THE BURDEN OF SAVINGS: FINANCIAL DEEPENING AND THE BANKERS' CRISIS IN TÜRKİYE

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ABSTRACT

THE BURDEN OF SAVINGS: FINANCIAL DEEPENING AND THE BANKERS' CRISIS IN TÜRKİYE

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This study examines the banker crisis of the 1980s in Turkey within a historical framework, analyzing the structural causes of the crisis and its roots in the period between 1960 and 1980. The study argues that the crisis cannot be explained solely by individual misconduct, but must be understood within the context of the asymmetries in the banking and funding systems of the time, as well as the hierarchical position of the financial system in credit creation and its institutional defense mechanisms. It analyzes the structural deficiencies that allowed banker institutions to emerge and proliferate, and the macro-financial reality in which they appeared, shedding light on how efforts at financial deepening and political choices triggered crisis dynamics. The study also situates the transition from a developmentalist model to a liberal market-oriented system within a broader political-economic transformation, demonstrating how this transformation both shaped and was shaped by the banker crisis. By tracing the relationship between financial liberalization, structural voids, and quasi-banking structures such as the

bankers, the thesis provides a more nuanced understanding of the systemic fragilities that accumulated during this period. In this context, the Turkish case serves as a lens to reassess how financial vulnerabilities in developing countries are shaped not only by external constraints but also by the specific policy responses to these constraints and the distortions these responses may trigger.

Keywords: Bankers Crisis, Financial Deepening, Certificates of Deposits, Holding Banking, Branch Banking

ÖZ

TASARRUFUN YÜKÜ: TÜRKİYE’DE FİNANSAL DERİNLEŞME VE BANKERLER KRİZİ

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Bu çalışma, 1980’lerde Türkiye’de yaşanan bankerler krizini tarihsel bir çerçevede ele alarak, krizin yapısal nedenlerini ve 1960-1980 dönemi arasındaki kökenlerini incelemektedir. Çalışmada kriz, yalnızca bireysel suistimallerle açıklanmayıp; dönemin bankacılık ve fonlama sistemlerindeki asimetriler ile finansal sistemin kredi yaratımındaki hiyerarşik konumu ve kurumsal savunma mekanizmaları çerçevesinde ele alınmaktadır. Çalışma, banker kurumlarının ortaya çıkmasına ve yaygınlaşmasına olanak tanıyan yapısal eksiklikleri ve bunların ortaya çıktığı makro finansal gerçekliği analiz ederek, finansal derinleşme çabaları ile siyasi tercihlerin nasıl kriz dinamiklerini tetiklediğine ışık tutmaktadır. Çalışma ayrıca, kalkınmacı modelden liberal piyasa odaklı bir sisteme geçiş sürecini daha geniş bir politik-ekonomik dönüşüm bağlamında ele almakta, bu dönüşümün banker krizini nasıl etkilediğini ve aynı zamanda bu krizden nasıl etkilendiğini ortaya koymaktadır. Finansal serbestleşme, yapısal boşluklar ve bankerler gibi yarı-bankacılık yapıları arasındaki ilişkiyi izleyerek, tez bu dönemde biriken sistemsel kırılganlıkları daha incelikli bir şekilde anlamaya yönelik bir çerçeve sunmaktadır. Bu bağlamda Türkiye örneği, gelişmekte olan ülkelerdeki finansal kırılganlıkların yalnızca dışsal kısıtlarla değil, aynı zamanda bu kısıtlara verilen özgül politika tepkileri ve bu tepkilerin tetikleyebileceği bozulduğu nasıl şekillendiğini yeniden değerlendirmek için bir mercek işlevi görmektedir.

Anahtar Kelimeler: Bankerler Krizi, Finansal Derinleşme, Mevduat Sertifikaları, Holding Bankacılığı, Şube Bankacılığı

.

To my loving family

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LIST OF ABBREVIATION

AC	Advanced Country
BAT	The Banks Association of Türkiye
CBRT	Central Bank of The Republic of Türkiye
CCC	Credit Creation Capacity
CD	Certificate of Deposits
DC	Developing Country
FEID	Foreign Exchange Indexed Deposit
LM	Liability Management
SPO	State Planning Organization
TGNA	Turkish Grand National Assembly

CHAPTER 1

INTRODUCTION

The Bankers' Crisis of 1982 was the first major systemic financial sector crisis experienced in Turkey. It was not only significant within Turkey but also one of the first global crises induced by financial liberalization. The crisis went beyond being a purely technical financial event and had substantial impacts on social life as well. Between 1982 and 1984, at least one page of the newspapers was dedicated to banker news almost daily[1]; during this period, three films related to bankers were produced, and one album named "Pop Kaçtelli" was released. Also, the crisis led to the resignation of the economic chief of the then-unquestionable military junta government. In both films and public life, the banker's image was portrayed as counterfeiters or fraudsters[2], directly undermining trust in the financial system.

Furthermore, as a result of the crisis, at least two bankers were killed, around ten fled abroad, and many others were arrested and convicted (Asomedya, 2001). The crisis likely resulted in a financial loss of about 2.5% of the period's GDP (Caprio and Klingebiel, 1996, pp. 17, 32). It directly impacted the banking sector, leading to the closure or merger of six banks with relatively larger institutions in the years

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[1] This conclusion is drawn from the author's archival research in the collections of *Milliyet* and *Cumhuriyet*, covering daily issues from January 1982 to December 1984. The review indicates that reports and advertisements related to bankers frequently occupied at least one full page in many issues.

[2] See *Banker Bilo* (dir. Ertem Eğilmez, 1980) *Faize Hücum* (dir. Zeki Ökten, 1982) *Dolap Beygiri* (dir. Atıf Yılmaz, 1982)

following the crisis. Deposit certificates were discontinued and have never been reintroduced into the sector.

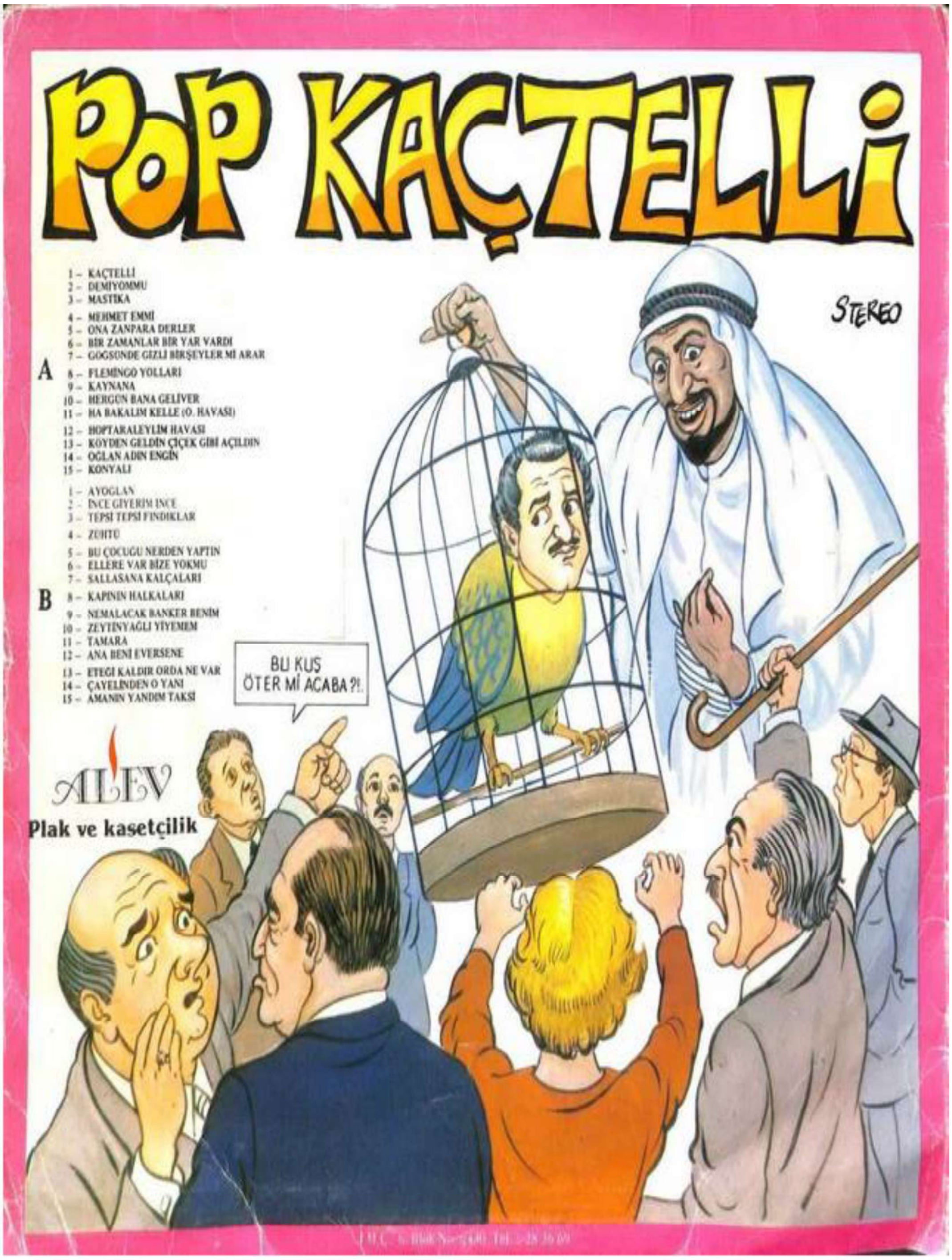

Figure 1: The cover of the 45-rpm record “Pop Kaçtelli”

In its most succinct form, the crisis emerged when bankers, taking advantage of legal loopholes, sold deposit certificates belonging to commercial banks to their clients at higher interest rates and shorter maturities, but eventually failed to meet the liabilities arising from these transactions. Even though all the principal was repayable on maturity at the issuing bank, the bankers could not find the necessary liquidity and went bankrupt. In the period preceding the crisis, some bankers accumulated deposit volumes large enough to compete with banks, and their connections to the banking sector became increasingly complex due to the use of deposit certificates.

The crisis occurred amid a neoliberal transformation of the political landscape. In the years leading up to the crisis, there were financial deregulations, tight monetary policy, and liquidity shortages. The transformation that led to the crisis was preceded by Turkey's adoption of import-substitution and planned development as its economic agenda between 1960 and 1980. However, the last decade of this period was marked by significant political instability. The crisis reflects both the lingering effects of the practices inherited from this era and the sudden and sharp impacts of the financial liberalizations that unfolded on the path leading to it.

