

Diffusion of an Innovation in Service Markets The Case of Consumer Credits in the Banking Sector in Turkey

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ABSTRACT

The diffusion of an innovation in the market necessitates a strong communication with consumers; informing them about different aspects of the new product or service to eliminate their discomfort, and evaluating post-purchase behavior to make the necessary adaptations. The diffusion of the innovation will in turn have several effects on the market.

The basic concern of this paper is to clarify (1) the major effects of consumer credit applications in Turkey; (2) the ways for risk control; (3) the communication efforts in the sector for information flow to consumers; and (4) the evaluations and actions on post-purchase behavior.

INTRODUCTION

Although there are opinion leaders in markets, who as avanguardists play an influential role in the entry of a new product or service to the market, they do not make up the majority to ensure adoption and diffusion for this innovation.

People develop discomfort against the new service or product, if use of this innovation requires a change in their actions and behavior (Berry and Hensel 1974). To prevent rejection, the consumer should be well informed about the different aspects and benefits of that new product or service through the adequate communication between the marketer and the consumer (Schiffman and Kanuk 1991; Loudon and Bitta 1988).

Exposure to different media, interaction with different groups and or direct experience make consumers aware of the benefits of the innovation, and have an impact on need recognition (Engel, Blackwell and Miniard 1991; Loudon and Bitta 1988). The firm's marketing efforts and the sociocultural environment also act as external influences on the consumer's decision making process (Schiffman and Kanuk 1991). And the evaluation of post-purchase behavior is an injection for the firm to revise its marketing efforts.

The primary focus of this paper is consumer credits which have gained widespread acceptance among banks' operations as a new service in Turkey since 1988. The study concentrates specifically on closed end loans, i.e. installment loan applications. Single payment loans are not operational, and revolving lines of credit such as credit cards are not within the scope of this paper. A study is undertaken with bank representatives to reveal the actions taken by banks during the diffusion of consumer credits in the market.

BACKGROUND FOR THE STUDY

Consumer credits are provided to customers for non-commercial usage to enable them the purchase of items costing beyond the limits of their income. They are granted directly as cash loans for general consumption purposes or indirectly for financing the purchase of certain goods and services (Aydin 1991; Alpergin 1990; Akkurt 1989; Özşahin 1989; Tüzün 1989; Johnson and Johnson 1985).

The liberalization of interest rates for deposit accounts and commercial credits in October 1988 in Turkey caused difficulties for banks to establish commercial credit lines to firms for the accumulated funds. A new way to make funds profitable and to distribute the risk was consumer credit application (Aydin 1991; Sanver 1991).

By the end of December 1991, among the consumer credit users 28.1 % preferred it for white goods and electronic equipment, 25.4 % for general purposes in form of cash credits, and 25.2 % for purchase of other home appliances. The largest group was salary and wage earners (44.3 %), in the age range 36-45 (38.6%), with an income of 500.001 - 2.000.000TL (51.8 %). The foreign exchange rate at December 31 was 5100 TL=1\$. About 43.1 % of consumer credit customers had the primary school education and 35.9 % were university graduates. The bad debts totaled to 0.9 % (Table 1). In England, mortgages account for about 80 % of personal borrowings according to NCC (National Consumer Council) reports (Credit and Debt 1990). In USA, 1985 ABA (American Bankers Association) reports show that direct and indirect automobile loans provided are the largest group of consumer installment loans (51 % in unit and 54 % in \$ amount), followed by personal loans (19 % in unit and 11 % in \$ amount), and student loans (15 % in unit and 8 % in \$ amount) used (Beares 1987).

The diffusion of the consumer credits as a new service in the market took place in a short period of time, since the banking sector is not touched yet by consumerist pressures on operations. The lack of consumerism depends on factors like the complex nature of banking practices little understood by consumers, and the positive halo effect, i.e. that people have great confidence in banks, as stated by Berry (1974). But bankers should not rely on these facts. It is the banker's job to determine customer needs and to figure out ways to satisfy them (Miller 1974). NCC survey results for 1987 covering also credit card applications reveal that the main reason for using consumer credits are "convenience" followed by "necessity". In England, credit is no longer just an emergency measure as to use only for necessities. For many, it is a way for immediate consumption. People no longer want to wait and save for purchasing items beyond their payment capacity (Credit and Debt 1990).

