

The Effects of the Macroprudential Policies on Turkish Banking Sector¹

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<p>Keywords: Macroprudential policies Financial stability Fragility</p> <p>Received 21 June Revised 13 October Accepted 25 October</p> <p>Article Classification: Research Article</p>	<p>Purpose – The aim of the research is to test the effectiveness of macroprudential policies that contain different instruments and help to ensure financial stability in Turkey.</p> <p>Design/methodology/approach – The Central Bank of Turkey (CBRT) and the Banking Regulation and Supervision Agency (BRSA) implemented macroprudential policies such as active use of Debt to Income (DTI), Loan to Value ratio (LTV), required reserve ratios, capital requirement, foreign currency lending limits, credit growth limits, interest rate corridor in order to mitigate financial vulnerabilities. These effects have been analyzed and tested with the econometric time series methods in the paper. The data consist banking groups that are Turkish banking sector, deposit banks, development&investment banks.</p> <p>Results – Empirical findings show that tightening macroprudential policies reduce the loan growth of the Turkish Banking sector and deposit banks. However, the magnitude of this effect is relatively small. Unlike these findings, the effects of macro-prudential tools on the loan growth for the Turkish Development&Investment Banks are not significant statistically.</p> <p>Discussion – Aftermath of the global crisis, the new monetary policy, which doesn't have traditional features, started to be implemented from the middle of 2010 and has been going on as of the beginning of 2019 in Turkey. Accordingly, the Central Bank of Turkey (CBRT) has determined financial stability as a goal in addition to price stability in the framework of the new monetary policy and it has carried out and developed new tools in accordance with this secondary objective. This application has been carried out in coordination with (BRSA). The new monetary policy of the CBRT and the macro-prudential policies of the BRSA mutually aimed to mitigate financial vulnerabilities and provide financial stability in Turkey. When we examine and interpret the empirical results, we can say that the macro-prudential policy tools affect a certain degree of credit growth in the whole banking system. However, this effect is not very strong.</p>

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