The crisis crystallized around the figure of Banker Kastelli (Cevher Özden), the most prominent banker of the time. Kastelli was not only the most significant player in the market but also a highly mediatic figure due to his close ties with the world of media, politics, and business, frequently making headlines even before the crisis (Çölaşan, 1984). Many prominent public figures had already appeared in Kastelli's commercials before the crisis. Given such extensive and complex relationships, it was inevitable that such a figure and institution would remain central to the public discourse during the crisis. Kastelli's fame, combined with the portrayal of the crisis as the product of bankers' counterfeiting and depositors' insatiability rather than its technical aspects, led to the sensationalization of the crisis. Because of its sensational content, the Kastelli process was primarily covered in the economic columns of newspapers during that period. These newspaper articles generally consisted of sensationalism and allegations far from an academic approach, and were naturally more concerned with circulation than a holistic view of the issue.

With this issue on the agenda, it is also necessary to mention two significant popular works published during the period, despite their limited academic merit. The first is *Bankerler Olayı* by Arslan Başer Kafaoğlu (Kafaoğlu, 1982). This work offers a strong critique of the Özal[3] policies and argues that the crisis was the result of a rapid and fragile process of financial liberalization. Not only the arguments and rationale of the book but also its anecdotal narrative style contain important elements that merit consideration within the literature. The second key popular source is *Banker Skandalının Perde Arkası* by investigative journalist Emin Çölaşan. Çölaşan's work largely criticizes the Özal administration and occasionally relies on sources of questionable credibility, particularly when addressing the state authorities' response to the crisis. Nevertheless, the anecdotes and interviews with prominent figures of the time offer a relatively coherent and noteworthy account. One distinctive feature of Çölaşan's (1984) work is its day-to-day documentation of the developments during the crisis period, which he interprets from the perspective of a journalist. For this reason, the study will frequently draw upon this source, particularly due to its anecdotal richness and its function as a contemporaneous archival record. The information and observations contained therein will be utilized selectively, specifically those that qualify as reliable secondary sources, without incorporating the author's editorial interpretations or theoretical judgments. In this context, the work serves not as a theoretical reference but as a complementary empirical source that offers detailed insight into the unfolding of events and actors' behaviors during the crisis.

Apart from these two studies, numerous contemporaneous mainstream economists also published on the crisis, yet their analyses failed to move beyond attributing blame to regulatory gaps and market abuses. For example, in *Banka ve Ekonomik Yorumlar*, Cansen (1982, p. 59) and Kurdaş et al. (1982, pp. 7–17) identified the crisis's root causes as insufficient oversight and the incomplete implementation of liberalization. Likewise, Karacan (1996), Erdoğan (2002), Parasız (2000), Eğilmez (2019), and Ertuna (1986) each highlighted structural deficiencies and lapses in

[3] Turgut Özal is the executor of the January 24 Decisions, Türkiye's first liberalization move, and the economic policies of the September 12 coup. He resigned following the crisis, but in the first elections that followed, he became Prime Minister in 1983—and later President—emerging as a leading figure in the country's liberal transformation. He and his statements will be frequently mentioned in the study.

control within Turkey's financial system. Karacan (1996) did not characterize the event as systemic. Coşkun (2010) states that the banker institution initially worked within the framework of law and logic but turned into a Ponzi structure during the bankruptcy process. More recent sector-specific crisis studie such as those by Kılıç (2020), Boran (2006), and Sakarya (2006) have tended to treat the Bankers' Crisis superficially and have preferred to interpret the root cause of the crisis through the lens of actors and their behavior.. In broader economic-history treatments (Kazgan, 2005; Boratav, 2005), the episode is presented merely as a transition period, without in-depth analysis. Although studies from different fields and schools have analyzed the crisis, a superficial and simplistic perspective has not been abandoned.

In the international literature, there are no significant studies that directly address the crisis experienced in Turkey. However, the most structurally comparable case can be found in the "Secondary Banking Crisis" that occurred in the United Kingdom during the 1970s, which has been examined in several works (Reid, 1982; Gardner, 1985; Dutta, 2020). Although the details will be explored in the final section, which delves deeper into the historical trajectory of the Turkish banker crisis, it is worth noting here that, much like the Turkish bankers, secondary banks in the UK sought to attract deposits by offering certificates of deposit (CDs) that were as liquid as ordinary bank deposits but yielded higher returns (Dutta, 2020). In this study, Dutta also analyzes how these non-bank financial institutions, by gaining access to alternative money markets, reshaped the structure of the financial system and how regulatory responses to their activities influenced the broader path toward financial liberalization. Similar to Akyüz's approach, this analysis is framed within a resource management perspective. Nevertheless, as will be discussed in greater detail below, there are substantial institutional and legal differences between Turkish bankers and British secondary banks, particularly in terms of their missions, such as high-volume, high-risk funding, and their regulatory frameworks.

Apart from all these local and global efforts, two studies have analyzed the banker crisis from a more in-depth academic perspective: Coşkun (2012) and Akyüz (2023). Coşkun (2012) examines the post-crisis reorganization of repo and reverse-repo operations, emphasizing that inadequate regulation, supervision, and accounting standards undermined the contractionary monetary policy of 1979–1980 and concurrent financial liberalization. Akyüz (1987, pp. 96–97) likewise illustrates how the tightening policy prevented the financial sector from meeting firms' growing funding needs. Our study concurs with this view of macro-financial policy failure. However, we will examine not only the macro-financial policies in the years leading up to the crisis but also the policies that contributed to the formation of bankers from the early 1960s until the crisis, which we can call the birth of bankers. Also, the study diverges from Coşkun's categorical treatment of all bankers and his reliance on Ertuna (1986, p. 124) to subsume them under a single class of guarantor-certificate issuers. Although Coşkun (2012) alleges that bankers engaged in fictitious repo transactions, this practice was not generalizable; major bankers retained securities with the issuing institutions themselves. Our analysis will depart from Coşkun's by offering a more differentiated categorization and assessment of banker activities in a structural environment. This study will categorize bankers into large-scale stock market bankers and small-scale market bankers and will demonstrate that their practices and management differ significantly. We will re-evaluate the risks and risk bearers in this market, which Coşkun characterizes as involving fictitious transactions and, in a sense, defines as Ponzi-like. Since Coşkun's analysis is primarily grounded in the repo and reverse repo markets established after the banker crisis, we will also examine in greater depth a range of structural and conjunctural dynamics that are only superficially addressed, or entirely overlooked, in his work, situating them within their historical context.

On the other hand, Akyüz's (2023) study is the most comprehensive and noteworthy analysis. Instead of focusing only on the immediate causes of the crisis, Akyüz presents a historical narrative detailing how the institution of bankers emerged and under which socio-economic conditions it developed. According to Akyüz (2023), three main areas and financial instruments played a decisive role in shaping the development of the banker phenomenon: bearer or negotiable certificates of deposit that emerged after July 1980, the emergence and expansion of bond and stock markets that began in the mid-1960s and intensified in the 1970s, and the issuance of Savings Bonds in the 1960s. Each of these instruments was associated with different sectors: Savings Bonds served to attract funds for the state, bonds and equities functioned as liability management tools for corporations and conglomerates, and certificates of deposit were a financial innovation for banks seeking new funding sources.

At this point, the emergence and expansion of the bankers will be reassessed by extending Akyüz's (2023) analysis. While Akyüz and Coşkun touch on the topic, they do not adequately explore the bankers' operating principles or profit mechanisms. This study will contextualize the growth of bonds and certificates of deposit and redefine the bankers' logic through a dual classification introduced earlier. Although they played a key role in the crisis, many banker institutions—often directly tied to banks through the products they sold and later fully bailed out—faced no charges such as embezzlement. The public narrative blamed individual misconduct, but the real issue was a systemic liquidity shortage. While some studies describe the episode as an instance of Ponzi finance (Coşkun, 2010), this characterization warrants closer scrutiny. This study will assess the validity of that claim, explore whether alternative policies might have averted the collapse, and examine the extent to which the outcome reflected regulatory inaction.

In essence, Akyüz argues that the efforts of different sectors and structures to expand, generate, and manage resources played a decisive role in the crisis. While our study agrees with Akyüz's claim, it aims both to reassess these arguments within a macro-financial framework and to approach them through a more structural lens. We will analyze this structural lens by examining the banking sector's structure during the period to understand in detail both the conditions that enabled the emergence of bankers and those that led to the crisis. In doing so, this study will complement Akyüz's findings by revealing not only the dynamics at the moment of the crisis, but also the shortcomings of the banking sector in the preceding years, the risks it generated, the origins of these issues, and how the bankers capitalized on these structural deficiencies. Ultimately, while Akyüz identifies the triggers of the crisis through financial instruments, this study will contribute by highlighting how the banking sector's operational practices, rent distribution, and allocation of funds also played a role, arguing that the deficiencies and risks in these areas were critical in triggering the crisis.

In doing so, we will attempt to explain the constraints of Turkey's banking sector, as a developing country, through the concept of *Credit Creation Capacity* (CCC). This framework essentially posits that countries with weak access to reserve currencies, due to the hierarchical structure of money and trade, will also have underdeveloped financial systems. Although bankers were not part of the formal banking system, their position within the broader financial ecosystem and their risk-sharing practices with banks, particularly through instruments like certificates of deposit, make it essential to examine the structure of the banking sector in our study. This allows us both to contribute structural additions to Akyüz's analysis and to better explore the causes and consequences of CCC constraints. A deeper examination of these two key concepts will be undertaken in the next chapter. However, to provide readers with a clear understanding of our main argument, we assert that the Bankers' Crisis emerged at the intersection of policymakers attempting to overcome credit creation constraints and bankers who adopted the financial innovations of the era. This crisis—shaped by an environment where voluntary savings were encouraged through new types of deposits, associated risks and asymmetries were largely ignored, and financial liberalization coincided with tight monetary policy toward the end of the period—will be examined in this study from both economic and political perspectives.

This study offers a detailed analysis constructed through comprehensive archival research based on primary sources, complemented by secondary sources used to cross-examine and contextualize the findings, and framed through diverse theoretical linkages. This study aims to provide a comprehensive approach to the understudied banker crisis by examining approaches emerging under different scopes and structural conditions through various theoretical frameworks. In doing so, it seeks to enrich the existing literature, which often remains superficial, by integrating new and alternative theoretical perspectives to offer a more thorough analysis. Furthermore, the study endeavors to connect the theoretical insights to a broader macro-financial context without detaching them from their foundational roots. To capture the multifaceted economic, political, and social dynamics of the period, heterogeneous data sets were meticulously compiled, critically integrated, and subjected to a comprehensive reconsideration. In this context, both official and unofficial sources were rigorously examined, with particular attention given to the systematic review of major newspaper archives, notably *Milliyet* and *Cumhuriyet*. The political infrastructure of the era was further scrutinized through an in-depth analysis of records from the *Official Gazette*, the Grand National Assembly of Turkey, the Senate, the Advisory Council, and the National Security Council.

