used by issuers to attract consumers who favor a particular airline or soccer team. While co-branded cards offer customers great incentives and discounts, they also require a customer to hold numerous cards in order to take advantage of the loyalty-point programs at various retailers. As a result, the emergence of multi-branded cards, cards that allow customers to take part in loyalty-point programs at a number of merchants all on one bank-issued card, was welcomed by the market.

In summary, the evolution from store cards to multi-branded cards has fueled non-price competition in the market, with card issuers looking to partner with popular retail-
inevitably plateau, and the industry can be expected to change. It is likely that banks will then be forced to shift their focus from increasing the number of credit cards outstanding to nurturing relationships with their current cardholders. Explosive growth cannot be maintained indefinitely; therefore, rivalry between companies will start to intensify, and price-based competition may ensue. Hence, it appears that solving the issue of credit card rates in Turkey may simply be a matter of time. The ultimate question remains, how long until the Turkish market reaches saturation?

In order to determine how saturated the market currently is, I first established an estimate of the potential market for credit card users. According to a press release by the Turkish Statistical Institute, it was determined that the number of employed persons in Turkey reached 22.2 million in July 2009. (Turkish Statistical Institute) Given the fact that the government has been enacting stricter regulations for the screening of card applicants, including the verification of income, a reasonable estimate of the number of potential card users is the number of employed persons in Turkey. In comparison, the number of current credit card customers in the market reached 25.9 million people in June 2009. (Banking Regulation and Supervision Agency, p. 21) Therefore, the number of current cardholders exceeds my estimate of the potential market, suggesting that the market is at or close to saturation. These numbers suggest that the market is reaching maturity and that the levels of growth seen in the market over the past 10 years cannot be expected to continue into the future. According to Tamer Sengun, a Banking Analyst in HSBC’s Securities division, “Further growth will come from the favourable demographics of Turkey — its young population. However, one should note that the population with the highest spending power has already been tapped.” (Sengun)

Therefore, as the market reaches its saturation point, card issuers will likely look to compete in new ways, such as on the basis of price, in order to attract customers from other competitors. However, the level of switching costs in the Turkish card market is high, as already noted. Thus, in order to encourage customers to make a move, price-based incentives will need to factor in these sizable opportunity costs.

The Rising Level of Credit Card Delinquencies

According to figures released by the Turkish Statistics Institute, the unemployment rate in Turkey reached an all-time high of about 15.5 percent in January 2009. (Turkish Statistical Institute) While Turkish banks were insulated from many of the effects of the global economic crisis, the economy as a whole was still affected as the decline in Turkish exports forced more and more companies to lay off workers.

In September 2009, the World Bank issued a news release that summarized the results of a survey of 2,100 households concerning the effects of the economic crisis on the welfare of Turkish families. The report stated that almost three quarters of the families contacted have experienced reductions in income between October 2008 and June 2009. (The World Bank) Consequently, it is no surprise that the level of credit card delinquencies has been rising. According to the “Financial Markets Report” released by the Banking Regulation and Supervision Agency (BDDK) in June 2009, 8 percent of credit card customers hold non-performing cards and the number of non-performing cards was above 2 million, a 32 percent increase from December 2008 and a 107 percent increase from 2006. (Banking Regulation and Supervision Agency, p. 21) The credit card sector accounts for 19.44 percent of non-performing loans in the banking sector, and the non-performing loan ratio of total banking loans was 4.86 percent as of the second quarter of 2009, its highest level since March 2006. (Banking Regulation and Supervision Agency, p. 47) In addition, in August 2009 BDDK warned that it would suspend a bank’s right to issue new credit cards if the bank’s credit card delinquency rate exceeded the sector average. This warning came after credit card delinquency rates reached 10.7 percent in the sector. (“Watchdog Warns . . .”)

One interesting feature of many credit cards in Turkey that may be contributing to the problem is the interest-free installment feature. As of June 2009, credit card purchases made on an installment basis accounted for 35.1
percent of total credit card amounts. (Banking Regulation and Supervision Agency, p. 46) Cards featuring the installment option enable cardholders to make payments on purchases in interest-free installments to the bank in accordance with the merchant agreement. For example, a cardholder may go to a retailer and pay 1,000 TL for merchandise in ten installments. The cardholder will be billed 100 TL each month (subject to minimum payment rules), and the retailer obtains the money from the card-issuing bank in matching installments. In the same hypothetical example, a cardholder can also choose to forgo the installment option and make a regular credit card purchase, in which the entire 1,000 TL will be billed to the customer in the period of purchase. However, while both options are available, the benefits of the interest-free installment feature are readily apparent. In essence, the interest-free installment feature enables the cardholder to realize free money at the point of purchase, delays the payment of interest, and lessens the minimum payments in the first year after purchase.

This credit-card feature is also seen in other parts of the world; however, the number of installments offered on purchases in Turkey far exceeds the number offered in other neighboring areas such as Europe. While the maximum number of installments in Europe is six, card issuers and retailers in Turkey can offer up to 24 installments on certain purchases. (Aysan and Yildiz, p. 152) Given the high rates of inflation in Turkey’s past, the installment feature is very popular and entices customers to make purchases now when their money is worth more than it is tomorrow. According to a 2008 MasterCard survey, 90 percent of cardholders in Turkey use credit cards for the installment opportunities. (Caglayan)

It seems that this feature in itself is a problem that increases the financial risk of cardholders. Purchasing goods on an installment basis increases the level of debt outstanding over time and entices customers to make purchases that they cannot afford. In terms of the maturity distribution of installment credit card amounts, 17.4 percent of balances mature after six months. (Banking Regulation and Supervision Agency, p. 46) As Aysan and Yildiz state, “People expend more if their expenditure is made in installments. As they expend more, the probability to default increases. As default number increases, credit cards continue to be a big problem.” (Aysan and Yildiz, p. 153)

