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GRADUATION PROJECT

"CREDIT CARD SELECTION CRITERIA IN NORTH CYPRUS"

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ABSTRACT

Credit cards are the most important and useful implement in all people life.The purpose of this research was to find the factors that affect the credit card selection criteria. This research measures the peoples' expectation about their credit cards.

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SECTION 1

INTRODUCTION

1.1. AIM OF STUDY

The main aim of this study is to show the factors that affect peoples' credit card selection and I explain the credit card selection criteria. These criteria can take their shapes rom people expectations.

1.2. BROAD PROBLEM AREA

The credit card has become most useful and natural way of purchasing goods and ervices. Everyone uses credit cards because credit cards have lots of advantages when you buy something. For example you can pay installments or you can buy goods now and start paying one month later. Thus, credit card industry has been growing fast. Next to all advantages there are some disadvantages as well. There are lots of credit cards in this sector. All banks issue their own card. Many credit card issuing banks in North Cyprus do not know what their credit card customers or they do not know to find out what their customers expect. First, banks must do a research about a customer who would like to receive a credit card and why he/she wants this card.

1.3. METHODOLOGY

In this study I use the factor analyses. Factor analysis is a data reduction technique uses to reduce a large number of variables to a smaller set of underlying factors that summarize the essential information contained in the variables.

1.4. STRUCTURE OF STUDY

In this project, I would like to explain factors which effect peoples' credit card selection criteria. In section one, I wrote an introduction and I showed the aim of the project and I mentioned the broad problem area in banking sector. Section two included the literature reviews where I gave some information about old studies. In third section I wrote about banks in North Cyprus and new credit card laws. Section four started with the data analyses, then I explained the methodology and than I explained the SPSS output. And the last section I included the conclusion, implications and recommendations.

SECTION 2

LITERATURE REVIEW

2.1 ARTICLES ON USAGE OF CARDS BY PUBLIC

2.1.1 Meidan and Davos (1994):

In 1994 Arthur Meidan and Dimitris Davos start to analyses the credit and charge cards selection criteria in Greece. Until recently, the Gerek card market was under developed. Traditionally, the Greek society was cash oriented and only lately consumers have started to use plastic money as a method of payment, especially in urban areas. In the last few years, credit and charge card usage has expanded rapidly. Many reasons contributed to this expansion: the deregulation of the Greek banking market and the establishment of private banks, the introduction of new technology which enables banks to operate at more efficient levels, and the realization of bank managers that Greek banks must adapt to the new competitive environment in a unified Europe. Over the last four years the growth in the number of new credit card accounts has been over 25 per cent per annum. This article aims at identifying and qualifying the attributes and factors that affect credit and charge cards selection.

A questionnaire attempting to identify the importance attached by the card holders to each of the attributes, on a Liker type, a five point itemized scale was developed and pilot tested. A quota sample of 151 cardholders was randomly selected to take account of factors such as card holder's sex, income, and age. A national media survey in Greece suggests that over 62 per cent of the total cardholders live in the Greater Athens area, with another 32 per cent in Thessaloniki; 52 per cent of Greek cardholders are male; 47 per cent belongs to the middle class; 41 per cent are high income earners; and 12 per cent are low income earners. The data was collected via personal interviews with cardholders living in Athens. Factor analysis is one of the most commonly used methods for analysis of interdependence. The factor analyses suggested that there are five main factors that determine card selection criteria in Greece The five factors taken together account for over 67 per cent of the variance in the data. The factors were labeled as follows; convenience is a topic of great importance in the financial service sector. Organizations offer similar products, so they are trying to be easily accessed by their customers in an effort to gain a competitive edge. The association between banks and credit

in terms of convenience lies in the fact that distribution channels for bank cards may be re effective because of the large number of branches. Factor 2 (15 per cent importance) ecresent the symbolic aspects of credit card usage. It was interpreted as 'Indication of estige' and has high loading on attributes: acceptance of the card by modern establishments d status symbol. The card's image is extremely important for some cardholders, therefore cıany banks make significant efforts to improve and differentiate their images. Factor 3 was und to have 21 per cent importance and was interpreted as 'sense of security in Greece and ıoroad'. It was determined by three variables, protection when the card is lost or. stolen, revision of insurance while traveling and worldwide travel service available. Factor 4 was :-:ird in terms of importance (19 per cent) and was determined by three attributes: commission · ee car hire, commission free travelers' checks and no join annual fee. All the cards entiorıed in this study require an annual fee, or sometimes a joining fee is required epending on the card). Factor 5 represents the convenience of cards' usage abroad. It was -rerpreted as 'shopping abroad' and it was loaded heavily only by one variable: 'large acceptance abroad'. This variable ranked second in terms of importance which gives an iditional weight to this factor, although overall- as a factor- it has only 8 per cent of the total mportance in card selection in Greece. To conclude, this study suggests which are the most ...portant factors and attributes that affect card selection in Greece. The findings of this study ggest that Greek cardholders are practical, as far as card selection is concerned. Therefore, card issuers should use some of this study results in designing their marketing strategies. The location of marketing resources, via marketing mix, should take account of the relative mportance of the individual attributes as indicated by these study findings. Obviously, the sample of cardholders investigated represents the 'average' Greek cardholder. Further segmentation and separate studies, using various socio-economic criteria, for example: age, sex, income, profession, frequency of travel, frequency of shopping, etc, might result in ~ifferent sets of factors that will reflect different patterns of card selection in Greece by these different market segments.

2.1.2. Kaynak, Kuçukemiroğlu, and Özmen (1995):

In 1995 Erdener Kaynak, Orsay Küçükemiroğlu and Ahmet Özmen come together and esearch 'correlates of credit card acceptance and usage in an advanced developing Middle stern country'. In recent years, economic pressures, heightened competition, rapid echnological developments, and a decline in consumer purchasing power are paving the way for " global marketplace change in the credit card business. Several factors are influencing this al change and transformation. First, the over-extended credit cardholding consumers, mainly eveloped wealthy society. Secondly, there has been the assault of the non-bank financial s.titutions on existing credit card customers. Third, consumer advocates have criticized bitterly gh credit card fees and interest rates and behavioral change is occurring in banking rganizations toward issuing credit cards due to saturating consumer demand. Turkey is a country '..tween the advanced and less-developed world, from the view point of socio-economic cevelopment. For many years, Turkey has been admired and taken as a model by many Middle Lastem countries. Turkey is probably the most developed Moslem country in the world. Therefore, it can be concluded that Turkey is closer to the Middle Eastern countries than to 'estern Europe both in geographical and cultural-political and psychological proximities. They ~e old studies information's. In earlier study conducted by Baker and Şekerkaya (1992, p.28), a survey questionnaire was administered to convenience sample of 200 cardholders and 200 non-nolders in a suburb of Istanbul. In the current study, a systematic sampling technique was used. From the lists received from private and state banks, a sample of 450 credit cardholders who represented the overall demographic and socio-economic breakdown of the region was selected. urvey questionnaires along with self-addresses, repaid return envelopes were mailed in late 1992. After a month 277 completed questionnaires were returned, 14 could not be used due to incompleteness and inconsistencies, and the final analysis was based on 263 questionnaires. In onclusion although credit card ownership and usage is in a stage of rapid development in Turkey, there has been substantial increase in the acceptance and usage in recent years. Despite more widespread usage, most of the credit card users are urban dwellers, more educated with professional types of jobs, and higher income earners. Getting more people to use credit cards is indeed a marketing challenge that credit card issuers are meeting by offering cardholder benefits and incentives and by urging merchants to promote debit at the point of sale. In future research this study looked at credit card usage in urban Turkey. Additional studies are needed to examine the credit card usage behavior of more general populations. In particular, credit card usage among rural and semi-urban consumers will be illuminating. Studied which look at the diffusion process of credit cards will provide banks and financial institutions with additional insights. Furthermore,

comparative type of study among countries of the Middle East at similar levels of developmen-
ould produce better insights. Credit cards are now becoming a preferred payment method for
ery shoppers. It will be very useful to determine the size and extend of credit card usage in
- ıırkey for grocery shopping purchases.

2.1.3. Delener and Katzenstein (1994)

For many consumers, the credit card has become a practical and natural way of purchasing goods and services. Within last decade, significant changes occurred in the credit card industry as well as in the payment system- cash, personal checks, money orders, retail store credit cards, bank credit cards, general credit cards, travel and entertainment cards and debit cards. Furthermore, consumer behavior research has traditionally cantered on understanding the antecedents of purchase, while the effects of the mode of transaction have not been extensively explored. Because alternative systems of payment differ in important cultural, economic characteristics, the type of payment may exert a significant influence on individual consumer behaviors. This research therefore attempts to explore credit card possession and payment system use patterns among Asian and Hispanic consumers.