Kotler (1991) and Levitt (1986) stressed the importance of tangibilizing the promise of satisfaction in a way to increase the acceptance level for that particular service. In this respect, indirect lending, i.e. granting the credit through producer or distributor firms, and using different promotion tools for advertising play an important role.

The message should inform consumers about the various points related to the use of loans like the real cost of credit, terms and interest rate, installments to be paid, cost calculation methods, repayment conditions. But surveys show that people are not informed adequately about payments and interest rates. (Aydin 1991; Alpergin 1990; Akkurt 1989; Soisson 1974).

The banks calculate interests on fixed or variable basis with simple or compounding method². As reported by NCC, the application of variable interest rates found objection among consum-

¹T.C. Merkez Bankası-Central Bank of the Republic of Turkey Quarterly Bulletin, Jan. 1992

²Interest rate in compounding method (Aydsn 1991):

$$1+i = (1+i^n)^n$$

n = number of periods per year

i = interest rate

iⁿ= interest for period n

TABLE 1
Distribution of Consumer Credits Used in Turkiye in 1991 in Quarters

Description*	Q1		Q2		Q3		Q4	
	TL %	Cons %	TL %	Cons %	TL %	Cons %	TL %	Cons %
PRODUCT/SERVICE:								
Automobile	35.6	8.6	30.8	8.2	31.4	9.5	33.0	10.2
White Goods	19.5	27.7	21.0	31.9	21.9	27.6	19.0	28.1
House	7.0	9.3	7.1	4.7	7.0	4.6	6.4	4.8
Appliances	9.5	25.2	12.9	23.1	12.7	25.6	24.3	25.2
Prof./ Educ.	2.6	4.8	3.3	3.7	2.6	3.8	2.2	4.3
Vacation	1.0	2.2	1.4	2.0	1.4	2.4	1.0	2.0
Cash Cr.	24.8	22.2	23.5	26.4	23.0	26.5	14.1	25.4
Free Use								
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
PROFESSION:								
Sal. earner	28.8	44.1	31.0	45.2	31.2	45.3	32.0	44.3
Wage earners	10.6	18.3	13.3	17.7	12.6	18.9	12.2	18.0
Self employed	23.3	13.1	21.7	11.0	22.8	12.6	22.6	12.1
Academic personnel	6.7	7.7	7.7	7.6	7.8	6.8	7.5	7.3
Administrative personnel	6.0	3.4	5.6	3.2	5.2	3.1	5.9	4.0
Senior citizens	4.7	4.4	3.0	4.3	3.0	3.9	3.5	4.4
Other groups	19.9	9.0	17.7	11.0	17.4	9.4	16.3	9.9
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EDUCATION								
Elementary S.	42.5	46.4	39.7	46.7	39.2	44.4	37.9	43.1
High School	23.7	21.2	20.0	20.7	19.0	20.2	19.6	20.6
College/University	33.8	32.4	37.6	32.2	39.0	35.0	40.0	35.9
Other Unknown	-	-	2.7	0.4	2.8	0.4	2.5	0.4
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
AGE								
18-25	7.1	6.5	6.4	6.9	6.5	6.6	5.3	6.1
26-35	34.2	35.1	33.6	38.0	33.2	37.8	33.2	36.2
36-45	36.6	33.9	38.1	38.4	38.0	38.5	37.7	38.6
46-55	13.7	20.3	14.1	12.3	13.8	12.3	15.0	13.5
56-65	4.1	3.0	3.8	3.3	4.0	3.6	4.7	4.2
65+	1.2	1.2	1.6	1.1	2.0	1.1	2.1	1.3
Other unknown	2.3	0.1	0.2	0.1	2.4	0.1	2.0	0.1
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
INCOME (000) TL								
-500	3.7	11.6	3.6	10.7	2.9	9.0	2.0	6.3
501 - 1.000	17.9	34.7	17.5	32.8	14.5	29.4	12.0	24.0
1.001-2.000	21.4	25.0	20.4	27.0	18.6	26.5	19.1	27.8
2.001-3.000	18.0	14.2	16.3	13.4	16.8	16.3	18.5	18.1
+3.000	39.0	14.5	42.2	16.1	47.2	18.8	48.4	23.8
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
% of overdue Loans	0.3 %		0.7 %		0.8 %		0.9%	