Additionally, the *Ticaret Sicil Gazetesi* (Trade Registry Gazette) was consulted to access primary information regarding the banking and financial architecture of the period. Complementarily, reports and publications issued by prominent institutions such as TÜSİAD, the Banks Association of Turkey (TBB), and the Central Bank of the Republic of Turkey (CBRT) were incorporated into the analysis. The Development Plans and related documentation on financial system developments were systematically reviewed to illuminate the structural objectives and trajectories that characterized the period. Given the frequent inconsistencies, lacunae, and fragmentary nature of the period's data, particularly concerning critical actors such as the bankers, necessary extrapolations, compilations, and reconstructions were undertaken by the author. The methodological limitations associated with each data set have been transparently delineated. The underexplored nature of the period within the existing literature, coupled with the scarcity of comprehensive data, constitutes a pivotal foundation for the study's original contribution and its overall methodological design. Ultimately, this methodological approach aspires not merely to aggregate secondary data, but to synthesize diverse strands of information into an original conceptual coherence within the historical context, thereby offering a novel and critical perspective on the period under investigation.

CHAPTER 2

THEORETICAL FRAMEWORK

We mentioned that the general literature on the crisis is relatively weak, sensationalist, and superficial. For this reason, there is not even sufficient literature to develop or criticize an existing theoretical framework directly related to the crisis. However, by using Akyüz's LM perspective in his work and Düzçay (2022)'s Credit Creation Capacity constraint perspective, which sees a structural limitation inherent in the banking systems of developing countries, we can approach the causes of the crisis with theoretical bounds. In this way, we will have the opportunity to interpret the formation of the crisis through a more analytical and structural framework. Now let's briefly summarize these two frameworks and see which of these structures we will use to reach our findings in the study.

2.1 Liability Management Practices

We mentioned Akyüz's study in the introduction to elaborate later. Akyüz (2023) identifies three key areas and financial instruments as central to the emergence of the banker phenomenon: bearer or negotiable certificates of deposit introduced after July 1980, the development and growth of bond and equity markets starting in the mid-1960s and intensifying in the 1970s, and the issuance of Savings Bonds during the 1960s. Each of these instruments corresponded to different sectors: Savings Bonds were used to attract funding for the state, bonds and equities served as liability management tools for corporations and business groups, and certificates of deposit represented a financial innovation for banks in search of alternative funding sources. The main element that will create the crisis will be the deposit certificates issued by banks and marketed by bankers. Although they are not exactly the same as these certificates, we need to point out that the Liability Management applications we mentioned became widespread in Türkiye at about the same time as the world. As Akyüz notes, scholars in the global literature have similarly emphasized that such forms of resource management marked a historical turning point for financialization. For instance, Beck and Knafo (2020) identify liability management as a pivotal moment in the evolution of financialization. In the same study, they demonstrate that not only liability management practices but also the access to alternative money markets (such as the Eurodollar market) and the subsequent rise of money market funds enabled financial actors to become more independent in borrowing and risk-taking. According to Knafo (2013), through liability management, banks shifted away from relying solely on their capital or slowly growing deposits. Instead, they actively turned to money markets to obtain short-term borrowing, enabling them to raise funds more rapidly and flexibly. This approach allowed banks to significantly expand the volume of resources they could access, depending on their immediate funding needs. Accordingly, Beck and Knafo (2020) conceptualize these developments as concrete transformations within the broader financialization process. Additionally, in the early 1960s, U.S. commercial banks issued Negotiable Certificates of Deposit (NCDs) to address funding crises. Wojnilower (1980, p. 286) notes that NCDs fundamentally transformed central bank–commercial bank relations by allowing banks to borrow indefinitely outside traditional monetary policy channels, thereby weakening public authorities' control over the money and credit supply. Similarly, as previously noted, Dutta (2020) also approaches the United Kingdom case from a comparable perspective, linking liability management practices to the acceleration of financialization and indicating that this will be elaborated in more detail below. In the context of this crisis, the expansion of parallel money markets,such as the Euromarkets,significantly increased bank leverage. These studies frame such developments as concrete starting points of financialization. Building on this framework, we examine whether Turkey's alternative money markets similarly contributed to the emergence of the Bankers' Crisis. While access to finance and balance sheet expansion will be examined within their broader macroeconomic and political context, the three financial instruments mentioned fundamentally reflect a motivation to expand balance sheets. What is particularly striking, however, is the role played by certificates of deposit ,an instrument to which banks had only recently become receptive, in facilitating this expansion. In this regard, the Bankers' Crisis in Turkey can be interpreted as the first crisis triggered by financial liberalization and, more importantly, as a concrete example of financial transformation in the country's financialization history.

Based on the perspectives of Akyüz and others, this study aims to re-evaluate the formation of the Bankers' Crisis more comprehensively by incorporating different analytical perspectives with accepting Liability Management perspective. To this end, the study will first revisit the macro-financial indicators associated with the factors highlighted by Akyüz, particularly seeking traces of monetization and financial deepening. In doing so, the arguments advanced by Akyüz (2023), on which this study also builds, will be reassessed. At this point, we observe that Akyüz directly links liability management to the financialization of broad segments of the population in Turkey. In our view, the intention to create a habit of using such financial instruments is fundamentally related to the role assigned to voluntary savings in the development plans. The motivation behind assigning this role will be discussed in detail in the following subsection of this chapter.

In addition to his analysis, we will also include the macro-financial developments and key trends in the banking sector during the planned economy period, which shaped the background from which the bankers emerged. While acknowledging the bankers' distinctive operations and innovative practices, we emphasize that understanding the sectoral dynamics and the macro-financial structure shaped by policymakers is essential for a more holistic analysis. Whereas Akyüz treats the development of the bankers in a relatively isolated manner, our approach seeks to examine more closely the sectoral and political-economic context in which the bankers operated and evolved. Although the crisis occurred in 1982, he notes, the institution of *bankership* had been active in unorganized capital and credit markets since the early 1960s (Akyüz, 2023). Our contribution lies not only in analyzing the instruments used by the bankers, but also in understanding the political-economic needs or demands that led to their emergence. Therefore, the financial sector's primary funding/funding mechanisms and structural characteristics throughout the planned economy period will be examined in detail, after which the Bankers' Crisis will be reconsidered from our perspective.

The reason we incorporate Akyüz into our analysis is due to the specific characteristics we observe in the Turkish banking system regarding ownership, competition, and developmental phases. One such characteristic is branch banking, which emerged in the pre-1980 period when interest rate competition was absent. During this time, banks developed a competitive and banking practice centered on active and aggressive customer acquisition and deposit collection through their branch networks (Özbek, 2002). As we will elaborate further, banks initiated the first significant wave of competition in the sector through expanding the number of branches and using methods such as offering bonuses and other incentives. However, with the January 24 Decisions, the liberalization of interest rates led to the emergence of an increasingly competitive environment (Artun, 1983), which ultimately paved the way for the rise of the bankers. It is important to note here that the competition in question took place among banks positioned within the same horizontal hierarchy, and our analysis of all dynamics related to branch banking will be detailed throughout the study.

Another structural condition we consider directly related to the Bankers' Crisis is holding banking. Throughout the period, the number of banking licenses remained limited, and no new licenses were issued, which led to intense competition among capital groups seeking either to enter the banking sector or to maintain their positions within it. Until the end of the period, holding a bank was crucial for these groups, first to benefit from cheap and state-subsidized loans, and later, in an environment of tightening liquidity, to ensure cash flow (Marois, 2012, p. 56). By dominating access to this type of finance, these groups created significant asymmetries in access to financial markets. Firms that lacked either a direct or indirect ownership link to holding groups, or were not part of their supply chains, faced substantial financial barriers (Özcan & Çokgezen, 2003). As a result, turning to unregulated credit markets became an economic necessity for many firms. Within these informal markets, bankers emerged as key actors, playing a central role in the provision of unofficial credit.

We briefly discussed both Akyüz's use of the Liability Management (LM) framework and the additions we intend to make to it. However, our core diagnosis of the period reflects a broader perspective: Turkey was undergoing an ambitious development drive, implementing a range of financial measures to mobilize the resources necessary for economic growth. In doing so, the country inevitably created the conditions for various distortions, risks, and instances of mismanagement to emerge. While the specific internal dynamics of Turkey are acknowledged, it is essential to situate this period within a broader global context marked by a general shift toward development-oriented economic models. Any meaningful analysis of this era must therefore be conducted with a clear awareness of the structural constraints that typically affect developing economies, particularly in the domains of banking and development finance. This includes both the insights drawn from Akyüz's work and the sectoral examples we will structurally highlight throughout this study. Chief among these constraints is the fundamental limitation on the credit creation capacity of developing countries, a limitation that must serve as a central reference point in any comprehensive evaluation of the period.

2.2 Credit Creation Capacity and Structural Limits in a Developing Economy

To understand a crisis occurring in the financial sector of a developing country, it is essential to fully grasp the structural conditions in which that country operates. These structural conditions naturally define the effectiveness of the country's financial system and the limits of its impact on the overall economy. Considering the credit nature of modern money, we will measure this limits and capacity through Credit Creation Capacities. One of the fundamental problems faced by the banking sectors in developing countries is the set of constraints on their credit creation capacity (CCC). These constraints essentially reflect the limitations of these countries in generating financial resources. While mainstream theories argue that credit creation depends on the level of savings and central bank reserves, the Post-Keynesian approach challenges this view. As emphasized by scholars such as Lavoie (1984, 2006, 2014), Kaldor (1970), and Le Bourva (1992 [1958]), the existing level of savings and central bank reserves is not a binding constraint on credit creation. Similarly, Schumpeter (1974, p. 113) notes that while credit creation does not have a technical limit, in practice it is shaped by economic and institutional conditions. There is already a body of literature that demonstrates the effects of macroeconomic conditions, policy choices, and the legal, institutional, and regulatory framework on these constraints (Djankov et al., 2007; Mendoza & Terrones, 2012; Elekdag & Wu, 2011).

Düzçay (2022) makes a significant contribution to the analysis of this structural issue by theoretically linking monetary hierarchy with credit creation capacity. According to him, hierarchical structure is rooted in historical inequalities in trade and inter-state relations, and over time determines the varying degrees of acceptability of different currencies. This hierarchy in the monetary system places the currencies of core countries at the top in international trade and capital flows, while positioning the currencies of developing countries at the lower end. The concept of "hierarchy in trade," borrowed from Braudel (1983), illustrates that the structure determining the liquidity of currencies is built upon historical inequalities. Düzçay (2022) emphasizes that this hierarchy also applies to debt relationships between different economic actors: in order to transact in higher-tier currencies, one must first acquire those currencies. This turns the central role of reserve currencies in international transactions into a structural constraint for actors in developing countries. Within this framework, developing countries face a continuous need for foreign exchange in the face of reserve currencies. Debt instruments issued in local currency are not considered equivalent to those issued in reserve currencies in international markets, and this asymmetry is directly reflected in country risk premiums. As a result, the banking sectors in developing countries become dependent on access to reserve currencies in order to expand their balance sheets. Düzçay (2022) extends this hierarchical constraint by relating it to the "original sin" literature. According to this concept, developed by Eichengreen et al. (2003:3), a country's inability to borrow externally in its own currency is a fundamental issue that directly affects macroeconomic volatility and credit ratings. This condition must be considered as a direct factor impacting the CCC of developing countries. In this context, banking systems in developing countries tend to accumulate foreign currency and develop a credit creation structure dependent on the conditions of reserve currencies. While this capacity can expand during periods when international investors have high risk appetite, it can rapidly contract under tight global monetary conditions. Rey (2015) explains this situation with the concept of the "global financial cycle." Liquidity conditions in financial centers directly affect credit growth and asset prices in developing countries.