Data was collected from sample of Asian and Hispanic households in the northeast region of the United States. A stratified sampling method was utilized to select respondents from Asian and Hispanic-American social/cultural organizations. Participants were first contracted via telephone to determine eligibility. Ifthere was no response, a second attempt was made at a different time of day to increase the possibility of finding someone at home in the household. Questionnaires to be self -administered, where then hand delivered to each respondent by the 15 trained screening interviewers. Interviewers were fluent in the native language of their assigned group as well as English in terms of ethnicity, 709 calls were made, with 508 households refusing to participate. A total of 201 (95 Asian, 106 Hispanic) questionnaires were secured. An analyses of the socioeconomic characteristics of the household reveled that 96 respondent were male, 105 females. 80 respondents were bom in the United States., 121 were immigrants. 56 of them had been in the USA fewer than 10 years. 79 respondents had income fewer than $30,000; 70 household had incomes between $30,000 and $50,000 and 52 household had income of over $50,000.

Two variable sets were measured in this study. First of them is 'credit card possession' and second one is 'credit card usage'. In credit card possession; respondents were asked if they posses any credit cards (bank, store, petrol and general), and ifso, how many. In payment

cıeıhod use; respondents also were asked which method of payment they use most frequent l

11 payments or purchases: rent or house payment, groceries, utilities, (light, gas, phone).

'" purchase, car payments, petrol and oil, insurance, clothing and shoes, furniture and

ppliance, medical doctor or dentist, and bills that need to be paid by mail. Each observation

renresents a response to the question, 'what means do you usually use to purchase these goods

ınd services or to pay these bills? Due to the exploratory nature of the research, both bivariate

znd multivariate statistical analyses were used to test the research questions. First, during the

itial exploratory investigation, cross-tabulation with Chi-Square analyses was performed on each question using the SAS program. In credit card possession the significant result of the Chi-Square analyses on the possession of credit cards and demographics. They take some criteria that are; sex, marital status, length of marriage, ethnicity, number of years in the USA, age, occupation and education. In payment method significant results when payment system use is analyzed in the context of individual types of purchases or payments. These findings are discussed below: rent or house payments, grocery purchase, utilities, automobile purchase,

ar payments, petrol and oil purchase, insurance purchase, clothing and shoe purchase, furniture and appliance purchase, medical doctor or dentist payment, bills that need to be paid by mail.

The results of this research should provide the following valuable strategic implications to marketers. First, results imply that marketers should emphasize the usefulness of credit cards and encourage Asian and Hispanic consumers to use them more often. These consumers should be motivated to carry multiple cards, which financial institutions need to achieve maximum penetration of their consumer market to promote various services. Second, this study shows that check usage in common in these markets. Asians and Hispanics use personal checks to make a rent / house payments, to pay for utilities, car payments and insurances. Third, a significant proportion of Asians and Hispanics in this study pay cash for rent / house payments, clothing and shoe purchases. Bank and credit card companies should consider going after these as prospective credit card or check users. Fourth, the increased acceptance of credit cards in Asian and Hispanic markets is indicative of the potential for future growth of the general payments business. These markets will develop rapidly once the educational and cultural barriers to card usage are broken. Finally, knowledge of the idiosyncratic attribute structure characterizing each payment system and the relationship of that structure to preference and usage of these exchange media should enable marketers to develop more effective marketing strategies, while concurrently permitting academicians to construct more precise scenarios of payment systems functioning in purchase processes.

2.1.4. Park and Burns (2005):

The Korean consumer market has been changing rapidly as its doors open to the ~.obal economy. More transnational companies are entering the Korean market implementing ir global marketing strategies resulting in globalization in Korea. The purpose pf this study to identify the direct impact of fashion-related factors on compulsive buying and the ndirect impact of fashion-related factors on compulsive buying through credit card use. This study proposed a model to better understand compulsive buying.

The questionnaire for this study contained multi-item measures of fashion orientation, and compulsive buying. Fashion orientation was measured using Gutman and Mills (1982) fashion orientation scale, with its four factors of leadership, fashion interest, importance of eing well-dressed and anti-fashion attitude. The measurement of fashion leadership was omposed of five items such as 'it is important for me to be fashion leader'. The measurement of fashion interest was composed of five items such as 'I spend a lot of time on fashion-related activities'. The measurement of importance of being well dressed was composed of four items such as 'it is important to be well-dresses'. The measurement of anti-fashion attitude was composed of three items such as 'fashion in clothing is just a way to get more money from the consumer'. For the anti-fashion factor two additional items. 'I only buy the clothing I really need' and 'when buying clothing, I seriously consider its utility value compared to its price', where included modifying what were used in the previous studies using Korean subjects. Credit card use was measured using the scale developed by Roberts and johns, which was composed of 12 items such as 'my credit cards are usually at their maximum credit limit'.

The data of this study was collected through surveying women only because Faber (1987) O'Guin and Faber (1989) found women to be more compulsive than male and they tended to spend more on clothing. Using convenient sampling method, women over 20 years of age living in Seoul metropolitan area were selected as sample. Out of 3 80 distributed, 267 useful questionnaires was returned. Descriptive statistics for demographic characteristics of the respondents are shown in tables. The mean scores of credit card use and compulsive buying are 17, 45 (SD= 5, 39) and 14, 97 (SD=5, 68), respectively. Amos 4, 0 programs was used for all structural modeling analysis using maximum likelihood estimation. The fit of the structural model was evaluated by examining Chi-square statistics, goodness-of fit index (GFI), adjusted goodness-of-fit index (AGFI), normed fie index (NFI), and Tucker-Lewis index (TU). This study also examined comparative fit index (CFI) because CFI is rebuts to sample

while other indexes are not (Bentler, 1990). This study used an alpha level of 0,001 for statistical tests.

- compulsive buying has gained increasing attention from marketers and researchers all over -~ world, efforts have been made to identify the underlying determinants of the behaviors rom diverse perspectives. However, no research has been made to examine whether fashion- ~..:cific variables affect compulsive buying. Consequently, this study has significance in errns of being the first one to explore the relationship between fashion orientation variables d compulsive buying offering new perspective on this extreme buying behaviors. The - ridings of this study provide a few implications for researchers, marketers and government oolicy makers.

Credit card use is a more or less controllable variable with fashion interest variable while _-.„rhion interest variable and other variables triggering compulsive buying are not, the choice - clear for policy makers and marketers, especially fashion retailers issuing in-store credit cards.

The following are some suggestions for future studies. First, as the scope of this study was .imited to women in the Seoul metropolitan area, future researches conducted with more epresentative pools reflecting broader demographical characteristics would add additional redibility to the findings. Second, as it was beyond the scope of this study, it would be interesting to expand this study cross culturally and compare cultures with different degrees of economic development. Third, future researches should also consider other fashion-related Yari ables and compare the result with those of non-fashion-related variable to determine if fashion-related variables as a whole can be considered a major determinant of compulsive buying.

TICLES ON USAGE OF CARDS BY STUDENTS

2.2.1. Warwick and Mansfield (2000)

The sample frame for this study was both graduate and undergraduate students at a mall, private university in the Midwest, whose population of 3 .100 is predominantly on-campus residents (95 percent). Since approximately 80 percent of the university's population visits the cafeteria on any given day the students were approached by a researcher and asked to take part in the study. A total of 3 81 usable surveys were obtained, representing approximately 12.3 percent of the total university's student population. Simple t-tests showed there was no significant difference between the sample characteristics and the total university population. A breakdown of the sample by demographic characteristics is shown in Tables.

An exploratory study was conducted using descriptive frequencies and percentages to describe the data. Additionally, cross-tabs were used to analyze difference between various demographic characteristics, reporting the chi-square statistics at the 0.05 level of significance.

With card application available in numerous formats, this study first addressed how students attained an application. Of those students reporting ownership of a credit card, only 15 percent had attained then by requesting an application through unsolicited mail. Students typically receive unsolicited mail through several venues: commercial mailing lists through memberships to music or book clubs, magazine subscriptions or by completing sweepstakes entry cards. Another 33 .6 percent of the students received the application for a credit card at the school itself, either at kiosks located a special school events, or commonly distributed in the "bag" for carrying purchase from the school bookstore.

As the data in the table indicate roughly two-thirds of the students responding possessed at least one credit card. Of those students who owned cards, the majority (22.8 percent) owned only one. However, 20 percent owned two credit cards, and almost 4 percent had over five cards. The majority of students in this sample are full-time undergraduates at a predominantly residential campus, who are likely to be employed in jobs paying the minimum-wage for part-time (under 20) hours. This leads to the question of the whether credit card companies relax their standards for job requirements when marketing to college students.

Of interest in this exploratory study was the degree of knowledge that college students had with regard to financial information concerning their credit card. Specifically, the question dealing with students' knowledge of the interest rate on their credit card, its credit limit, and its outstanding balance. The summary of the percentages of interest paid on the students' credit card with the highest interest rate. Of the students, 71 percent had no idea what interest rate they were paying on this card, and the majority of those who did know were paying an interest rate of over 17 percent.

Although almost half reported that they did not know their credit limit or credit balance, students do appear to be more knowledgeable about the credit limit amount than the interest rate on their credit card. A total of 57 percent of the students said they knew what the credit limit amount was on their card and 5.25 percent of the students knew what the current balance was on their account, compared to 29 percent knowing its interest rate. Further studies may determine why students appear to be more aware of their card's credit limit and balance than they are of its interest rate.