*Data not classified in any group description is not taken into calculations
Source: Quarterly Reports of Turkish Bank Unions Association 1991.

ers especially for mortgage loans since people couldn't control their future commitments any more (Credit and Debt 1990). In Turkiye rather the fixed basis is used and banks do not want to switch to variable interest rates for the same reason they anticipate.

The difference in interest calculation methods used by banks or the complexity of compounding interest method make it difficult for consumers to detect the real costs (Aydin 1991; Akkurt 1989; Johnson and Johnson 1985).

In the States, the Truth in Lending Act requires the disclosure of APR (annual percentage rate) for consumer loans and allows for different formulas for interest calculations (Beares 1987). In England, although people are adequately informed about the APR, the relative cost of credit in detail, even after eight year of application of this disclosure, consumers still did not understand the APR and how to use it. They were rather concentrated on what they had to pay for each installment period, as reflected in the results of the 1987 Office of Fair Trading Research. Lack of education and knowledge about relevant credit information prevents in England that people obtain credits at lower interest rates (Credit and Debt 1990).

The decision to use the credit necessitates the credit agreement of both sides. Credit agreements rather protect the credit granting institution against risk but not the consumer. A Consumer Credit Act like in England is not operationalized yet in Turkiye and the application is still based on the articles of the Commercial Law (Aydin 1991; Akkurt 1989). In the States, since 1960's consumer credit laws and regulations in force focus on uniform disclosure of important credit features and the provision of credit on an equal basis to all qualified consumers (Beares 1987).

To minimize the credit risk, banks evaluate people on five C's: Character (willingness to pay), capacity (ability to pay), capital (alternative sources), collateral (other marketable securities), and conditions (effects of economic trends, outside influences) through the judgmental approach or use a credit scoring system where points are attached to different personal data of the consumer (Beares 1987; Johnson and Johnson 1985). The risk assessment systems used in the States and many EC (European Community) countries are statistically sophisticated "credit scoring" measures and have replaced the old methods based on judgement of referees (Beares 1987, Credit and Debt 1990). The systemized collection of personal credit information is operationalized in Holland by the BKR (Credit Registration Bureau) and in Norway by Losoreregisterit, the government owned public register (Credit and Debt 1990). In Turkey, there are different attempts by the Banks Union to develop a positive risk centralization system where all credit users are to be registered (Akin 1991).

The diffusion of consumer credits in the Turkish banking sector has several implications for the market as a whole. Consumer credits enable the purchase of different goods and services with limited income and, increase demand. Sales are accelerated, stimulating mass production and the market. But this can also have a negative impact on potential savings and exports. Debt level of individuals rises (Erzen 1991; Alpergin 1990; Akkurt 1989; Beares 1987).

The diffusion of consumer credits in the Turkish market necessitates an adequate communication flow between banks and consumers, covering risk analysis and informing consumers about the consumer credits in detail.

METHODOLOGY

For this study, an exploratory research was conducted to gain insights about consumer credit applications in Turkiye through experts in the field. From a census of 18 banks granting this service

among the 33 retail banks operating in this country, a sample of 14 banks could be contacted who have an experience of at least one year with this application. The sample is selected judgmentally by telephone interviews held with Banks 'Union Association. For contacting knowledgeable people from the consumer credit departments in each bank in the sample, snowball sampling was used.

