

Chapter 1

THE DEVELOPMENT OF PARTICIPATION BANKING IN TURKEY

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Introduction

The development of the world economy, the finance sector and the banking sector have been improving day by day and supporting the formation of new banking activities.

Especially over the last 30-40 years, islamic banking as a type of financial services around the World has been a great importance in Turkey's economy, under the name of participation banking, relating to Turkey's strategic and political situations as well. Namely, it is undeniable the fact that gathering Islamic capital not only from around the World but also from Turkish internal market has play vital role in order to provide capital accumulation for Turkish economy. Particularly, after 1970's, these funds have obviously been started in the World economic activities. When it comes to Turkey, it is clearly seen that islamic banking services started in 1985 and from the year of 2008 the banking services has been able to be more attractive to be invested due to state policies. The market share of islamic banking services in total Turkish banking system is averagely 7%. In this context, islamic banking services in Turkey have been given by only 5 banks, three of them are privately funded banks and two of them are state-owned banks. Bringing the perception and perspective of the customers towards their future targets and their position to come to their desired targets is the most important factor for these banks, which are trying to gain an important place in the Turkey's economy together with the recent years of breakthrough.

Participation Banking

Participation banks can be defined as the banks which are situated in Turkey or the branches of foreign-based banks which collect funds through private current or participation accounts and provide loans (Enactment No. 83/7506 of 16.12.1998 on the Establishment of Special Finance Institutions).

They are functionally similar to Deposit Banks, and also bridges between savers and investors as seen in Deposit Banks. But funds raising and financing methods are different. Raising funds through profit and loss partnership, financing through mainly trading (Murabaha), leasing (Ijara) and profit and loss partnership (Mudaraba and Musharaka).

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and traditional banking models in Turkey are applied together. For this reason, the awareness that existing and potential bank customers have in order to reach the targets of participation banks gains importance.

Participation Banks in Turkey are increasingly larger roles in the market even more. Especially two new Islamic banks established with state support in 2015 and 2016, the activities of these banks in the future will be further increased in our country. Turkey is considered to be Muslims, almost all of its population, this fact is better understood.

Participation Banks can increase the share of information and technology in the banking sector with the improvement of the investment opportunities indexed to foreign exchange, gold, etc. instruments for the savings, the increase of the number of branches in areas where fund resources and usage are intensive and customer satisfaction. Moreover, the geopolitical position of participation banks both in Turkey due to the demographic characteristics of the public in their true meaning market share in the banking and finance sectors if they can they can increase it. They have degenerated the system about legal entities if they are able to change the public perception of it will be much easier for them to reach savings owners. This is a fact that parallel to the banking and financial system of the savings in the system to be in the channel, our country will provide significant gains in terms of economy.

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