Students were asked to describe their feelings about credit cards n general by selecting from four statements, the one which most closely described their attitude toward credit. These four statements were; they are the best thing man ever intended (1.4 percent), they are good, if used correctly (68.6 percent), they are not the best way to manage money (21.2 percent), they are the worst thing man ever invested (8.2 percent). Additionally, the attitude item was compared to various demographic characteristics to see if there were any differences between age, gender, those with numerous credit cards, those with high balances, and those with high interest rates, with regard to their attitude toward credit. No significant differences were found with regard to these demographic characteristics and attitude. This study shows that the majorities of collage students who own credit cards do not actively seek them out, but are aggressively pursued through the mail and on-campus by credit card issuers. Give that most students in our sample were resident on campus by credit card issuers. Given that most students in our sample were residents on campus, and therefore likely to have jobs that pay close to minimum wage, this could raise concern over the social responsibility of both the credit card issuer and the university with regard to access to the student. Many schools have already banned the achieve pursuit of collage students on-campus by credit card companies. Students' attitudes toward credit card appear to fall primarily in the 'good, if used correctly' category (68.6 percent). This suggests that students appear to have a realistic attitude toward using credit, although not knowledgeable about the details on their credit cards. In summary, the results of this study

" the question of weather or not universities in general and business school cifically, should do a better job of preparing their students to be knowledgeable surners in the marketplace.

2.2.2. Kara, Kaya, Kucukemiroglu (1994)

:-\ full profile conjoint analysis was used in the study conjoint analysis is a deco sitional method that estimates the structure of a consumer's preferences given his or her . sail evaluations of a set of alternatives that are pre-specified in terms of levels of fferent attributes. There are three basic major phases in conducting a full profile conjoint aıdv. The first phase involves developing product profiles for consumers to evaluate - ,_,, design phase. The second phase involves estimating consumers' utility functions - the alysis phase. The third phase involves simulating consumer purchasing behavior to evaluate various strategies for product positioning, pricing and segmentation

The data for the study were collected by personal interviews with 102 undergraduate students attending two state colleges in south Florida, and 127 undergraduate students rtending a state college in south central Pennsylvania. Fifty-two per cent of the students vere males, 89 per cent of the samples were less than 26 years of age, and 87 per cent of he respondents had household incomes less than $41.000 in 1992.

Part-worth is obtained using a dummy variable regression analysis and Bretton Clark Conjoint Analyzer. For the regression analysis, the factor levels were dummy coded (O, l) and resultant 11 independent variables were regression coefficients for each independent variable.

The results support a comment made by CEO: "... these people (students) are seeking for lowest fee and interest rate" (Duffy, 1990). The beta coefficient for the first level of fifth factor (9 per cent interest rate) was 30.00 and the range of the level coefficients for that factor was the largest indicating that factor was seen more important than the other factors for that particular respondent Also R^2 is 95.7 per cent or adjusted R^2 88 per cent indicated that the respondent behaved linearly or high model fit was achieved.

The study results indicate that the interest rate and the type of the payment are the most important factors for the college students. Using Conjoint Simulator, the preferences for the five hypothetical products were estimated. Several product attributes were kept constant but only the type of payment or interest rate was changed. The observed changes in the estimated market shares were significant. ln the real life situations, it may not be feasible to design the ideal service (product) that contains the best levels of all attributes.

· wever, if the importance of each product attributes and the trade-offs between the rmbute levels are understood, managers can develop a better marketing plan to reach the liege student market. In developing marketing plans, credit card executives should place _.•ore importance on those attributes which are deemed the most important by college students. This study offers very important implications for those managers who are targeting college students' market for their credit cards or who are already in the college students market but trying to improve the effectiveness of their marketing plan.

2.2.3. Baker, Tansu, Sekerkaya, and Ahmet (1992):

-e survey was developed and pretested using a sample of 40 subjects over the age of 18. hich is the minimum age for obtaining a credit card. After making the necessary odifications, the final survey was administered to 200 cardholders and 200 non-holders in a suburb oflstanbul. The survey comprised a battery of questions regarding attitudes towards credit cards and another section including demographic characteristics. While each quota was filled using convenience sampling techniques, the results are likely to provide a realistic indication of the concerns and the preferences of many consumers of many consumers as the urvey was conducted in a non-exclusive neighborhood that has the regional headquarters of all 12 issuing banks. Respondents were classified as holders or non-holders based on whether they have a bank credit card. Cards issued by stores are not included in this study. The most reason for using a credit card mentioned by the holders was 'ease of payment' (64 per cent) followed closely by 'risk of carrying cash' (58 per cent) suggesting very strongly that convenience outweighs the credit feature. This is contrary to the trend in the USA where the outstanding card balance has been increasing steadily (Thornhill, 1972) and credit cards have replaced in-store accounts as a way to get credit (Arora, 1987). Other reasons for using credit cards were 'the need for credit' (24 per cent) and 'prestige in shopping' with 15 per cent. Non-holders stated than the primary reason for not having a credit card was due to 'lack of information' (40 per cent). The next two reason for not having a car were 'strict requirements to qualify' (21 per cent) and 'possibility of impulse buying' with 16 per cent. Smaller numbers ofrespondents mentioned reasons such as 'not economical' (9 per cent), 'not beneficial' (8 per cent), and 'not reliable' (7 per cent). Clearly, there is a major opportunity to convert many customers by providing more information about the usage and benefits of credit cards.

'ith approximately 500,000 credit cards in circulation, there is no doubt that plastic money is ·- infancy in Turkey. The usage and the management of credit cards by the issuers, retailers, and even by the consumers, are very much influenced by the infrastructure of the country .here it is used. The Turkish customer is going through the introduction stage of the product cycle whereby the better educated, higher income, middle-age members of the upper-middle lass seem to be prime target. Whether this segment can be reached fully and then be xpanded to cover other groups to make credit cards as widespread as they are in developed ountries can be accesses by looking at the critical success factors. These factors are; relative advance, compatibility, triability, complexity, and observability.

In conclusion, credit card usage appears to have attracted the better educated, middle-aged and married members of the upper-middle class. Most of the holders can be classified as 'wealthy local entrepreneurs and professionals' who indeed form the primary segment for redit card usage. The Turkish banks that issue credit cards have the strategic decisions to make of whether *to* go beyond *their existing* customers order to increase their customer base. There seems to be a need to educate the potential customers on the value of credit card by employing more effective communication and promoting campaigns than has been the case. As in the developed countries (Roll, 1986), the biggest source of growth for Turkish banks is through cross-selling to existing customers. Therefore, banks must do a much better job of market segmentation (Mathews and Slocum, 1972) and evaluating the files of their own customers to identify and attract potential credit card holders. However, many aspects of the infrastructure hinder quick expansion of credit card usage. Just as important as the customers are the retailers who accept credit cards. The issuing banks have to spend a lot more effort in attracting additional outlets outside the larger metropolitan areas. It is also vital that the retailers, who are often independent and small operators, are educated in the proper ways of serving the customer. Service befitting the prestige expectation of the holders and card security are areas whose importance can not be minimized. Credit card marketing in developing countries seems to be one of those cases where adapting to local conditions would be well advised in order to avoid costly mistakes.

_.2.4. Braunsberg, Lucas, Roach (2005)

Subjects in this study were presented with one of two scenarios and two competing redit card solicitations. The subjects were then asked to choose the best card for "Pat": the name "Pat" was used to help keep gender bias to a minimum.

Two different scenarios were developed and pre-tested, each detailing a different financial situation for Pat. In the first scenario, subjects were told that Pat currently carries an average monthly balance of$ 3.000 on a credit card, but always makes the minimum payment due on time. Given the spending and payment patterns outlined in the first scenario, best credit card for Pat would be the card with the lowest permanent APR. In the second scenario, subjects were told that Pat currently uses a credit card, but always pays off the entire monthly balance.

The data were collected at a small South Central university. The subjects, undergraduate college students, were recruited from several lower-level business classes and were offered extra credit card points in exchange for participation in the experiment. The use of extra credit points to stimulate student participation in research is a common practice in the USA. This reward system is generally sanctioned by a university's Human Subjects Review Committee as long as student subjects are made aware that they can, at any time during the experiment, terminate their participation for any reason without losing the extra credit points.

The total sample consisted of 216 undergraduate students. A total of 204 (94.4 percent) students attended school full-time, while 12 (5.6 percent) students attended school part-time. Of the students, 96 were female (44.4 percent) and 120 were male (55.6 percent). Student age ranged from 18 to 68 years, with a mean age of 22.5 years and a median of 21 years (since age did not affect any of the hypothesized relationships, it was decided not to reduce the sample to e certain age range, because that would have decreased sample size and thus statistical power). A total of 163 (75.5 percent) of the students worked in addition to attending university; 49 (or 22.7 percent) students did not have a job; and four (or 19 percent) students failed to answer this question. A total of 123 students (56.9 percent) reported a personal annual income (not including their parents' income) from all sources before taxes of $10.000 or less; 54 (25.0 percent) reported an annual income of between $10,01 and $20.000; 18 (18.3 percent) reported an annual income between $20,001 and $30.000; six (2.8 percent) reported an annual income between $30.001 and $45.000; and five students (2.3 percent) reported an annual income of more than $45.000. Ten students (4.6 percent) "refused to answer" or "didn't know".