But are external constraints truly the only factors determining credit creation capacity in developing countries? In other words, can these limits be overcome solely through internal dynamics such as increased savings or more efficient credit allocation? Düzçay (2022) rejects the reductionist view that credit creation is entirely dependent on external financing, emphasizing that it is still possible to create credit in the national currency through both commercial banks and the central bank. However, what is decisive here is whether the created credit has a productive counterpart within the economic system. Let us assume that the credit created is at a reasonable level and compatible with domestic potential. Even so, an expanding volume of credit may increase the demand for goods and foreign exchange, putting depreciation pressure on the local currency. Credit expansion not supported by productive capacity leads to inflation and exchange rate instability. Yet, within a Schumpeterian framework, if credit is directed toward productive investments, such investments may increase competitiveness, reduce costs, limit foreign exchange demand, and boost confidence in the national currency (Düzçay, 2022). Conversely, if credit is allocated to non-productive areas or becomes difficult to repay, inflationary pressures rise and exchange rate stability deteriorates. In such cases, the central bank typically resorts to interest rate hikes and foreign exchange reserve interventions, which further restrict credit creation capacity (Düzçay, 2022).

Indeed, in the pre-1980 period in Turkey, cheap credit policies[4] were implemented in an attempt to overcome these internal constraints. Credit expansion was financed through new instruments intended to foster financial deepening and broadening, such as development banks, bond markets, savings bonds, and certificates of deposit[5]. It is important to note that these policies reflected the policymakers' intent to find funding for credit, but did not necessarily align with the Post-Keynesian idea that credit can exist independently of prior savings. However, the ineffective allocation of credit and its orientation toward non-productive expenditures increased pressure on the exchange rate and inflation. The central bank's interventions ,interest rate adjustments and reserve deployments, which Düzçay also anticipated, merged with interest rate liberalizations and eventually became the last line of defense of the fragile structure referred to as "July Banking." This structure ultimately evolved into the banker crisis. One of the key reasons for the central bank's shift toward such an intervention path, as Düzçay suggests, was the inefficiency of credit allocation[6]. Nevertheless, as we will frequently observe on the road to the banker crisis, an asymmetric and incomplete financial market emerged.

Wray (1990) emphasizes that in order for a country to generate sustainable domestic growth through its own financial system, it is essential to develop a functional and effective credit system. According to Wray, one of the main obstacles to this process in developing countries (DCs) is the absence of highly institutionalized and deep financial systems, which are prevalent in advanced economies. Additionally, the banking sector in DCs has historically followed a path distinct from that of developed countries often exclusionary in nature. Indeed, in many developing countries, the banking system functioned for years as a vehicle for channeling resources to privileged large firms. In this context we will see, privileged loans provided by banks affiliated with holding structures to their own conglomerates have played a central role in distorting the credit allocation mechanism. One of the fundamental dynamics

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[4] See details on 3.3 and 4.2 in this study.
[5] See details on 3.1 in this study.
[6] See details on 3.3 in this study.

underlying the banker crisis was precisely this type of asymmetric credit allocation, which led to underfunding of the real sector. The ability of these conglomerates to access cheap internal financing resulted in the exclusion of other sectors in need of funds. Consequently, this created a credit usage pattern detached from allocative efficiency and increasingly prone to speculative tendencies. Ironically, the practice of cheap credit,originally intended as a tool for financial deepening and alignment with development plans,also produced such unintended consequences. As will be detailed in subsequent sections of this study, this type of banking sector structure in developing countries not only deepened the structural constraints on credit creation capacity (CCC) but also laid the groundwork for the banker crisis of the 1980s. Finally, the new markets and financial instruments developed during the period under review to promote financial deepening were not merely technical regulations, but also represented innovations in the credit and payment systems of the time. These instruments ,especially savings bonds, certificates of deposit, new types of bonds, and secondary markets, can be interpreted as responses to the era's need for capital mobilization. Both Akyüz (2023) and Beck and Knafo (2020) analyze the effects of such innovations on financial ecosystem and emphasize that what matters is not innovation itself, but the institutional context and the motivations behind its implementation. Similarly, Düzçay (2022) also acknowledges the impact of financial innovations ,particularly the establishment of interbank clearing systems and the diversification of asset and liability management techniques, on credit creation capacity. Although such tools do not directly increase CCC, they can indirectly enhance banks' lending capacities by reducing the operational and liquidity costs associated with the credit creation process.

In this sense, these financial deepening efforts should be interpreted not only as an external search for funding but also as internal actions aimed at optimizing system-wide capacity. Therefore, throughout this study, we will regard these financial innovations not merely as technical reforms, but as attempts by developing countries to overcome their position within the hierarchical structure of the international monetary system. However, the effectiveness of such innovations depends on other structural factors, including macroeconomic balance, the political context, and the efficiency of credit allocation. As seen in the banker crisis, such tools under certain conditions, may not reinforce the resilience of the system but rather deepen its fragility.

By integrating Düzçay's theoretical framework on credit creation constraints with Akyüz's insights into financialization processes, this study aims to present its final and comprehensive claim regarding the structural dynamics that led to the banker crisis. The central argument is that, in a period marked by a severe foreign exchange bottleneck and deep-rooted structural problems within the financial system, both public authorities and private sector actors in Turkey developed alternative financing strategies. As Akyüz (2023) also emphasizes, one of the key conditions enabling the rise of the bankers was the fact that these strategies largely emerged in spaces beyond the reach of regulatory and institutional oversight. In this context, the study will analyze not only the financial instruments themselves but also the political-economic setting and the power relations among actors that shaped their evolution.

More concretely, the theoretical framework suggests that policymakers facing such financial constraints during the period had two primary domestic options: increasing voluntary household savings or promoting domestic borrowing, for example, through government bonds. However, a review of the historical trajectory of public borrowing in Turkey reveals that this method was rarely employed as a financing tool from the early Republican era until the late 1970s, and when it was used, it was typically based on specific borrowing laws (Takım, 2011). Despite the persistent budget deficits of the period, treasury bills and government bonds did not become the government's primary financing instruments; instead, these deficits were largely covered through Central Bank resources (SPO, 2001, p. 96).

In this context, the state's approach can be characterized as a form of "savings fetishism," whereby increasing savings was perceived as the sole legitimate and viable financing strategy. Accordingly, various initiatives were implemented to raise savings either through deposits or alternative channels, while the systemic risks or asymmetries potentially generated by such practices were largely overlooked. The prevailing assumption throughout the period was that expanding the savings base would strengthen the country's development capacity and serve as a prerequisite for economic welfare.

This study contends that such savings fetishism, rather than enhancing systemic resilience, in fact exacerbated financial fragility and played a decisive role in the lead-up to the banker crisis. Furthermore, it will demonstrate using various macro-financial indicators that the macroeconomic transformation envisioned through increased savings did not translate into a meaningful or sustainable improvement in credit creation capacity (CCC). In doing so, the study offers a holistic assessment that goes beyond the immediate moment of crisis, analyzing the relationship between the financial sector and the real economy from a broader historical and structural perspective.

CHAPTER 3

EFFORTS FOR FINANCIAL DEEPENING

In addressing the emergence of the Banker Crisis, first, we will revisit the development and implications of financial instruments such as Savings Bonds and Certificates of Deposit, as discussed by Akyüz (2023). We will test the existence of the development described in Akyüz's work, primarily characterized through the instruments themselves and the transactions conducted by the bankers, by drawing on macro-financial data. In doing so, we will first examine the extent to which mass financialization took place, if at all, and assess both its visibility across the broader economy and its overall impact on macroeconomic dynamics.

In addition to Akyüz's analysis, this study will argue that the Foreign Exchange Indexed Deposit (FEID) scheme played a significant role in banks' resource management strategies and the financing of development plans. For this reason, we will interpret this product through the macroeconomic reality it was born in and its possible effects on the financial sector. Although the influence of the Development Banks established at the beginning of the period on the banker crisis was minimal[7], this study considers their contribution to expanding and deepening the financial base as noteworthy and deserving of analysis. However, Given that our main argument is that efforts to increase financing development goals under foreign exchange

[7] Minimal because an examination of the scope and operational reach of the bankers reveals no concrete evidence that they engaged in direct business relations with development banks or conducted financial intermediation on their behalf. Given that institutions such as the Industrial Development Bank of Turkey (TSKB) and the State Investment Bank were primarily tasked with providing long-term investment financing and did not engage in deposit collection (Akyüz, 2019; Coşar, 2003).Similarly, there is no indication FEID accounts or other foreign currency deposit instruments were opened, utilized, or intermediated by bankers in any significant way.

constraints played a decisive role in the banker crisis, we believe that omitting these two initiatives contributed to large-scale growth and expansion in the financial sector would result in an incomplete analysis.

3.1 New Institutions and Practices

We will begin with the establishment process of the Development Banks, which had relatively less direct interaction with the crisis. With the transition to an import-substitution industrialization policy, new steps were also taken to finance this strategy. The significant financial constraints at the time were the scarcity of foreign exchange, especially for intermediate goods imports, and the underdeveloped structure of domestic financial institutions. On its path to industrialization, Turkey had to overcome these challenges. Acknowledging this reality, the development plans consistently identified financial deepening and expansion as key objectives, emphasizing that mobilizing the savings of broad segments of society was vital for development (State Planning Organization [SPO], 1963, p. 526; SPO, 1968, p. 103). In the First Development Plan, it was envisioned that the financing needs of the private sector would be met through equity capital, the capital market, and bank loans (SPO, 1963, p. 493). Legal reforms were intended to allow banks to collect receivables more efficiently, while new investment banks would be established to meet credit needs with more substantial funding resources (Öğrendil, 1981).