The data collection instrument was a structured, undisguised questionnaire which probed in detail information on:

- a. consumer credit applications in Turkiye;
- b. effects of consumer credit applications on the economy, society, and the banking sector;
- c. methods used and searched for to cope with the risk factor
- d. efforts to develop and use different communication methods and tools for the information flow to consumer; and
- e. reactions of the sector to post-purchase consumer behavior.

The managers of consumer credit departments were administered a questionnaire which was followed up by face to face interviews. The undisguised nature of the questionnaire helped to generate detailed information both on open ended and multichotomous questions where respondents had to rank the alternatives.

FINDINGS

Consumer Credit Applications in Turkiye

Consumer credit application found widespread acceptance among 10 banks in Turkiye in 1989, following one avanguardist bank operating since 1988 in this field. Two further banks followed in 1990 and one more in the first half of 1991.

Banks most intensively prefer to grant consumer credits to their customers for the purchase of automobiles (mean:1.77) and durable goods like white goods and electronic home appliances (mean:1.88). Credits are also provided for furniture purchase (mean:2.88) and for general purposes (mean:2.83) as cash credits (Table 2).

The major consumer credit category promoted is automobiles because of its high salvage value and the guarantees for the bank such as not shifting the ownership to the credit customer before the total payments are collected. Cash credits for free use are an additional income to the budget, used for different purposes like education, holidays, purchase of home appliances, or even for daily expenditures. The consumer is not obliged to inform the bank about the reasons of use.

The main reason which leads people to use consumer credits was stated by the banks as the inadequacy of purchasing power due to the rapid increase in prices (mean:1.92). Also the appropriate installments make the credits attractive compared to payment in cash for purchases (mean:2.77). In the last decade consumption habits have changed in Turkiye to a certain extent. The orientation to save money for purchasing goods in future changed as to buy the needed and desired products and making the payments in the future.

Different factors led banks to orient their operations to consumer credits. For the majority it was the need for distributing the risk of short term credits (Table 2).

When the methods for providing consumer credits are considered, cash credits given "directly" to consumers is the way pursued by all the banks contacted. Most have an upper limit up to 15 million TL. Again 9 banks prefer also indirect lending. This is mainly used for automobile credits. Only 4 of them prefer to work with

TABLE 2
Consumer Credits Provided—Reasons Behind—Risk Coped With

	<u>N</u>	<u>Mean</u>	
<i>Credit Type*</i>			
Automobile	13	1.77	
Durable Goods	8	1.88	
General (cash) Credit	12	2.83	
Furniture	8	2.88	
Housing	5	3.00	
Holiday	4	5.50	
Education	4	5.75	
Career purposes	3	6.00	
<i>Consumers' Reasons to use **</i>			
Inadequacy of purchasing power	14	1.92	
Appropriateness of installment amounts	13	2.77	
Widespread area of usage	9	3.22	
Change in consumption habits	12	3.85	
Increase in consumption of young people	12	4.08	
Suitable interest rates	7	4.43	
Increase in urban population	7	5.85	
Recession in consumer goods sector	6	6.17	
* ranked as 1= most intensively used			
** ranked as 1= most important			
	<u>N</u>	<u>Mean</u>	
<i>Banks' Reasons to grant ***</i>			
Distributing risk	11	1.81	
Low demand for commercial credits	7	2.14	
Gaining new customers	9	2.77	
Meeting cash demand	6	3.66	
***ranked as 1=most important			
	<u>N</u>	<u>%</u>	<u>Mean</u>
<i>Risk Analysis Method Used *</i>			
Investigation	11	78.6	
Credit Scoring System	4	28.6	
Credit Evaluation on:			
Character	9	64.3	1.40
Capacity	13	92.9	1.46
Capital	5	35.7	3.00
Collateral	4	28.6	3.00
Conditions	2	14.3	2.50
*ranked as 1: most important			

distributors providing products or services. For indirect financing, additional guarantee instruments besides the surety to control the credit risk are required.