Further, 136 of these students had at least one credit card, whereas 80 students had never had a credit card. Of those students who had at least one credit card, 109 (80.1 percent) paid their credit-card bills themselves. Parents paid the credit card bills for 19 (14 percent) tudents, and a spouse paid for eight (5.9 percent) students. Most of these students carried either no (n=20 or 14.7 percent) or low balances of up to $300 per month (n=55 or 40.4 percent). A total of 18 of the students (13 .3 percent), however, carried monthly balances between $1.001 and $2.500, and 17 (12.5 percent) reported monthly balances above $2.501.

The results of this study help illuminate the complexity of the problems related to the marketing and regulation of consumer credit, particularly to vulnerable consumers like college students. The findings arguably raise questions about the ultimate effectiveness of any legislation regulating the solicitation of credit cards to college students, without a concurrent focus on increasing the product knowledge of these vulnerable consumers. The complexity of the debate between industry commenter and the FRB about the efficacy of the recent amendments to Regulation Z.

Concern about college students' low level of product knowledge has been echoed in the complaints of consumer advocates opposed to the marketing of credit to college students (Fitzgerald, 2003; Lucas, 1992; O'Connell, 1996). Partly in response to these complaints, the credit card industry has attempted to educate college-aged consumers. A number of credit card issuers have designed. The problem is how to get students to actually read and process these educational materials. Apparently, even product use has failed to educate the college consumer. That is, according to the discriminant analysis, length of USAGE of credit cards (F=3.099, p=0.08) also did not appear to affect whether subjects made the correct choice.

Product usage, however, often leads to the belief that one knows more about the product than one really does. The point here can be illustrated by a look at the Pearson con-elation analysis of OBJECTIVE KNOWLEDGE, SUBJECTIVE KNOWLEDGE.

The present study's use of a student sample might limit the generalizability of the study's result to other populations of interest. At the same time, however, the study's focus on college students may provide important information useful in the ultimate resolution of complex social policy questions regarding the marketing of credit to vulnerable populations, and the regulation of the same. Nevertheless, future research should investigate other populations' product knowledge of credit cards in addition to the efficacy of highlighting different disclosures, to help aid all consumer in their decision-making processes. In addition, the fact that data were collected in a rural area of the USA also may limit generalization to

pulations other than college students or populations living in rural areas. These latter pulations might be more sophisticated about credit.

….2.5. AUSTIN AND PHILLIPS (2005)

Primary research was conducted in an effort to identify some of the financial pressure and issues that face college students. A total of 225 undergraduate students from a large university in the southeastern USA were surveyed using a self-administered questionnaire. In addition to demographic information (age, marital status, and gender), students were asked for a variety of information about their use of credit including: their frequency of use of credit cards, total credit debt, total loan amounts, current number of credit accounts, whether they held credit cards before college, whether they pay credit payments on-time, and whether they pay off credit cards each month. Data were collected in an effort to learn how students handle credit purchases so that recommendations could be made regarding the type of educational information credit card companies can provide to college students.

Frequencies were determined for all variables and chi-square tests were calculated to asses whether significant differences existed between pairs of variables. Those comparisons that yielded a 0.05 level of significance were considered significant. These chi-square and frequency results are discussed below.

Demographic results indicated the following: 18 percent of students surveyed are married and 82 percent are single; 51.5 percent of students are 18-22 years old, 32.4 percent are 23-36 years old, and 16.5 percent are 27 years old and older; and 51 percent of respondents are male students and 49 percent are female students.

Results also provided general information about the debt and credit levels of students. Approximately 16 percent owe $2,001 or more in total debt while 13.3 percent have debt totaling $10,001 or more. Only 32 percent of students pay off their credit cards each month and 34.2 percent use their cards weekly or more often. Approximately 14 percent have no credit card accounts while 71.1 percent have from one to three cards. Of the respondents, 34 percent had one or more credit cards prior to entering college.

There are no significant differences in age of students, gender, or marital status for most issues regarding, credit cards. It appears that there is no difference in the way single and married students handle credit in terms of the following: total debt; total loan amounts, on-time payment of credit debt, whether credit accounts were held before college, frequency of

e of credit cards, whether cards are paid in whole or in part each month, and the number of redit accounts held by students. Very few differences exist on these issues according to age.

More students between ages 18-22 have no student loans (60.5 percent) while 46.6 percent of students 23-26 have no loans; 51 Apercent of 27>have no Joans. Students between ages 18-22 were less likely to have credit cards before college (26.8 percent) while larger numbers of students older than 27 did have credit accounts before college (56.8 percent). For gender, only one credit issue is significant; total loan. Results indicate that more male students have no Joans (64.6 percent vs. 43.9 percent) while more female students have Joans above $2.501 (42.9 percent vs. 31 percent).

In addition to the results of this research, credit card managers should evaluate their company's information on college student credit card debt. If there are credit issues that are specific to certain credit card companies, these should be added to information materials. By providing information that will assist student in responsible credit card use, credit card companies can improve their image and ensure successful relationship with students after they graduate.

These results should also provide some useful planning information for credit card companies and banks in parts of the world where credit card usage by college students is not yet as in the USA. As the world's consumers increasingly rely on credit transactions and more developing free market systems expand, it is likely that marketing of credit cards will become an issue in many countries around the world. Understanding the ethics issues related to marketing of credit cards to college students before it is widespread should allow banks and credit card companies in these countries to incorporate ethics their marketing of credit card companies in these countries to incorporate ethics into their marketing plans.

SECTION 3

CREDIT CARDS IN NORTH CYPRUS

. INFORMATION ABOUTCREDIT CARDS IN NORTH CYPRUS

. 1.

Name of the card	Bank Name	Monthly Interest Rate
Optimum Card	Kooperatif Merkez Bank	5,50%
Maximum Card	Türkiye Is Bank	5,75%
Advantage Card	HSBC Bank	5,63%
Bonus Card	Garanti Bank	5,60%
Smart Card	iktisat Bank	5,25%
Uni-Card	Universal Bank	6,21%
Card Plas	Yakın Doğu Bank, As Bank, Creditwest, Altınbaş Bank, Akfınans Bank, Limasol Türk Kooperatif Bank	5,50%

"Ource: phone calls made to the banks .

• this section I would like to give you some information about banks in North Cyprus and their onthly interest rates. Tablel shows the most popular banks in North Cyprus. When we look at e cards monthly interest rate, they are approximately same except Uni card which is the card of :.:niversal Bank. Advantage card which is the card of the Türkiye İş Bank has got second high nterest rate. If we want to arrange in the order of descending interest rates; Advantage Card , HSBC Bank), Bonus Card (Garanti Bank), Optimum Card (Kooperatif Merkez Bank), Card Plus (Yakın Doğu Bank, As Bank, Creditwest, Altınbaş Bank, Akfınans Bank, Limasol Türk Kooperatif Bank). Among there cards Smart Card (İktisat Bank) has got the lowest monthly interest rate.

_.2. LAWS (TURKISH BANKS)

- *L006* new credit card laws were put in action. Some of these laws are;

When a customer is issued a card for the first time, the limit of the credit card for the first year must be less than twice the amount of their net income. For second year, limit of the credit card must be less than four times the customer's income.

Customer must be pay at least 25% of their credit cards debt before the due date.

A customer is required to pay the minimum amount that is due every month. If one does not pay his or her minimum amount 3 months in a row, than the card will be cancelled. One will not be able to get a new credit card until he/she pay all his/her debts.

If a customer losses his card or his card is stolen than a customer must pay only 150 YTL during the first 24 hours.

If a customer goes to a court because of his/her debt, the bank will let the customer pay his/her debt in 18 month installments with an interest of 18%.

SECTION 4

.1. Sample

_ • roject I chose sample randomly. 150 people answered these questionnaires (see Appendix e are 15 questions in each questionnaire to get to know them. 57 per cent of people are -.ı..,..;....'- and 43 per cent people are male. There are lots of different job groups but I categorized srx job categories. These categories are; director/manager, professional, trades, civil servant, ~-housewife, and others. I ask people's ages and peoples whose age is between 21-30 are use --- card more than other age groups. Other questions are about their marital, nationality, tion, limit, name of the card use, etc ... These questions helped me to analyze my project will graph all questions and give some information about each question.

GENDER

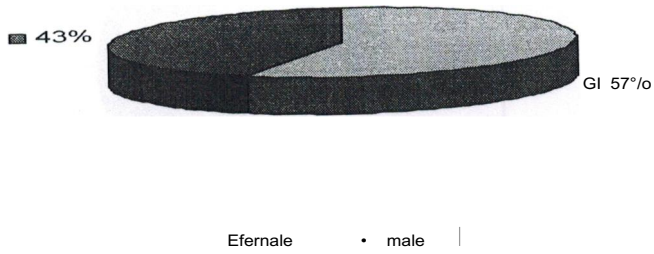

Figure 1

57% of credit card holders are female and 43% of credit card holders are male.