The most important role of these investment banks was their authority to allocate both domestic and foreign-sourced funds as credit in designated sectors (Coşar, 2003). For instance, state loans previously accumulated in the Depreciation Fund were now to be used through the newly established State Investment Bank (SIB) (Akyüz, 2019). One of the key features of this bank was its ability to issue bonds without a capital limit under the guarantee of the Ministry of Finance (Akyüz, 2019). Another significant role of the SIB was its ability to provide funding to state-owned enterprises (SOEs) classified as private banks, thereby creating an alternative funding channel to the Central Bank of the Republic of Turkey (CBRT) and interbank markets. Indeed, the SIB frequently served as a funding source for SOEs throughout the period. In addition to the SIB, the Industrial Development Bank of Turkey (TSKB), established with support from the government, industrialists, and international financial institutions, played a crucial role in channeling external resources, especially funds from the World Bank, into domestic credit (Coşar, 2003). Notably, this institution was deliberately not founded as a state bank, and its operations were aligned with the practices of the World Bank throughout the period. Unlike the SIB, the TSKB prioritized lending to the private sector and was relatively more successful in doing so.

While various studies have examined the practices and performance of the TSKB, there is no consensus on its impact on overall effect (Coşar, 2003; Şahinkaya, 1999; Öztürk, Gültekin-Karakaş, & Hisarcıklılar, 2010). However, given their role in financing large-scale investments and acquiring foreign exchange loans, it is necessary to acknowledge the contributions of these banks to the expansion of the financial sector and their positive impact on the real economy. Through substantial external funding, they helped extend the scope of the financial sector, with the SIB serving the public sector and the TSKB serving the private sector by facilitating access to finance. Since development banks do not collect deposits and have relatively little interaction with bankers' clientele, they will not be discussed in more detail. However, it is necessary to re-emphasize that these institutions had a significant share in the financial sector during the developmental period, resulting in a change in all data related to the sector and, consequently, their influence within it.

Beyond financing state-owned enterprises (SOEs) and the private sector through development banks, the state also considered voluntary public savings a significant source for funding development plans (SPO, 1968, pp. 102-103). In addition to the motivation to overcome structural constraints, there was a widespread belief at the beginning of the period that increase of the voluntary savings could develop economy more vigorously (SPO, 1963, p. 526) Around this motivation, in 1961, Law No. 223 on the Establishment of an Investment Finance Fund and the Issuance of Savings Bonds was enacted. This law compelled specific individuals and institutions to lend to the state long-term while offering them interest income in return. In addition to the institutions created to finance the private sector and affiliated SOEs, the state also developed this mechanism to finance itself. The savings bonds offered interest income in exchange for a mandatory obligation and allowed for third-party transfer rights. As a result, these bonds became tradable after a specific period, thereby creating a rudimentary capital market.

However, due to their speculative nature, Law No. 930 was enacted in 1967, excluding low-income taxpayers from the scheme and restricting the transferability of the bonds. These bonds would later become part of the marketing network of the *bankers* and play a critical role in the emergence and evolution of the *banker* institution (Akyüz, 2023). Fundamentally designed to finance public expenditures and to "monetize the public" (Akyüz, 2023), this instrument was introduced based on the assumption that the public undersaved and thus served as a compulsory savings tool. One of the key characteristics of this instrument was its role as a debt management tool on behalf of the state, thereby initiating public liability management practices. Beck and Knafo (2020) argue that in concrete analyses of financialization, such liability management practices may be viewed as foundational steps. Similarly, for Turkey, this practice can be interpreted as an early example of large-scale financial enfranchisement and balance sheet expansion/resource generation by the state. However, due to its relatively short lifespan, misuse, and lack of distinctive impact on investment financing (Akyüz, 2023), the success of this initiative in terms of development should be critically examined.

With rising expenditures, the state sought to pair each spending item with a funding source. The savings bonds were introduced to meet the state's financing needs. Although the savings bond scheme aimed to foster a general savings habit among the population by encouraging public participation in redemption operations, in practice, it gave rise to several operational issues. Consequently, these bonds' role in seeding the banker crisis became more prominent than their intended function as a funding instrument. The state, borrowing from its citizens in its currency, issued transferable bonds and notes. This feature unlike a, conventional redemption mechanism, set the scheme apart. Particularly among wage earners struggling with daily expenses, bonds began to be endorsed or sold at a discount (Akyüz, 2023). The potential liquidity preferences of the public were not sufficiently considered when designing the policy. To such an extent, in some cases, the bonds effectively became a medium of exchange; grocers, barbers, and merchants began accepting bonds in exchange for goods and services (Akyüz, 2023). This marked the beginning of a quasi-secondary capital market, though, as Akyüz (2023) notes, this process began "on the street corners." After approximately ten years in circulation, the savings bond scheme was abandoned, deemed inflationary and ineffective in fund allocation. Although the program was initially designed to broaden the savings base and to present a relatively disciplined profile in redemption operations, its execution was flawed. Policymakers analyzed the relationship between domestic borrowing and inflation in an inflationary framework. The development of this narrative and the use of this financial instrument enabled bankers to secure funding by holding credible securities. In practice, bankers also operated within a shadow secondary market, engaging in the discounted purchase and sale of government-issued, state-guaranteed bonds. By accessing such a broad market for the first time through this mechanism, they laid the groundwork for a trend that would expand significantly in the years to come.

Both the establishment of development banks and the emergence of savings bonds were fundamentally intended to broaden the financial sector's base, means, and function. These were also applied to increase Credit Creation Capacity. However, continuous scarcity of foreign exchange was another obstacle. Policymakers sought to access external funds through development banks wherever possible. However, the foreign exchange constraint did not only hinder credit creation; more critically, it triggered balance of payments pressures.

Therefore, we should mention another noteworthy financial innovation of the period. Allow banks to hold foreign exchange positions under certain restrictions, enabling depositors to open foreign currency accounts, and most importantly, implementing Foreign Exchange Indexed Deposit (FEID) accounts aimed at attracting foreign worker remittances. This mechanism was introduced to manage Turkey's major constraint, foreign exchange shortage, while simultaneously affecting the country's credit creation capacity by borrowing foreign exchange reserves. Although the primary goal was to prevent a balance of payments crisis, the system also had significant implications for the banking sector, particularly in terms of attracting a new depositor base, transferring exchange rate risk to the Central Bank, and enabling banks to find alternatives to Central Bank funding. The indirect impact of this mechanism on the financial system and the *banker* crisis lay in banks' enhanced ability to manage funding costs and reduce dependence on the Central Bank.

In essence, both FEID and Foreign Currency Deposit (FCD) accounts allowed residents and non-resident individuals and legal entities to open foreign currency accounts at commercial banks, with the Central Bank of the Republic of Turkey (CBRT) guaranteeing the exchange rate. Initially introduced in 1967 for Turkish workers abroad and exporters, the program's first phase was terminated because it threatened the money supply, a common counterargument at the time.

Under the FEID scheme, foreign currency brought into the country was first deposited into commercial banks and held depending on the account's maturity. However, these banks did not retain the deposits for long. Within 15 days, the foreign exchange was transferred to the CBRT. Banks sold the currency to the CBRT in exchange for Turkish lira in this transaction. The transfer was usually rapid, as the system aimed to shield banks from exchange rate risk and quickly channel the acquired currency into Central Bank reserves. The CBRT managed the deposits throughout their maturity. These foreign exchange inflows became part of the CBRT's reserves and were used to support macroeconomic policy and avert currency crises. Although interest on these accounts was paid in foreign currency and FX-indexed, the burden of exchange rate volatility was borne by the CBRT and the Treasury, not the commercial banks. In other words, the state directly assumed the exchange rate risk. The cheap Turkish lira liquidity obtained by the banks from the CBRT in return for the foreign exchange deposits increased their capacity to issue Turkish lira-denominated credit by lowering funding costs. This allowed domestic banks to compete, under state protection, with banks in countries where Turkish workers resided, without bearing exchange rate risk, and reduced their funding costs thanks to a regular inflow of funds. In 1974, in response to rising foreign exchange demand and the effects of the global oil crisis, the Demirel government reintroduced the FEID mechanism to encourage foreign currency inflows. Eight banks were authorized to participate in the renewed scheme, targeting Turkish citizens living abroad. The legal basis of the system was Article 4 of Decree No. 17, dated 1962: "All foreign currency obtained from commercial or non-commercial sources, regardless of the holder, falls under the authority of the Ministry of Finance."

The reimplementation was driven by mounting external financing pressures following the 1973 Oil Crisis and the Cyprus embargo. While these effects were felt in Turkey with some delay, urgent policy responses were required to close the foreign exchange gap. The renewed program enabled banks, more than before, to manage funding costs effectively. Moreover, Communiqué No. 4 on Decree No. 17, issued in September 1974, permitted banks to offer interest-bearing foreign currency accounts and hold foreign exchange positions. This gave banks a strategic choice between avoiding exchange rate risk via CBRT guarantees or maintaining open foreign exchange positions. An important innovation introduced by Communiqué No. 4 was the creation of an interbank foreign exchange borrowing market. It also allowed authorized banks to extend foreign currency loans under certain conditions and to utilize courier credits from their correspondent banks. This created access to a new depositor base and a parallel money market, reducing reliance on the CBRT and facilitating alternative funding channels. As FEID balances increased, banks became less sensitive to CBRT instruments such as rediscount and short-term advance facilities (State Planning Organization [SPO], 1979, p. 108). However, by 1977, with rising FEID repayments, the product's contribution to banks' liabilities diminished, and banks increasingly turned to direct CBRT funding once again (SPO, 1979, p. 108). As such, banks developed a relatively more autonomous and market-integrated funding strategy.

Nevertheless, it is important to note that Communiqué No. 4 was the first implementation, and due to various domestic and foreign exchange restrictions, it could not be fully applied to resident account holders, highlighting the limitations of its impact. In addition to its indirect impact on financial markets, the FEID mechanism preserved monetary sovereignty by allowing some foreign currency-denominated liabilities to be settled in Turkish lira. Furthermore, since the main depositors were Turkish workers abroad, the scheme's adverse effects on income and wealth distribution remained relatively limited. It directly contributed to the servicing of external debt and functioned as a tool for reserve accumulation and credit expansion by the CBRT.

Indeed, one of the CBRT governors at the time, Osman Şıklar, stated:

> "While German banks give approximately 4% interest annually on the savings of expatriates, we paid interest of about 11–12% according to the maturities. To those who initially said that these rates were high, we argued that if we had taken the savings of these expatriates as credit from the German banks where their savings were held at low interest rates, we would have been paying around 10% interest anyway, and that interest would have stayed in that country. However, we always announced that the interest given to our people would ultimately return to Turkey. And indeed, that is exactly what happened." (Şıklar, 2010)

This quote reveals the core motivation behind the policy. Therefore, Table 1 must also be evaluated in terms of its intended contribution to resolving balance of payments crises in order to complete the analysis.