In Turkey there is a heavy reliance placed on credit cards by Turkish consumers. As a result of the strict credit conditions imposed by banks when issuing other types of loans, Turkish consumers increase their spending on their cards in order to meet their immediate needs. According to the Interbank Card Center, the turnover, or total value, of credit card transactions increased by 12 percent in Turkey during the first six months of 2009 compared to the same period in 2008, indicating a rise in consumer dependence on plastic. (“Credit Card Dependency . . .”) Since credit card rates exceed rates on consumer loans, households are taking on additional risk. In reference to the practice, Şaban Baş, chairman of the Adana Chamber of Commerce (ACC), has stated, “Turkey is among the countries with the highest credit card utilization rates. Especially in times of crisis, our people tie all their hopes to their credit cards and try to cover their momentary cash distress without considering the outcome.” (“Credit Card Debt . . .”) Consequently, many Turkish cardholders are becoming ensnared by debt and looking for ways to avoid the embarrassment of defaulting. As Mark Landler reported, “Some here even likened it to the disgrace that drives people to commit the honor killings that still occur in parts of this society.” (Landler) Being in debt is a feared stigma, and to demonstrate this Landler tells the story of a young woman who struggled to pay off her father’s credit card debts in order to remove the shame placed upon her family. In regard to the future of Turkey and the social implications regarding debt, Baş has warned, “Unless some precautions are taken, we should be ready for some major social explosions.” (“Credit Card Debt . . .”)

**Another Cycle at Play**

As stated earlier, Aysan and Muslim describe a “vicious cycle” that has been occurring in Turkey, where higher credit card rates lead to fewer revolvers and more convenience users; in turn, the higher costs to issuers associated with convenience users pushes rates even higher. However, it seems that the effects of the global
financial crisis, which decreased foreign demand and led to rising unemployment in Turkey, may have influenced the dynamics of this cycle.

While I have discussed the two problems separately, it might be inferred that high and sticky credit card rates and rising card delinquencies in the market are, to a degree, interrelated. As Şaban Baş has stated, cardholders in Turkey tie their hopes of meeting their immediate cash needs to credit cards in times of economic difficulty. The “Financial Stability Report” released by the Central Bank of Turkey has also stated that consumers will increasingly resort to using credit cards as other forms of credit in the market become more difficult to obtain. This evidence suggests that more cardholders will become revolvers as the Turkish economy worsens.

Even though banks make their money off revolvers, they can only do so if revolvers are able to pay back their debts with accumulated interest. At the time of this writing, more and more cardholders in Turkey are defaulting; and, in turn, defaults put pressure on bank profits in the credit card market. As a result, it can be expected that banks will increase rates on cards in order to compensate for this additional credit risk. The result is that a new kind of cycle may be occurring, where higher credit card rates serve as an impetus for more card defaults and vice versa.

While it was suggested earlier that price competition might ensue in Turkey as the market reaches saturation, it is highly unlikely that this price competition will occur as long as defaults in the market continue to rise. Therefore, until stability returns to the overall Turkish economy, it seems that banks will be less willing to cut prices as their costs of doing business rise. These market forces place regulators in a difficult position.

The rising number of card defaults is the most pressing problem that Turkish regulators need to address. By reducing card defaults, regulators can help bring stability back to the market. And if card defaults fall, the market will become more conducive to price competition, especially as it reaches saturation. Overall, the potential key to solving the two problems I have discussed over the course of this paper is for regulators to gain control over card delinquencies. In order to do so, more preventative measures can be taken to deter cardholders from spending beyond their means. Much credit-card abuse stems from a lack of education. Moving forward, the Turkish government could mandate that issuers question the financial education of card applicants and increase cardholder awareness of the burden of debt and the necessity of appropriate financial planning. This might be achieved by placing warning labels on credit cards, asking a series of financial-experience-related questions on the card application itself, or requiring that card applicants complete a financial planning program. Notably, the government could also monitor the installment feature on credit cards. The installment feature is an issue that the government has failed to address and, as discussed, may be exacerbating the level of card delinquencies. Installment payments increase the level of debt outstanding over time; and limiting the number of installments on purchases to levels seen in other markets could facilitate the reduction of card defaults by encouraging customers to spend only what they can afford.

Conclusion

Overall, it is important to appreciate the Turkish credit card market’s level of sophistication. The features offered by credit card issuers in Turkey, including loyalty-point programs, frequent-flier miles agreements, and interest-free installment plans, mirror the benefits provided by credit card issuers in Western countries. At the same time, Turkey’s multi-branded card network truly integrates convenience with flexibility; and the levels of growth seen in the market over the last decade can be attributed to this sophistication.

Yet despite this sophistication, problems remain. A new cycle may be influencing the market where high and sticky credit card rates cause more credit card defaults, and more defaults in turn place upward pressure on credit card interest rate levels. As the saying goes, it is a lot easier to put on weight than to lose it; and many Turks are laden with credit-card debt now more than ever. I do not suggest that the viability of Turkish banks is at stake.

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*This is assuming that rates are not already at the maximum level as mandated by the Turkish Central Bank.*
because of these problems. However, it is important to note that the credit card business represents a sizable portion of non-performing loans in Turkey. It is vital that regulators gain control over the growing number of credit card delinquencies in order to bring stability to the market and, consequently, establish an industry environment that is conducive to price competition as the market reaches its saturation point.
REFERENCES