.\GE

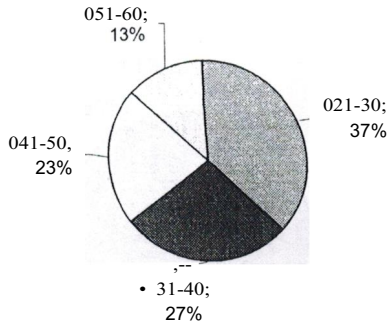

Figure2

When we look at the age groups we see that; 37% ofrespondents are between the ages of 21-30. 27% of respondents are between the ages 31-40 year old. 23% are 41-50 years old.13% are 51-60 years olds.

MARITIAL

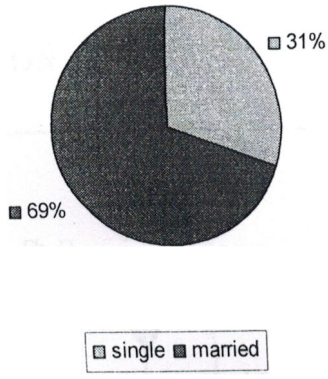

Figure 3

69% are married and 31 % are single.

.,ATIONALITY

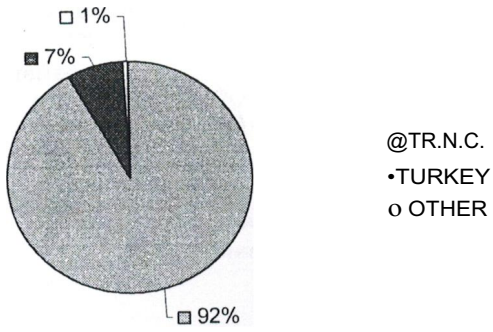

Figure 4

92% of the peoples who fill the questionnaires are from T.R.N.C.; 7% of peoples are from Turkey; and 1 % of peoples are from other countries.

EDUCATION

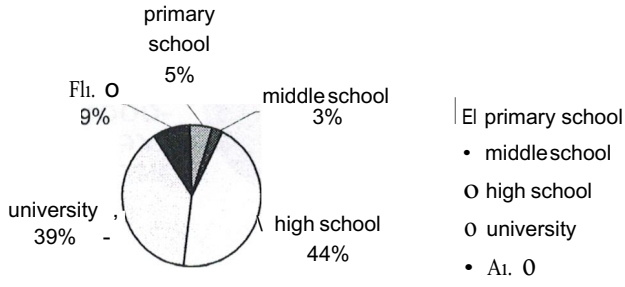

Figure 5

Credit card usage is not related with education. 44% of respondents are high school graduates. 39% are holding a university degree. 9% has PhDs, 5% are primary school graduates and 3% are middle school graduates.

FESSION OF THE RESPONDENTS

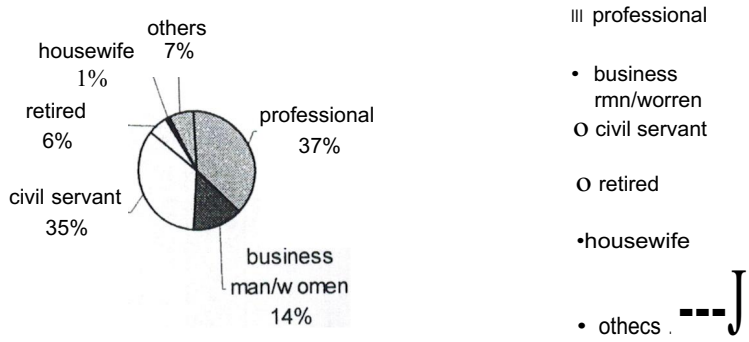

Figure 6

I% is housewives, 14% are business man/women, 35% are civil servant, 37% are professionals, 7% are others and 6% are retired.

TOTAL INCOME

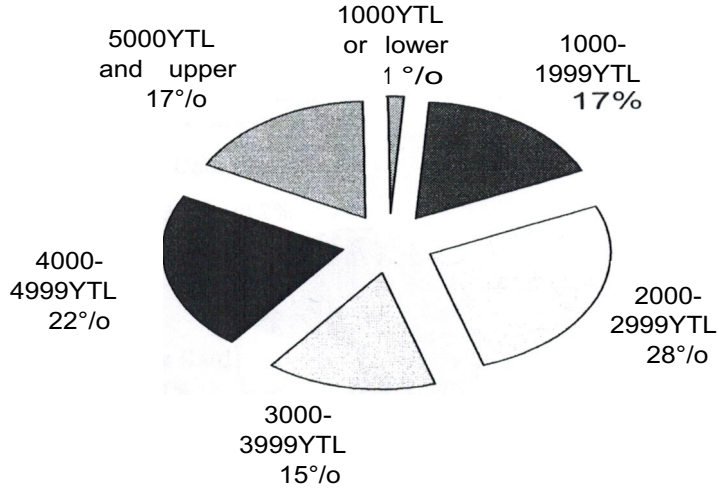

Figure 7

17% of respondents earn 5000 YTL or more per month. 22% makes between 4000 and 4999YTL, 15% makes 3000-3999 YTL, 28% makes 2000-2999 YTL, 17% makes 1000-1999 YTL, and 1% makes 1000 YTL or less.

_.IBER OF CREDIT CARDS USED

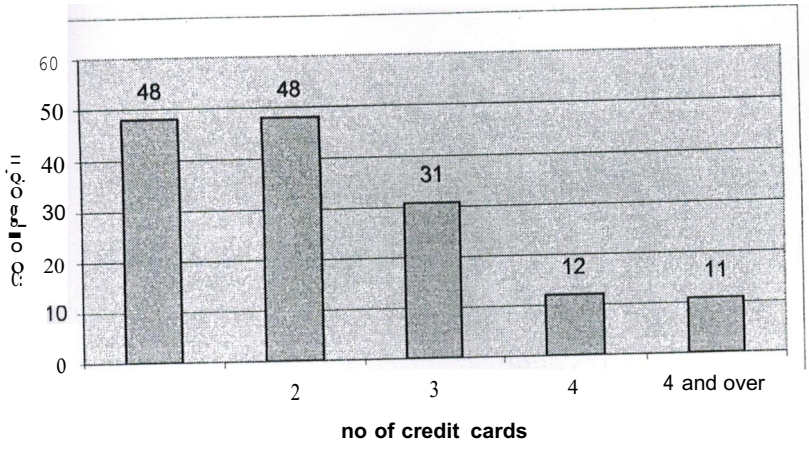

Figure 8

.:R people have 1 credit card, 48 people have 2 credit cards, 31 people have 3 credit cards, 12 ople have 4 credit card and 11 people have credit card more than 4.

~AMES OF THE CARDS USED

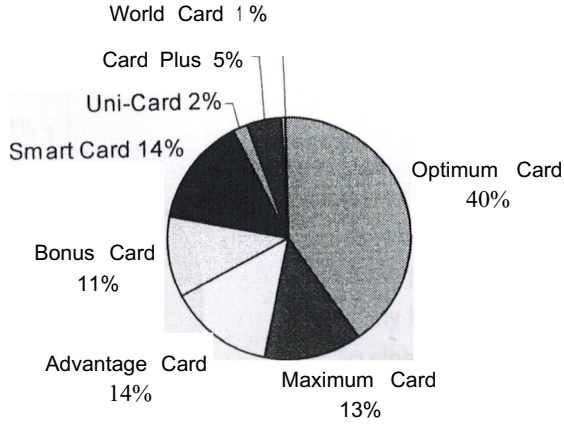

Figure 9

40% of respondents prefer Optimum Card. Optimum Card is the most popular and most preferable card in T.R.N.C. Secondly; users prefer Advantage Card and Smart Card within 14%. After these cards, users prefer Maximum Card (13%), Bonus Card (11 %), Card Plus (5%), Uni-Card (2%), and World Card (1%).

_.HT

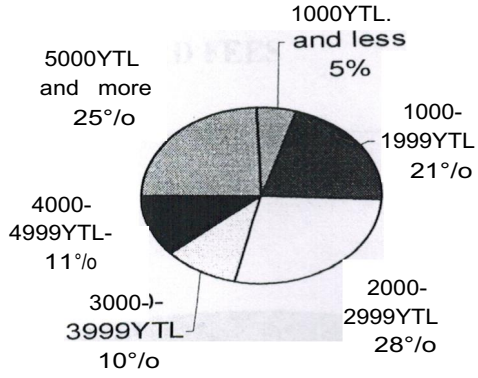

Figure IO

25% ofrespondents have a limit of 5000 YTL or more, 11 % have limit of 4000-4999 YTL, 10% have a limit of 3000-3999 YTL, 28% have a limit 2000-2999 YTL, 21 % have a limit of 1000-1999 YTL, and 5% have a limit of 1000 YTL or less.

