**CHAPTER III**

**CONTEXTUAL FACTORS**

**(The Banking Sector in Northern Cyprus and Near East Bank)**

**3.1 Introduction**

This Chapter portrays the environment that this study took place: Banking sector in Northern Cyprus and the Near East Bank.

**3.2 Northern Cyprus geography and population**

Northern Cyprus, the Turkish Republic of Northern Cyprus, is a small island state. It shares the island of Cyprus with the Greek Cypriot Administration in the South and enjoys a 3,242 kilometre square of land. The capital is the city of Lefkoşa and other major towns are Girne, Gazimagusa, Gulzeyurt, and Lefke. The official language is Turkish while English is widely used. The economy of Northern Cyprus is based on mainly tourism and some agriculture. However, in the last 20 years the country has achieved international success in establishing and running universities.

**3.4 Money and banking in Northern Cyprus**

The Turkish Lira is the official currency though the citizens and businesses can save and carry out transactions in other currencies. The daily exchange rates are fixed by the central bank.

The financial sector comprises local, “branch” and off-shore banks. “Branch” refers to the overseas branches of the banks operating in Turkey. Currently, there are thirty-eight commercial banks in operation. It is stated on the Website of the official state and planning organisation that: “Banks are free to keep foreign currency, import and export transaction, accept foreign currency changes, give foreign currency loans, deal in bonds required to be paid in foreign currency, engage in purchase and sale of foreign currency, actively engage in compliance with international banking usage, and to deal in every kind of foreign currency transaction” (SPO June, 2009).

**3.5 The Near East Bank**

The Near East Bank was established in 1996 and is currently headed by Dr. Suat Irfan Günsel who is also the founding rector of Near East University. The Near East Bank has been increasing its market share since its establishment. It operates has an efficient and sustainable growth strategy with approximately 10 branches, 52 ATMs and a solid technological infrastructure of Internet banking with services are available through an extensive distribution network. Apart from its continuing financial and market success the Near East Bank has the honour of being the first TRNC Bank that received a permit from the Turkish Banking Regulation and Supervision Agency (BDDK) to open a Representation agency in Turkey.

**Mission**: “To be a highly dependable, innovative bank that provides outstanding customer service; and is continually providing real value to both customer and employee in a sustainable manor.” Near East Bank Website

**Vision**: “To be there with North Cyprus, enrich our country, catch modernity in financial field and to always give the highest quality service.” – Near East Bank Website

**Near East Bank Values;**

Their customers, quality service, innovation and creativity, employees, consistency and sustainability, reliability, and socially responsible to the public.

**3.6 Conclusion**

This chapter briefly provided a review on Northern Cyprus and the case study company in order to furnish an insight view to the environment that this study research took place.