The Risk Factor to be Coped with

A very important aspect of consumer credit applications in Turkiye is the need for a risk centralization system. Banks granting consumer credits work on the project to establish a data center which covers both the negative and the positive valued customers, known as negative and positive system. Lack of a detailed system hinders the banks to control, whether the customer makes already

use of consumer credits of other banks as well, and her/his loans are overdue or not. At the moment banks can reach data about unpaid credits only through the Central Bank/Turkiye, where a negative system is operational. This is not sufficient to prevent credits granted to become overdue. In Turkiye, also a personal data bank is not present. The positive risk system has also the advantage for credit users to see their own positioning in the market. The system needed for a healthy risk control would give information about who has used what type of credit in which amount where and when, with the limits and risks, reflecting any delays in repayments. The risk centralization system preferred by the 10 of the 14 banks is a

TABLE 3
Positive and Negative Effects of Consumer Credits on the Turkish Economy and Society

P. EFFECTS	N	Mean*
Stimulating the market	13	1.77
Healthy credit potent	11	2.18
Rise in cash payments	10	2.40
Better life standards	10	3.10
 N. EFFECTS		
Rise in inflation	6	1.50
Stimulating consumption	11	1.64
Fall in potent. savings	7	2.29
Rise in conspicuous cons.	6	3.83
Fall in capital accumul.	6	4.00
Fall in export revenues	4	4.50

*ranked as: 1:most influential

positive system covering also the information basis provided by the negative system.

For the moment, 11 of the banks contacted use the method of investigation through loan officer, and four banks stated to use the method of credit scoring system for consumer credit risk analysis. One of these banks uses both methods. The investigation covers detection of monthly income flow, evidence for payment power, and approval of the credit committee. The credit scoring system detects people who had difficulties in repayment. One bank makes use of Fair Isaac International Score Card system for to rate the consumers as credible or not by analysing the data about credit applicants based on certain values attached to the different types of information obtained. This computerized risk analysis is not widespread yet in the sector. The analysis of overall credit evaluations for consumers to control the risk factor shows that for the banks the character of the consumer is the most important factor besides the capacity to pay (Table 2).

Character means credibility, reputation and solid life style of the customer. Although payment capacity, i.e. the liquidity, monthly income and stability of the income are prerequisites, character can be given priority. The effect of economic trend cannot be ignored especially in periods of political instability like in the case of Gulf War. All banks had to lower consumer credit applications during that time.

In Turkiye, banks request different types of guarantees to minimize the risk for consumer credits, and to compensate the gap of information lack. The upper limit of the credit granted is set based on the monthly income of the consumer. In case of mortgage loans for purchase of a house, a mortgage is required, and for the use of automobile credits, sequestration. The consumer is not allowed to sell it until all installments of the credit are paid. A full insurance is also set up for the car and the driver to protect inheritance against the liabilities of the driver in case of death. For granting cash credits for general purposes, 12 banks applying this type of credit require a bond and surety. If the consumer owns bank accounts, they are put in pawn as security. Bank accounts are preferable guarantees since they are easy to liquidate.

Effects of Consumer Credit Application

The consumer credits have both positive and negative effects on the economy and society as a whole and on the banking sector specifically.

Among the positive effects to the economy and society, the first one is stimulation of the market (mean:1.77), as a result of increase in cash payment purchases. This is mainly observed in automobile and white goods sectors with increased volume in sales. Table 3 shows that the second important positive effect of consumer credits is ensurance of a healthy credit potential through distribution of the risk(mean: 2.18). The expansion of cash payment purchases decreases the receivable collection expenditures for the producers or distributors firms.

As for as negative effects of consumer credits on the economy and society are considered, the rise in inflation rate and stimulation of consumption have been stated first with means 1.50 and 1.64 respectively. Consumer credits are an additional fund for consumer budget, but repayment difficulties can occur in the long run especially for people with limited income who are not able to accumulate savings at all; leading consumers to get new loans and to decrease their possible future savings (Table 3).