WHO PAYS THE BILLS?

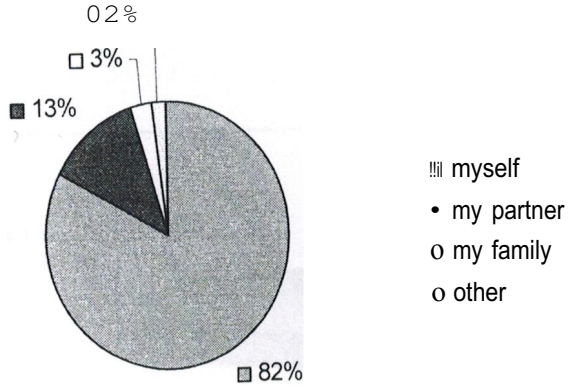

Figure 11

: people pay their own credit card debt. 13 % of people credit card debts are paid by

-..1..-1:ners; 3% of people credit card debts are paid by their family; and 2% of people credit

zre debt paid by others.

AL CREDIT CARD FEES

-~-re 12

-~% of respondents don't know their annual credit card fee and only 41 % of respondents

ow their annual credit card fee.

THE MONTHLY INTEREST RATES

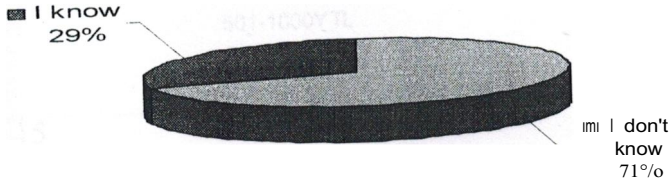

Figure 13

71 % of the respondents don't know the monthly interest rate on their credit cards and only

29% of the respondents know their monthly interest rates on their credit cards.

AYMENT OF THE BILLS

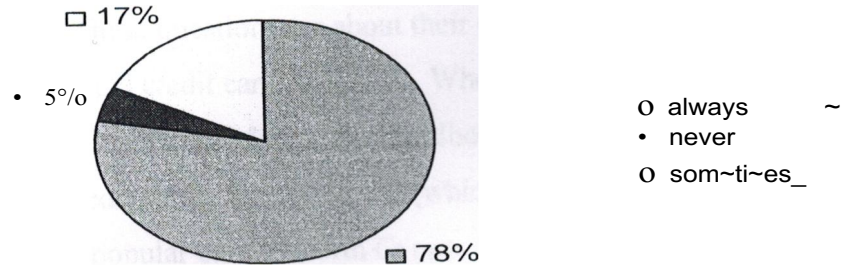

Figure 14

78% of respondents say that they always pay their bills on time, 17% of respondents say that they sometimes pay their bills on time, and 5% of respondents says that they never pay their bills on time.

MONTHLY PAYMENT AMOUNT

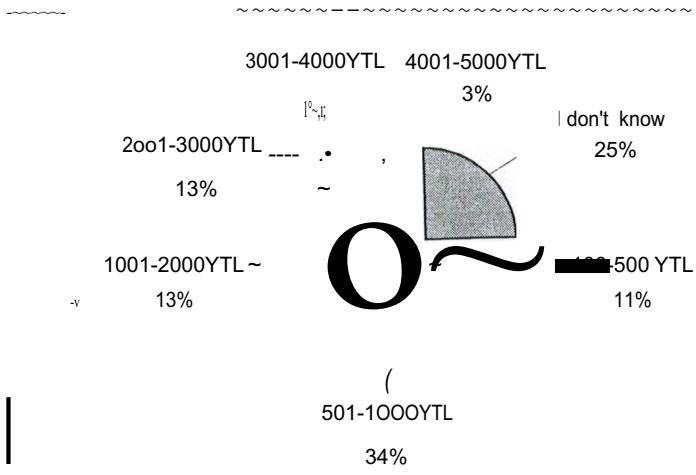

Figure 15

2Ş% of people do not know monthly payment amount. End of the month; 11 % pay 100-500YTL, 34% pay 501-1000 YTL, 13% pay 1001-2000YTL, 13% pay 2001-3000YTL, 1% pay 3001-4000YTL and 3% pay 4001-5000YTL.

.ı.2. Methodology

First I prepare questionnaires to be able to do my factor analysis. By taking into consideration old questionnaires, I prepare a new questionnaire. I ask 15 questions to identify peoples' ersonalities. These questions are about their gender, age, nationality, income, limit, payment of the bills, annual credit card fees, etc ... When we look the answers, 43 per cent of card holders are male and other 57 per cent cardholders are female. Every bank in North Cyprus has got own credit card. Optimum Card (which is Kooperati Mrekez Bank card) is the most preferable and popular card in North Cyprus, 40% of people use this card. 82% of people pay their own credit card debt and other rests of people's debt are paid by their families, partners or others. 59 per cent of people don't know their annual credit card fees and 71 per cent pf people don't know the monthly interest rate on their credit cards. Card holders said that they always pay their bills on time but 25 per cent of card holder said that they don't know how much they paid at the end of month and 34 per cent of card holder paid between 500-1000 YTL.

4.2.1. Scale

In this project I use Likert Type scale. My questionnaire attempts to identify the importance attached by the card holders to each of the attributes, on a Likert Type a five point itemized scale was developed. These five points are; Not important at all, Not important, Neutral, Important, Very important.

4.2.2. Questionnaires

Before start my project I examined the questionnaires used in different articles. Then I choose the appropriate questions for my project and prepare new questionnaires. These questions help me to analyses peoples' hopes and expectations.

4.2.3. Factor Analyses

Factor analysis is a form of multivariate analysis that takes a large number of variables or objects and aims to identify a small number of factors that explain the interrelations among the variables or objects. For explain the factor analysis we use a statistical program which name is SPSS.

SPSS (originally, Statistical Package for the Social Sciences) was released in its first _•sion in 1968, and is among the most widely used programs for statistical analysis in social science. It is used by market researchers, health researchers, survey companies, government, -~ucation researchers, and others. In addition to statistical analysis, data management and zata documentation are features of the base software. This program included in the base software which is; Descriptive Statistics, Bivariate statistics, Prediction for numerical utcomes and Prediction for identifying groups.

4.3. SPSS Output

4.3.1. KMO and Bartlett's Test

KMO and Bartlett's Test

Table2

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,775
Bartlett's Test of Sphericity	Approx. Chi-Square	875,868
	df	153
	Sig.	,000

The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed. If any pair of variable has a value less than this, consider dropping one of them from the analysis. When we look my projects KMO is equal to 0, 775 and it's greater than 0, 5. This show that project sample size is adequate.

Bartlett's test is another indication of the strength of the relationship among variables. This tests the null hypothesis that the correlation matrix is an identity matrix. An identity matrix is matrix in which all of the diagonal elements are 1 and all of diagonal elements are 0. You want to reject the null hypothesis. From the same table, we can see that the Bartlett's test of sphercity is significant. That is, its associated probably is less than 0, 05. When you look the table you can see that Bartlett's test is 0,000 and it's smaller than 0, 05. This means that it's significant and its correlation matrix is not an identity matrix.

.1. Correlation Matrix

The correlation matrix is simply a rectangular array of numbers which gives the rrelation coefficients between a single variable and every other variable in the """tigations. We need to have variables that correlate fairly well, but not perfectly. Also, · variables that correlate with no others should be eliminated. I scanned the correlation fficients and looked for any values greater than 0, 9 but none of the value were greater 0, 9. The determinant instead at the bottom of the matrix is 0, 02 which is greater than ~ necessary value of 0, 00001. See Appendix . Therefore, we can be sure multicollinearily - not a problem.

3.3. Scree Plot

The scree plot is a graph of the eigenvalues against all the factors. The graph is useful for determining how many factors to retain. The point of interest is where the curve starts to rlatten. In my project it can be seen that the curve begins to flatten at point 6. This means that this project has got 6 components. All factors are divide and separating under these 6 omponents. We give new names these components. This new names include the factors meanings which collected under these components.