Table 1: FEID Balance and Net External Debt

	FEID Inflow	FEID Outflow	Net FEID Inflow	External Debt Stock Turkey (Total in Million Dollars)	Net FEID Inflow / Total Debt
1967	9	1	7	-	-
1968	37	7	31	-	-
1969	77	23	54	-	-
1970	127	54	72	2.750	3%
1971	217	85	131	3.290	4%

1972	600	134	465	3.550	13%
1973	630	481	148	4.200	4%
1974	670	602	68	4.630	1%
1975	1680	719	960	5.060	19%

Source: Data compiled from Turkish Industrialists' and Businessmen's Association (TÜSIAD, 1976) and World Bank International Debt Statistics (World Bank, 2023), with calculations by the author.

According to Table 1, up to 1976, the impact of FX inflows from the FEID on external debt was significant in 1972 and 1975, while the impact was more limited in other years. However, the value of the practice was not only in reducing debt service but also in expanding the CBRT's monetary policy space by increasing its reserve accumulation capacity. Implementing this mechanism proved beneficial for managing the balance of payments and within the broader context of Turkey's financial landscape through reserve borrowing. Facilitating access to new sources of external funding and reducing the cost of capital also significantly impacted the banking sector.

Towards the end of the implementation period, banks sought to compensate for the loss of returns from non-resident depositors—since many Western European countries, especially Germany, had stopped accepting migrants—by turning to new mass financial products, one of which was Certificates of Deposit. Although the effects of all the practices and instruments we have mentioned remain hidden, the root cause of the crisis was the unpayable[8] certificates of deposit (Akyüz, 2023), and these were the products that bankers used and marketed most intensively. Therefore, we should go over this product and its history.

Certificates of deposit are fundamentally a type of time deposit. Although a certificate of deposit essentially represents a deposit, in the bank's accounting

[8] Actually all of the Liabilities of the Bankers would be paid after the liquidation term unpayable used for the case of bank-run.

records, it is not merely recorded as a liability item, but also carries the characteristics of a type of security (Çelebican, 1979, p. 273). These certificates can be negotiable or non-negotiable and can be issued to the bearer or a named individual. While widely used in Western economies especially in the United States since the 1960s (Akyüz, 2023, p. 22), their formal implementation in Turkey began with a decree published in the *Official Gazette* on June 4, 1980 However, some banks such as İş Bank and Ziraat Bank had issued similar bearer deposit instruments as early as 1927, although these did not become a sector-wide practice (Çelebican, 1979). Even after their formalization, there was no standardized certificate practice; banks issued certificates with or without coupons, with varying maturities and different payment structures (Çelebican, 1979).

From policymakers' perspective, the implementation's primary aim was to attract undeclared and "under-the-mattress" savings into the financial system and thereby broaden the financial base (Kafaoğlu, 1982). Moreover, in an environment of monetary tightening and liquidity shortages[9], the existence of such a liquid asset in bankers was welcomed. As a result of the policy, deposits obtained through this mechanism increased by 4194.4% within a year (Akyüz, 2023), demonstrating strong interest from savers. This increase was also influenced by the ability to integrate tax-evading or unofficial/unrecorded income into the financial system. It is thought that during this period, there was a transition from traditional time deposits to certificates of deposit, spurred by rising interest rate competition, particularly among *bankers* who marketed these products (Çelebican, 1979, p. 292). Banks are also believed to have supported this transition, as certificates of deposit were considered more liquid than standard time deposits due to their negotiability, discountability, coupon payments, and the involvement of bankers as intermediaries. This liquidity feature proved particularly advantageous for banks in managing liquidity during the tight monetary conditions that persisted into the 1980s. This new product contributed intensively to the liability management processes of the bank,

[9] See Table 2 and Table 3

and in a way, it provided access to alternative money markets in a primitive way. However, due to both its role in macroeconomic outlook and various risks inherent to the bankership system, this product paved the way to the crisis.

3.2 Trends and Patterns in Financial Deepening

Until now, we have focused on certain practices that encouraged growth and expansion in the financial sector. In our examination of these practices, we attempt to understand how they affected the financial sector throughout the period, the macro-financial motivations behind their adoption, and the structural gaps that may have contributed to the emergence of the bankers' crisis. Although the primary goals of these practices differed, they occasionally enabled both the state and banks to access alternative funding sources. At the beginning of the study, we elaborated on the motivations behind this drive for resource management by drawing on the works of Akyüz (2023) and Beck and Knafo (2020). Furthermore, we revisited Akyüz's (2023) assessments of the practices that paved the way for the Bankers' Crisis and contributed to the discussion by suggesting that the FEID scheme could also be considered a similar tool for managing funding costs. In addition to the impact of access to alternative sources on balance sheet expansion, it is also evident that these sources influenced banks' dependency on central bank funding.

Now, let's examine Turkey's financial sector deepening from a macro perspective under the effects of these and similar practices. We will begin our analysis by looking at the use of rediscount credit from the CBRT. Therefore, within the context of funding composition, it is meaningful to analyze firstly the use of rediscount credit from the Central Bank of the Republic of Turkey (CBRT) according to bank ownership structure. High dependence on central bank resources constrains banks' operational flexibility, restricting them in areas such as credit allocation, cost management, and liquidity strategies.

Unfortunately, due to data limitations, our analysis can only cover the period between 1976 and 1981. Nevertheless, the available data (Figure 2) clearly show that the largest private banks were relatively less dependent on CBRT funding than others. This differentiation can be explained by their status as authorized institutions holding a higher volume of FEID and by their extensive branch networks, which enabled access to a broader deposit base[10] (this issue will be examined in more detail in later sections of the study).

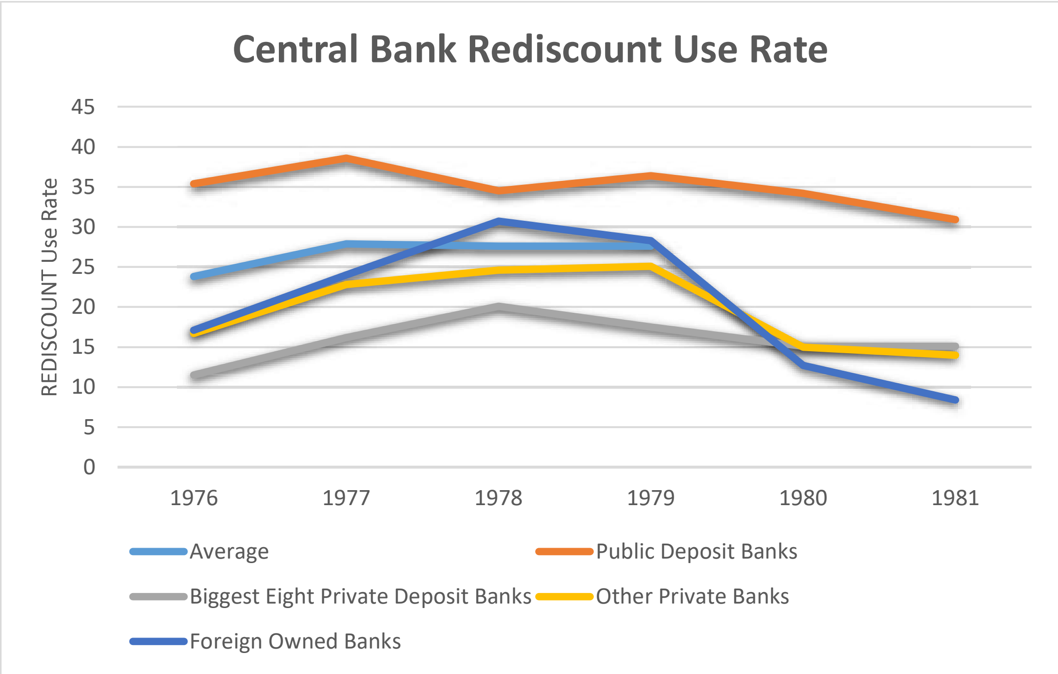

Figure 2: Central Bank Rediscount Use Rate

Source: TÜSİAD. (1982b). *Mali Aracı Kuruluşlar*. Türk Sanayicileri ve İş Adamları Derneği. And TÜSİAD. (1981). *1981 Yılına Girerken Türkiye Ekonomisi*. Türk Sanayicileri ve İş Adamları Derneği. Data taken from TÜSİAD (1982b) and visualized by the author.

It is particularly considered that the general decline in CBRT funding over the last two years of the period examined is directly related to the increasing use of deposit certificates. Considering the liability management approach discussed by Beck and Knafo (2020) and its role in weakening ties with central banks, it can be argued that these major private banks, mostly affiliated with holding companies, created a relatively autonomous operational space that enabled them to act with a degree of

[10] It will be discussed as a separate topic and crisis factor in Chapter 4.

independence from the regulatory framework. Additionally, according to Kafaoğlu (1984) and Çölaşan (1982), private banks—particularly those with relatively lower market shares—were more active in the certificate of deposit market. This enabled them to access alternative funding sources in the last year of the dataset and reduced their reliance on CBRT rediscounts. Whether this decline in CBRT funding and the divergence of private banks through alternative funding instruments was a conscious strategic choice will be examined in detail in the following sections. However, the Third and Fourth Development Plans emphasized the weakening rediscount relationship between commercial banks and CBRT and indicated that measures would be taken to reinforce this connection (SPO, 1973, p. 877; SPO, 1979, p. 100). CBRT's rediscount mechanism functioned as a tool of control and even pressure during discussions surrounding compliance with the gentlemen's agreements in the lead-up to the Bankers' Crisis (Çölaşan, 1984). In this context, the significance of this funding mechanism for the CBRT will become more apparent.

In short, it can be observed that banks have become relatively independent within Turkey's deliberate financial expansion/deepening effort, using tools created for this purpose. Here, the deepening effort was based on the fundamental framework of "somehow" enlarging the pie, increasing savings, and thus growing. But have these deepening efforts, whose practices we have demonstrated, been able to manifest themselves at the macro level?

The size of the financial sector within the national income is an important indicator for assessing the level of financial deepening and the weight of the financial structure within economic activities. Due to the limited nature of the dataset and the fact that the Turkish financial system during the relevant period (and still largely today) had a bank-centered structure, bank assets are taken as the primary indicator in this analysis. Figure 3 below shows the ratio of total bank assets, including those of deposit and development banks, to Gross National Product (GNP). Following this, the ratios of the Central Bank and deposit banks to Gross Domestic Product (GDP) will be examined. The reason for using two different indicators of economic size (GNP and GDP) is that GNP includes the foreign currency transfers of workers abroad, whereas GDP does not include this item. In this way, assessments based on GNP provide an isolated perspective on the effects of workers' remittances on the financial system.