For the banking sector, the application of consumer credits helped to distribute the risk and to generate liquidity through monthly repayments. The placement of liquidity further increased profitability of the banks, through the high price of the credit based on compound interest calculations.

Factors affecting the banks negatively in the frame of current legislative applications are first of all the lack of a centralized data bank. This leads to difficulties in control of risk and follow up of credits. There aren't any specifically designed legislations or regulations for consumer credits separate from the commercial law. It is rather the banks which determine the rules in the market. The consumer is not adequately protected. Consumer credit application also resulted in additional paper work, hence more personnel and new departments were needed to handle the increased amount of operations.

Communication for Information Flow to Consumers

Marketing of consumer credits happens through the bank itself, or also through producers, agents, retailers or service marketing firms contacted by banks. Among the nine banks involved in indirect financing, seven take the service of different firms from the industry, mainly in automobile and home appliance sectors, and from the service sector such as tourism agents or retailer agents for cars or various home appliances. The agents and the producer firms make use of different campaigns to stimulate demand, and promote

TABLE 4
Communication Tools Used and Information Flow to Consumers

	N	Mean
<i>Communication Tools *</i>		
Mailings	9	1.78
TV - Radio ads	9	2.22
PoP displays	10	2.40
Newspaper - magazine ads	6	2.67
Billboards	3	4.67
<i>Information Flow through **</i>		
Establishment of consumer credit risk centr.system	7	1.14
Periodical contact related to innovations	6	1.50
Standardization of credit use conditions	4	1.50
Booklets about details for credit usage	3	1.67

*ranked as 1: most frequently used

**ranked as 1: most effective

the credit sales through the use of print media like newspapers and magazines, mailings and leaflets, audiovisual media like TV, and through personal selling, in descending order.

The replies reveal that banks prefer the pull strategy to build demand for consumer credits. Personal selling is activated by three banks, whereas advertising is preferred by 12. The major communication tools chosen are mailings (brochures, letters), TV and radio ads, and point of purchase displays (branch posters, brochures) with means 1.78, 2.22 and 2.40 respectively (Table 4).

To awake the needs of customers for a conscious choice and for the use of consumer credits, banks emphasize service speed and quality, benefits tied with the credit in their slogans. The advertisements are informative about individual types and benefits of consumer credits, stating which products the credit may cover, for which other purposes it may be used.

Informing consumers about the monthly installment periods, the monthly payment plan covering the capital money and installments does not take place for all banks within the scope of their promotional activities. Other important points such as the interest rate of the credit, the bureaucratic requirements to be fulfilled and the related responsibilities are mostly indicated only in credit agreement sheet. Only four banks attach an application form to their brochures.

Among the type of information to be provided to consumers through advertisements and personal contact about the use of consumer credits, cost of credit is the most important one (mean:1.55), covering in detail the interest amounts, taxes, an other funds on the capital money (Table 4).

In Turkiye, variable interest rate application on consumer credits is not preferred. Based on the expected inflation levels, people would sense a rise in the interest rates, hence the fear to carry additional cost burdens would make them suspicious about using consumer credits. A positive approach was also detected where two bank representatives stated that consumers should be well informed about technical details in interest calculations, also for variable interest rates. They believe that suspicion of customers can vanish when informed in advance, and a possible application of variable interest rates would then stimulate the market further through ensuring a healthy cash flow. The banks are not highly willing to

inform consumers about the interest rates, methods used to calculate interest rates and monthly payment amounts, and hence, about the real cost of the credit. They believe that technical information would be too complicated to understand, and result in hesitation of people to carry the credit responsibility. For them, the consumers are rather interested in what they pay each month, and not in how this amount sums up. Some banks prefer to inform the consumer about monthly repayment amounts in face to face contact when the credit agreement is made. Banks rather prefer to inform customers in detail about credit terms and credit usage areas.

To inform consumers better about the use of credits, building a consumer credit risk centralization system is ranked by bank representatives as most beneficial, followed by informing them about innovations and changes in the credit center, and the definition of credit conditions in a standard form; with means 1.14 and 1.5 each respectively (Table 4).