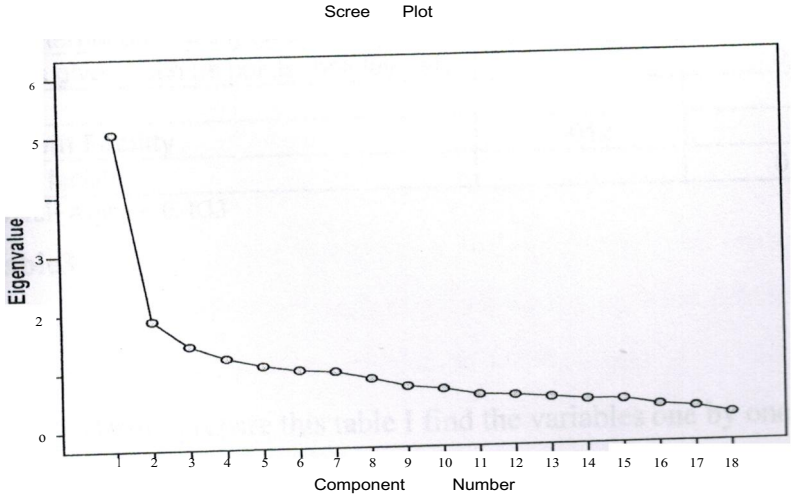

Figure 16

4.3.4. **Summary of the Result**

	EIGENVALUES	FACTOR LOADING	VARIANCE%	ALPHA
1. **Availability of Technology**	5.044		28.020	0,804
ability to pay bills through ATMs		0,884		
No. of ATMs		0,779		
internet facility		0,778		
phone banking		0,597		
2. **Convenience of Use**	1.889		10.496	o,655
Your customer services		0,840		
ability to increase the limit		0,618		
cancellation		0,590		
payment in YTL		0,507		
3. **Cost**	1.451		8.063	0,716
low interest charge		0,858		
low annual fee		0,730		
4. **Prestige of the Bank**	1.234		6.858	o.624
status symbol		0,787		
appearance		0,658		
banks reputation		0,508		
easiness in receiving the card		0,506		
5. **Benefits Offered**	1.093		6.069	o.624
services offered when traveling		0,676		
local and international acceptance		0,659		
advantages given such as points, holida , etc.		0,653		
6. **Installment Facility**	1.012		5.623	
installment facilitt		0,783		

Overall Alpha= 0, 833

Table3

Before prepare this table I find the variables one by one. First of all I draw the scree plot and find how many components we have. After finding the components, I find component matrix which shows us which factor becomes under which component. Then I give new names to each component, by look at the factors under these components. Because this new names must explain the meaning of the factors. As I said before there are 6 components. These components directly affect peoples' credit card selection criteria. These

components are; Availability of Technology, Convenience of Use, Cost, Prestige of the Bank, Benefits Offered an Installment Facility.

Then I find the 'Total Variance Explained' table which shows all the factors extractable from the analysis along with their eigenvalues, the percent of variance attributable to each factor, and the cumulative variance of the factor and the previous factors. You can this table in Appendix section on Table 4.

The eigenvalue is the amount of variation explained by a factor and that an eigenvalue of l represents a substantial amount of variation. First component which is the availability of technology is the most important factor that affects the credit card user's expectation. Its eigenvalue is 5,044 and it's the highest eigenvalue in this table. Other components have got lowest eigenvalue than the first component.

The percentage of variance explains each factor accounts for how much of the variance. When we look Table3 first factor accounts for 28,02% of the variance, the second factor accounts for l 0,49% of the variance, the third 8.06%, the fourth 6,85%, the fifth 6,06%, and last factor accounts for 5,62% of the variance.

Lastly I calculate the overall alpha and alpha for each component. You can see all alpha tables in Appendix section, Table .Alpha, show the reliability of the questionnaires. The most important for questionnaire reliability is; 'scale of item deleted'. This option provides a value of Cronbach' s alpha for each item on your scale. It tells us what the value of the alpha would be ifthat item were deleted. If the questionnaire is reliable then we would not expect any of items to affect the overall reliability greatly. The overall alpha is 0, 833. The overall alpha is excellent because it's above the 0, 8, and it indicate good reliability. And none of the items in 'alpha if item deleted' will affect reliability if they were deleted. You can see' Alpha if item deleted' title in Appendix 4 section on Table.

or analyses suggest that here are 6 main factors that show the credit card selection .ria's in North Cyprus. These factors are;

tor 1: Availability of Technology

Factor 1 is availability of technology and it will explain the peoples' technological ectations. Nowadays technology is the most important factor in whole world. In banking tor banks use technology as well. Technology is the most important factor among other tors, because its eigenvalue is 5,044. Under availability of technology there are 4 ıılanatory titles.

First and the most important one is the ability to pay bills through ATMs. Peoples o fill the questionnaires give more importance to pay bills through ATMs. Before one can ly draw money in ATMs machines, but nowadays one can add pay bills, do banking erations, etc... Working people prefer to use ATMs. Because they do not have enough time going bank for banking operations or go any department to pay their bills. They do this ıd of works in ATMs within 5 minutes. Because of this feature lots of people prefer to use rMs.

Second important variable is number of ATMs. Some banks do not ATMs, or their *[Ms* are placed only in front of the banks building. Peoples think that there must be more TM machines, because there are not enough ATM machines.

Internet facility is the third important title under Availability to Technology factor. .ople who can't leave their jobs or can't go to bank use internet banking to do their banking ıerations. Banks has got their own web pages and it contains all information's and banking)erations.

In this factor phone banking is the least important item. Phone banking is important ır bank customers. Because they can do many operations on phone. Banks ask some society uestions for customer about them and when they give correct answers customer can do lots f banking operation. Especially, when they call bank and if both worker and customer know ach other, customer can be more relax and they can solve the problem or do his or her peration. Customer can earn more free time or work time from this conditions. Some bank jve that services on phone; credit card limit, credit card last remainder, last payment date, hange password, quantify of point if you have, cancellation ...

Factor2: Convenience of Use

This factor is about banking operations. Banks provide different operations to their customers. In these questionnaires, there are four components that explain the convenience of use. First component is about 24 hour customer service. This component is the most important topic under the factor. This service is important for lots of customer because they said that they think they are safe. They think that, ifthere is a problem they can use customer service and solve their problems. Secondly people want to have ability to increase the limit. Cancellation is the third important component under this factor. Banks must provide this service to their customers. If there is a problem about your card or if your card is stolen, you must easily and quickly cancel your card. Last value is about payment style. People prefer to pay their payments and debts in YTL. Because this is very advantageous for customers as they do not want to pay their debts.

Factor 3: Cost

Cost is the third important factor. Customers prefer cards with low interest charge. Low an annual fee is also important for the customers.

Factor 4: Prestige of the Bank

Prestige of the bank is the fourth important factor in my analysis. There are four components explaining this factor.

) The most important variable is being a status symbol. Customers think that their cards determine their status. If you have large sums of money in your account, you get the gold card. People who have got gold card, they think they have higher status than others.

Appearance is the second important component under this factor. Card appearances are important for some credit card owner. Some peoples think their card must reflect their personalities. Banks try to satisfy customers by producing cards like customers want. For example, customers bring a picture and banks placed a picture on the card.

Banks reputation is important for customers as well because they want good services from their banks. If banks reputation is good, customers think that their money is safe within the bank.

Easiness in receiving the card is the least important component of this factor. When customers go to bank apply for a credit card and there is too much procedure, customers do not like these procedures ..

Factor 5: Benefits Offered

In this project I learn that people like to use credit cards for traveling. This feature is added plus point for banks. Some of these traveling services are waiting rooms in airports. For example, Türkiye İş Bank and HSBC Bank has restaurants in Atatürk Airport in İstanbul and they give free services to their customers who hold is bank credit cards. Customers show interest for these kinds of features.

Nowadays, peoples do not like to carry lots of money in their pocket. They want to use credit card everywhere. Because of this, customer wants a credit card which has an international acceptance. More credit cards in North Cyprus are acceptable in other countries.

Customers like to gain something when they shopping. Some banks use this idea and give points to their customers when they use their bank card. For these points banks give some rewards to their customer. These rewards are holidays, free ticket or extra money. Because of this rewards, customers prefer to use these type of credit cards.

Factor 6: Installment Facility

Installment is the last factor that affects people's credit card selection criteria. Peoples prefer to use installment facility when they do shopping. Every card has its own number of installments. For example, when you go shopping, you buy something expensive your card gives you the advantage to pay bills in installments. Alternatively you can buy goods now and start to pay after one month or New Year. .. Today most people do their shopping with their credit cards and use installment facility. This facility helps banks to market their cards to the public.

4.4. Summary

In this study I aim to explain credit card selection criteria. People have some expectations about their credit cards and banks need to satisfy these expectations. In my project I do factor analysis and at the end of this analysis results we can see that there are six main factors that affect peoples' credit card selection criteria.

The first and the most important factor is the availability of technology. Technology becomes the most important thing in whole world and all job sectors and banks as well to use technology in their job. Technology provides lots of advantages both the banks and customers. Banks and customers can follow their transactions easily and quickly after start to use technology.

Second factor is explaining the convenience of use. It's about service that bank providing. For example it's about 24 hour customer service, cancellation, ability to increase the limit and payment in YTL.

The third factor is about interest charge and annual fees. Peoples prefer the bank's credit card which has low interest rate and low annual fees.

Fourth factor is about prestige. People like to use their cards as a status symbol. Thus, the credit cards appearance is very important for customers. Banks reputation is the other factors that affect people to choice of credit cards easiness in receiving the card is important

Factor 5 represents the benefits that are offered by banks. These benefits are services offered when traveling, cards location and international acceptance, and advantages given such as points and holidays.

The last factor that affects the peoples' credit card selection criteria is installment facility. Installment takes very important place in peoples' lives. People can buy expensive goods easily because of installment facility.