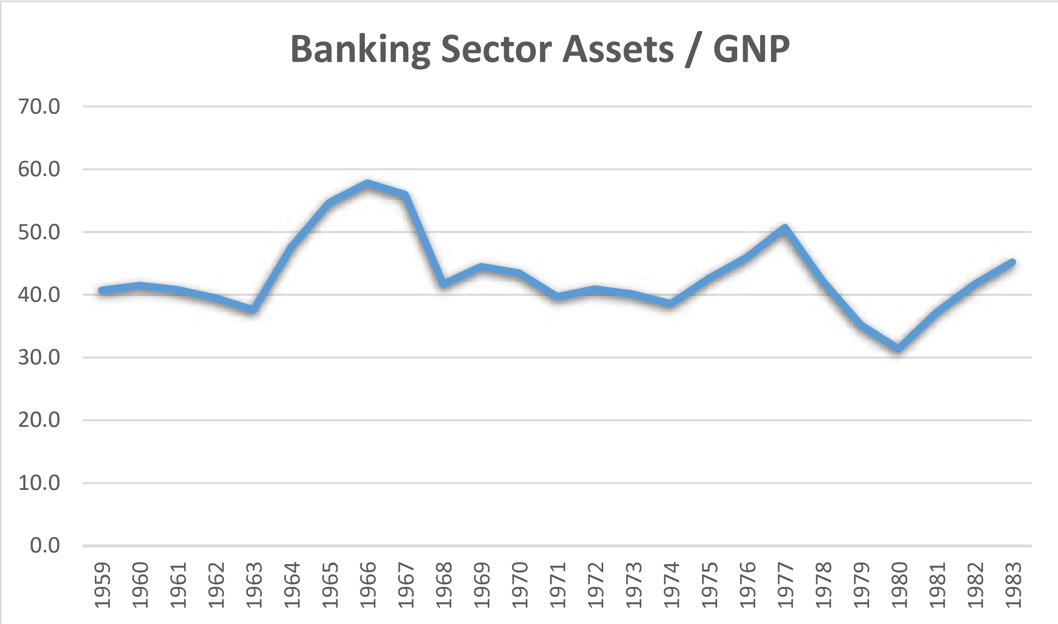

Figure 3: Banking Sector Assets over GNP

Source: Banks Association of Turkey (2008), data compiled by E. Keskin et al. Visualization by the author.

As seen in Figure 3, apart from the increase between 1964 and 1968 and the temporary rise between 1974 and 1977, the ratio of banking sector assets to GNP in Turkey generally remained stable at around 40%. The initial increase coincides with the First Five-Year Development Plan (1963–1967). This period was marked by a rapid rise in industrial credit through development banks, the integration of the State Investment Bank into the financial sector (Akyüz, 2019), and easier access to foreign credit for development banks (Coşar, 2003, p. 18). In addition, increased use of special-purpose state banks led to a concentration of credit allocations toward State Owned Enterprises (SOEs) and private enterprises. As elaborated below, this period also witnessed a regular and stable credit growth. However, credit expansion was considered by official institutions of the period to be one of the leading causes of inflation (SPO, 1968, p. 112); moreover, the decline in foreign capital inflows, policy uncertainties of the Central Bank of the Republic of Turkey (CBRT), and its exposure to conflicting objectives (e.g., supporting development on the one hand while implementing tight monetary policy on the other) prevented the credit growth from attaining a stable structure capable of continuously contributing to development. The second period of increase, as mentioned above, is thought to be related to the expansion of the financial base due to the contributions of Foreign Exchange Indexed Deposit (FEID) accounts to banks' resource management and, as will be explained in detail below, the rise in branch banking activities. The acceleration/recovery observed between 1980 and 1983 is associated with implementing the Certificate of Deposit scheme and banks finding a new area for resource management. Having once again found a mass and relatively inexpensive source of funds, banks became more willing to expand their asset side. To summarize the overall picture again, we see that it is not correct to talk about a clear and permanent financial deepening trend, although there are fluctuations in the period we examine over GNP.

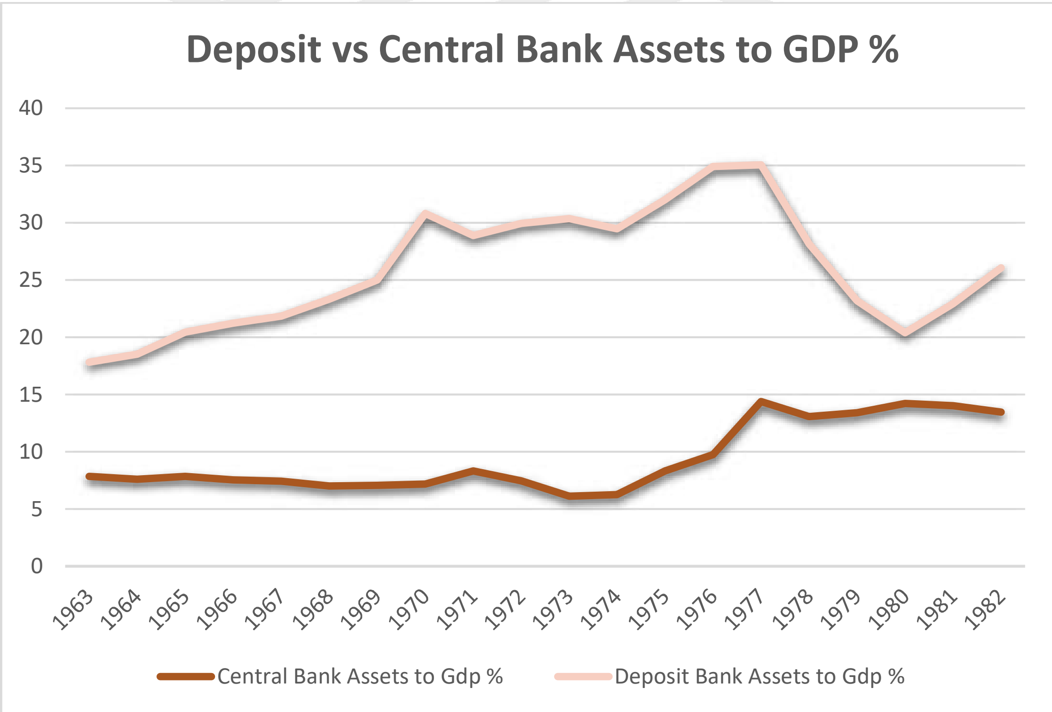

Figure 4: Deposit vs Central Bank Assets to GDP %

Source: World Bank. (2020). *Global Financial Development Database*. Retrieved from https://www.worldbank.org/en/publication/gfdr/data/global-financial-development-database. Data visualized by the author.

In the assessment based on GNP data in Figure 4, it was demonstrated that the share of the banking sector in national income remained largely stagnant, making it difficult to speak of a sustained trend of financial deepening. However, examining the same period from the perspective of GDP (Figure 4) reveals a more pronounced expansion trend. Indeed, while the ratio of deposit bank assets to GDP was approximately 17% in 1963, it had risen to nearly 35% by 1977, then sharply declined to around 20% between 1978 and 1980, and recovered to approximately 25% during 1981–1982.

At the root of this break lies the balance of payments crisis that occurred after 1978, accompanied by economic stagnation. This stagnation limited the credit supply due to a risky environment and the capacity of financial markets to generate assets, and reversed the expansion. However, it is important to note that the observed expansion trend cannot be fully explained by internal dynamics, that is, by direct economic development or a deepened financial structure. In particular, the liquidity provided by workers' remittances from abroad to deposit banks increased these banks' capacity to generate assets, resulting in a certain level of expansion within the system(Uysal, 1996). Nevertheless, by its very nature, this effect is external and temporary, making it difficult to draw definitive conclusions regarding a permanent process of financial deepening. Indeed, there is a degree of uncertainty as to how workers' remittances created a direct and sustainable impact on the banking sector.

Nevertheless, it would also be insufficient to reduce this partial expansion observed during the period solely to workers' remittances. Structural factors such as the expansion of deposit banks' branch networks, the increase in the variety of financial services, and access to a broader customer base also contributed to the superficial growth of the financial system. Therefore, the financial expansion trend was shaped by external and temporary liquidity from workers' remittances and developments in the banking system's service infrastructure. Still, a cautious approach must be adopted when evaluating the growth during this period, as the observed increase may not indicate a structural transformation but rather be the outcome of the convergence of temporary and conditional factors.

Considering that the Central Bank directly financed both the private sector and public institutions during the aforementioned period, we argue that examining the evolution of the Central Bank's assets is also important. For this reason, when looking at the share of the Central Bank's assets within GDP(Figure 4), a ratio stabilized at around 8% until the last five years of the period are observed. However, in the final years leading up to the Bankers' Crisis, this ratio increased significantly, nearly doubling. At this point, the balance sheet structure of the Central Bank of the Republic of Turkey (CBRT) becomes critically important.

According to Önder (2005), the primary reason for this balance sheet expansion was the rise in foreign currency liabilities, including workers' FEID accounts, which increased by 605.3 billion lira. The real monetary expansion observed during the same period was primarily driven by Short-Term Advances provided to the Treasury and loans extended to state-owned enterprises (SOEs). These developments reveal that the CBRT began to assume a progressively more active role in public finance. However, a closer look at the nature of this expansion shows that these loans were primarily directed to SOEs that had begun to incur operating losses, as well as to the agricultural sector and cooperatives (Önder, 2005, p. 162).

Therefore, interpreting this asset increase as an expansion of the CBRT's structural impact on the financial sector would be misleading. Moreover, based on Önder's (2005) findings, it cannot be said that this growth significantly increased banks' access to CBRT-sourced funds. Indeed, the usage rates of rediscount credits, which are examined in Figure 2, support this assessment and indicate that the CBRT's balance sheet expansion had only a limited connection to the banking system.

Our final criterion for assessing financial deepening is the analysis of per capita asset, credit, and deposit ratios. This data (Figure 5) has been evaluated using 1960 as the base year and adjusted for USD inflation. Evidently, the periodic declines observed in the graph largely stem from the impact of devaluations. Nevertheless, the general trend indicates that per capita assets, credit, and deposits have increased approximately threefold in real terms. This finding suggests that banks have become more widespread and that the population has become more integrated into the financial system in terms of financial instruments per capita; however, it also reveals that there has been no marked structural leap in the banking sector's share within GDP.