In countries where the risk centralization system is operational, consumers can reach the information related to their credibility conditions. In Turkiye the consumer is not informed about the detail of reasons in case of credit application refusal. Although the credit use conditions are to a certain extend standardized, different policies are applied by banks based on their target market strategies, leading to confusing information for the consumers. Hence, even if banks continue to use differentiated standards, the consumers should be well informed about the details of variations in application.

Evaluations of and Actions on Post -purchase Behavior

During the period using the consumer credit, and after the completion of repayments, customers show different types of behavior. Some banks do not follow consumer post-purchase behavior. For others, pre-users apply mainly for new consumer credit types and most of them open an account in this bank. Other types of behavior observed are delays in repayments. It was also stated that consumers use word of mouth to inform and attract their circle of acquaintances for the use of consumer credit.

Different views were asked about what kind of innovative actions on the behalf of consumer credits the banks would establish, based on the post- purchase reactions of consumers. The banks

stress to offer better credit use conditions such as longer terms of payment, reasonable interest rates, or less paper work. They also aim to develop new credit types for consumers based on the consumption trends, in order to attract new customer groups. To introduce the new service offer to the market, one bank even stated to grant the credit with zero interest rate within the introductory promotion period.

CONCLUSION

The consumer credits as a new service have found widespread acceptance in the Turkish market. A resistance to this new service has not been observed, since (1) promotional efforts concentrated on messages informing about the different types of credits and their areas of usage, (2) the consumption habits of people had changed, like in England; and (3) the credits met the need for an additional fund to the family budget.

For Turkish citizens, economic necessities or the inadequacy of purchasing power was rated as the main reason for using consumer credits, whereas in England it was the convenience at first place followed by 'necessity'. Banks in Türkiye rather concentrate on providing automobile credits, followed by white goods and electronic appliances. In USA, like in Türkiye automobile loans are the largest group of consumer loans, but in England mortgages account for about 80 % of personal borrowings.

In order to eliminate the discomfort tied with the intangibility of the service provided, banks also grant consumer credits through producer and distributor firms. This helps consumers to visualize products they aim to purchase. Another way is the use of promotional tools: mailings, TV radio ads and point of sale displays.

When the message content of the advertisements are analysed, the information provided concentrates mainly on the types of credit, ways to use it, and periods of payment. Banks are not willing to inform consumer about interest calculations and the real costs of the consumer credits. A consumer credit act like in the States or many EC countries is lacking. This prevents a healthy information flow to consumers related to interest calculations. On the other hand research revealed that in England even informed, consumers still could not handle the operationalization of APR.

The banks provide credits to people taking mainly their capacity to pay and reputation into consideration; and try to protect themselves against risk of bad loans by requiring different guarantees like mortgage or sequestration, surety, pawn to deposit accounts. In Türkiye, the use of credit scoring system is not widespread like the case in England since mid 70's and the States since early 60's. The required guarantees cannot prevent loans to become overdue unless a risk centralization system for positive and negative information is operationalized in Türkiye like that in Holland and Norway.

Post-purchase tendencies concentrate on consumers' new requests for new loans and opening deposit accounts in the branch of creditor bank. Banks attempt to facilitate consume credit usage and to operationalize new type of credits. But post-purchase follow up rather concentrates on detecting overdue loans than needs and expectations of consumers.

The establishment of a risk centralization system, drawing up a consumer credit act and information of consumers about real costs of the credit as well as other aspects of the loans in detail will help for a healthy adoption of the consumer credit application in the Turkish banking sector. This in turn will help banks to distribute their risk of short term loans, and act as an injection to the economy, stimulating the market of different products and services, hence accelerating the improvement of consumers' lifestyles.

Further research can be conducted in form of a cross cultural study, analysing the situation in countries with a similar consumer credit application background as Türkiye. Also, a longitudinal study will be of great importance, since it can help to detect the level of competitiveness of banks over a longer period of time, and shows at what point necessary changes in application started in Türkiye.

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