4.5. IMPLICATIONS AND RECOMMENDATIONS

1. Many customers do not know their credit card installments and/or interest rate. Thus, banks need to educate their customers

2. Technology is very important to the customers. Banks need to increase their number of ATMs and develop their web pages further.

3. Majority of banks do not have 24 hour customer service. They need to provide 24 hour service for the customers.

4. Customers require low interest charge credit cards and low annual fee. Banks should try not to charge any annual fees in order to promote their cards better.

5. Customers put emphasis on appearance of the cards they hold. Banks should issue cards with different color and design according to customer needs and wants.

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APPENDIX2

Table4: Total Variance Explained

rtal Variance Explained

ponent	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
	5,043576	28,01986	28,01986	5,043576	28,01986	28,01986	2,801369	15,56316	15,56316281
	1,889302	10,49612	38,51599	1,889302	10,49612	38,51599	2,086549	11,59194	27,15510055
	1,451396	8,063313	46,5793	1,451396	8,063313	46,5793	1,976839	10,98244	38, 13753776
	1,234081	6,856005	53,43531	1,234081	6,856005	53,43531	1,877425	10,43014	48,56767841
	1,092506	6,069479	59,50479	1,092506	6,069479	59,50479	1,732743	9,62635	58, 1940285
	1,012194	5,623298	65, 12808	1,012194	5,623298	65, 12808	1,24813	6,934055	65, 12808358
	0,979912	5,443953	70,57204						
	0,850726	4,726257	75,29829						
;	0,708767	3,937593	79,23589						
:)	0,652962	3,627565	82,86345						
	0,54184	3,010223	85,87367						
·2	0,523934	2,910745	88,78442						
·3	0,471973	2,622074	91,40649						
·4	0,423763	2,35424	93,76073						
·5	0,414525	2,302918	96,06365						
'6	0,306219	1,701216	97,76487						
'7	0,261463	1,45257	99,21744						
~8	0, 140861	0,782562	100						

Extraction Method: Principal Component Analysis.

APPENDIX 3: Correlation Matrix (a)

Matrix(a)

	Installment facility	Easiness in receiving the card	local and international acceptance	payment in YTL	status symbol	bank's reputation	Appearance
Installment facility	1	0,2644596	0,2284148	0,2060113	0,1121342	0,0235895	0,0236568
Easiness in receiving the card	0,2644596	1	0,2160934	0,3456677	0,3859131	0,1869087	0,2860335
local and international acceptance	0,2284148	0,2160934	1	0,3200066	0,147999	0,2230089	0,1545545
payment in YTL	0,2060113	0,3456677	0,3200066	1	0,2036519	0,1877332	0,1733585
status symbol	0,1121342	0,3859131	0,147999	0,2036519	1	0,2406873	0,3380059
bank's reputation	0,0235895	0,1869087	0,2230089	0,1877332	0,2406873	1	0,3231961
Appearance	0,0236568	0,2860335	0,1545545	0,1733585	0,3380059	0,3231961	
Cancellation	0,0013304	0,155716	0,2304276	0,2785206	0,1661787	0,2378038	0,0039008
24 hour customer service	0,0139314	0,3400103	0,2131016	0,3943444	0,1514829	0,0865913	0,1640856
advantages given such as points holidays, etc	0,0643611	0,2854542	0,2975638	0,0802026	0,2137514	0,2716007	0,176063
services offered when traveling	0,1105659	0,262176	0,3688656	0,210268	0,142575	0,1554149	0,2433815
low interest charge	0,1808905	0,3002914	0,1246678	0,3798965	0,101392	0,1628673	0,2208369
low annual fee	0,1910105	0,3641434	0,1101858	0,3723546	0,28807	0,1773199	0,1602677
Internet facility	0,1467762	0,1567869	0,0983843	0,0255726	0,1043804	0,164572	0,1501562
ability to pay bills through ATM's	0,0408093	0,19075	0,2232127	0,1084495	0,1692029	0,3798174	0,2269126
sufficient ATM's	-0,001203	0,3018704	0,2385243	0,0962713	0,2730636	0,4201655	0,2668248
ability to increase the limit	0,0376527	0,3117319	0,2675297	0,2658709	0,1755355	0,3183494	0,2877467
phone banking	0,0105295	0,1993406	0,1482165	0,1312665	0,0767715	0,1998339	0,2218906

Determinant= ,002

	24 hour customer service	advantages given such as points ,holidays ,etc	services offered when traveling	low interest charge	low annual fee	Internet facility	ability to pay bills through ATM's	sufficient ATM's	ability to increase the limit	phone banking
n	0,0139314	0,0643611	0,1105659	0, 1808905	0, 1910105	0,1467762	0,0408093	-0,001203	0,0376527	0,0105295
::4	0,3400103	0,2854542	0,262176	0,3002914	0,3641434	0, 1567869	0, 19075	0,3018704	0,3117319	0,1993406
·3	0,2131016	0,2975638	0,3688656	0, 1246678	0,1101858	0,0983843	0,2232127	0,2385243	0,2675297	0,1482165
	0,3943444	0,0802026	0,210268	0,3798965	0,3723546	0,0255726	0,1084495	0,0962713	0,2658709	0,1312665
	0, 1514829	0,2137514	0, 142575	0,101392	0,28807	0,1043804	0,1692029	0,2730636	0, 1755355	0,0767715
	0,0865913	0,2716007	0,1554149	0,1628673	0,1773199	0,164572	0,3798174	0,4201655	0,3183494	0, 1998339
)s	0,1640856	0,176063	0,2433815	0,2208369	0,1602677	0, 1501562	0,2269126	0,2668248	0,2877467	0,2218906
	0,3104829	0,2452899	0,1440138	0,1507447	0,200988	0,220202	0,3791543	0,3435599	0,3053755	0,2356715
19	1	0,2668426	0,2430215	0,1646452	0, 1266731	0,0579111	0,2764835	0,3012054	0,6272761	0,3368516
SS	0,2668426	1	0,3237287	0,1131252	0, 1027176	0,0938863	0,2499727	0,252682	0,4224107	0, 156499
38	0,2430215	0,3237287	1	0,433818	0,2715958	0,2165756	0,2588362	0,2696232	0,2906127	0,1614547
!7	0,1646452	0,1131252	0,433818	1	0,5613454	0, 1727359	0,112147	0,2033043	0,1341747	0,1311427
B	0, 1266731	0, 1027176	0,2715958	0,5613454	1	0,3326584	0, 1495133	0,2642161	0,1865636	0,0978999
2	0,0579111	0,0938863	0,2165756	0, 1727359	0,3326584	1	0,5247258	0,4508479	0,1904535	0,4322409
43	0,2764835	0,2499727	0,2588362	0,112147	0,1495133	0,5247258	1	0,8202961	0,4344941	0,4282067
99	0,3012054	0,252682	0,2696232	0,2033043	0,2642161	0,4508479	0,8202961	1	0,4583584	0,3981638
55	0,6272761	0,4224107	0,2906127	0,1341747	0, 1865636	0,1904535	0,4344941	0,4583584	1	0,3795017
15	0,3368516	0, 156499	0, 1614547	0,1311427	0,0978999	0,4322409	0,4282067	0,3981638	0,3795017	

APPENDIX 4: ALPHA'S

Alpha for Factorl

Reliability Statistics

Cronbach's Aloha	Cronbach's Alpha Based on Standardized Items	N of Items
,804	,805	4

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
phone banking	11,90	8,645	,490	,245	,813
sufficient ATM's	11,77	7,478	,693	,674	,718
ability to pay bills through ATM's	11,66	7,348	,750	,704	,690
Internet facility	11,99	7,953	,557	,325	,786

Alpha for Factor2

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,655	,686	4

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
24 hour customer service	13,11	2,866	,640	,455	,454
ability to increase the limit	13,55	2,544	,507	,406	,537
Cancellation	12,88	4,227	,371	,137	,657
payment in YTL	13,55	2,813	,363	,168	,665

Alpha for Factor3

Reliability Statistics

Cronbach's Aloha	Cronbach's Alpha Based on Standardized Items	N of Items
,716	,719	2

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
low interest charge	4,17	,878	,562	,315	.(a)
low annual fee	4,33	,680	,562	,315	.(a)

a The value is negative due to a negative average covariance among items. This violates reliability model assumptions. You may want to check item codings.

Alpha for Factor4

Reliability Statistics

Cronbach's Aloha	Cronbach's Alpha Based on Standardized Items	N of Items
,624	,625	4

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
status symbol	9,97	6,690	,430	,200	,536
Appearance	10,97	6,838	,443	,199	,524
bank's reputation	9,33	7,805	,350	,133	,592
Easiness in receiving the card	9,20	7,919	,399	,171	,561

Alpha for Factors

Reliability Statistics

Cronbach's Aloha	Cronbach's Alpha Based on Standardized Items	N of Items
,587	,594	3

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
services offered when travelling	8,69	1,931	,411	,171	,472
local and international acceptance	8,34	2,551	,407	,166	,487
advantages given such as points,holidays,etc	8,60	2,214	,387	,151	,500