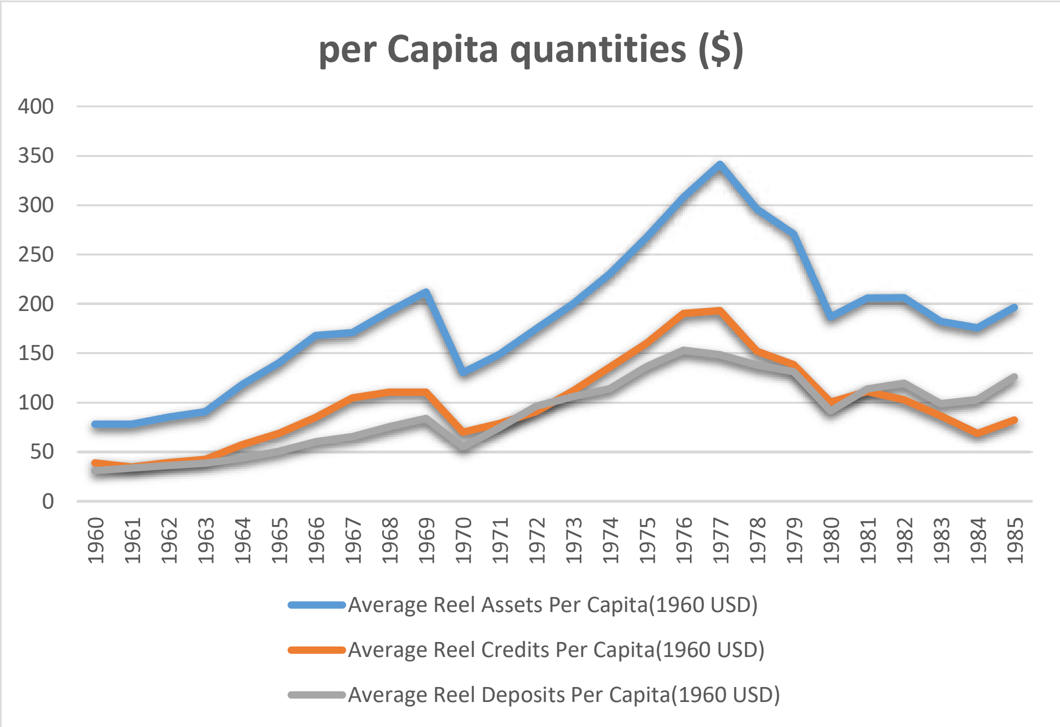

Figure 5: Per Capita Financial Quantities ($)

Source: Banks Association of Turkey (2008), data compiled by E. Keskin et al. Visualization by the author and Federal Reserve Bank of St. Louis (FRED). (2024). *Inflation, consumer prices for the United States*. Retrieved from https://fred.stlouisfed.org. Data visualized by the author.

When these three data components are read together, evaluating specific structural dynamics that would later be associated with the Bankers' Crisis becomes possible. First and foremost, the impact of workers' remittances, though limited, must be considered in all indicators. The resident population and domestic economic actors remained limited, whereas the growth in financial volume was driven by the inflow of foreign currency from abroad. Still, the fact that these funds were disconnected mainly from domestic production dynamics raises questions regarding the permanence of this expansion and its linkages to the real economy. Moreover, considering that approximately 1.2 million Turkish citizens resided abroad during this period and that their ties to the banking system were not reflected in official population statistics (Doğanay, 1980, p. 5), it must also be taken into account that a significant portion of the increase in per capita financial ratios stemmed from this external influence.

On the other hand, the expansion of bond and equity markets during the same period[11] enabled the development of non-bank financing options and the creation of alternative funding sources for sectors contributing to GDP. Similarly, the spread of branch networks, the increase in the range of financial services, and the growth in the number of individuals and businesses benefiting from this network supported this superficial expansion. Akyüz (2023) has pointed out, a significant outcome of this period was the increased engagement of the general population with the financial sector. However, it is crucial to note that the mere expansion of banking operations cannot be considered accurate financial deepening unless it results in the direct transfer of resources to the real sector. This development may be defined not as deepening per se, but as the horizontal diffusion of the existing structure to a broader base. Even to make such a definition, the structure of the sector, both in terms of the broad public and commercial elements, must be examined. While the monetization of daily life among broader segments of society may have partially materialized—since we will interpret the possible contribution of the banking sector to the real economy through the areas where loans are allocated and macroeconomic developments in the following pages—we will not elaborate on this test here for now.

We acknowledged, with reservations about the overall economic picture, that the financial sector was experiencing at least a phase of "expansion". In such a context, it is reasonable to expect that such expansion would be accompanied by a certain degree of risk accumulation, especially in a financial system that is nascent and open to innovation. Although there was no formal capital adequacy calculation or a standardized Capital Adequacy Ratio (CAR) during this period, the equity/asset

[11] A more detailed analysis of the development of bond and bill markets will be made in Chapter 5.

ratio, which continues to serve as a key indicator today, will be used for analytical purposes. While there are valid concerns about the extent to which this ratio reflects actual risk levels or exhibits cyclical behavior with respect to economic conditions, it is generally accepted that the reverse is a proxy for financial leverage. From this perspective, newly introduced financial instruments and expansionary practices are expected to dilute equity and at the same time increase leverage in the system.

It can be seen from Figure 6 in line with our expectations, capital adequacy ratios declined steadily across the sector and for all types of banks up until 1978. Despite this downward trend, no significant crisis emerged during this period, and the banking ecosystem did not experience a systemic breakdown until the onset of the Bankers' Crisis.

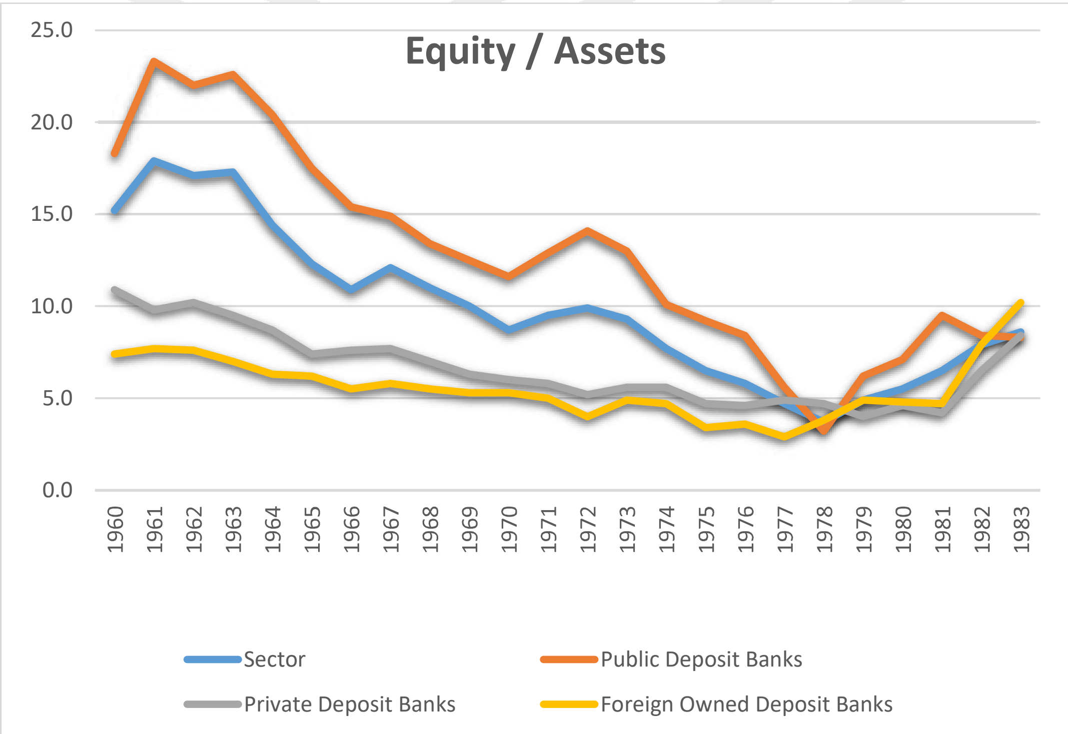

Figure 6: Equity / Assets

Source: Banks Association of Turkey (2008), data compiled by E. Keskin et al. Visualization by the author.

One of the main reasons for this relative stability was the deposit-driven nature of financial diffusion and the fact that banks operated within a relatively "low-risk" structure, characterized by negative real interest rates, selective credit policies, and strict regulations. The decline in capital adequacy ratios can be attributed to several factors. Above all, as financial diffusion increased banks' propensity to create assets, high capital adequacy levels became a constraint on profitability. Particularly during the 1970s, private banks deliberately chose to increase their leverage in pursuit of profit maximization, guided by their own risk perceptions. Moreover, the limited authorization granted to banks to hold foreign exchange positions and to open foreign currency deposit accounts during the final five years of the decade indirectly impacted capital adequacy ratios through devaluations.

However, it should be noted that with financial innovations such as LM and new deregulation windows, the decline in CAR became a global trend. (Tufts & Moloney, 2022). Nevertheless, Turkey diverged significantly from the global average in this regard, as its capital adequacy ratio fell to much lower levels, while the global average remained around 30% (TÜSİAD, 1982b, p. 10). Throughout the period, private sector banks operated with higher leverage than public banks. In the case of public banks, deterioration was largely triggered by the accumulation of "duty losses," which prompted a more cautious approach after 1980 and led to a limited recovery. The year 1981 marked the lowest point in capital adequacy ratios for private banks and simultaneously became the starting point of the Bankers' Crisis. However, there are two points we need to pay attention to in our interpretations. First, although this study focuses on the Bankers' Crisis, the CAR (Capital Adequacy Ratio) data do not specifically indicate risk levels related to banker institutions. This is because bankers are neither classified as banks nor subject to the CAR requirements applicable to banks. Nevertheless, as the crisis was primarily a liquidity crisis[12], their vulnerability remains a key point of analysis. Given that their most important product, the certificate of deposit, was obtained from banks and

[12] A more detailed analysis of the characterization of the crisis as a liquidity crisis will be presented in Chapter 5.

considering their close relationships, being aware of the increased risk level within the overall financial structure will be useful for analysis.

3.3 Macroeconomic Overview and Financial Sector's Allocation of Funds

In examining the origins of the Bankers' Crisis, we analyzed the interaction between financial expansion and savings incentive policies using macroeconomic data and per capita indicators. In all these analyses, we have emphasized the need to carefully account for the specific structure of the planned economy period. The target function of the financial sector in the period we have examined was defined as supporting development plans, funding industrialization, and directly triggering growth. Therefore, evaluating the dynamics of partial expansion that led to the crisis, together with the nature of real sector funding, may help us not to ignore this periodic context. Our thesis that financial deepening should be read as an "instrumental expansion" rather than a "complex deepening" will gain meaning by testing the conversion rates of loans into investment and productive growth. Ultimately, if we consider systemic crises or inherent contradictions as costs, the formation of an efficient development may ignore them. At this point, it is necessary to deepen the analysis by first clarifying the macroeconomic picture of the period.

Tables 2 and 3 present numerical data on key macroeconomic indicators such as growth, inflation, interest rates, and foreign trade for the period under analysis, thereby providing the empirical basis for our discussion.

Table 2: Main Indicators

	Domestic Savings / GDP	Credit Growth Rate	Deposit Growth Rate
1960	35,24%		
1961	34,35%	-10,11%	8,58%
1962	34,74%	19,02%	13,49%
1963	35,62%	12,63%	11,14%
1964	36,58%	38,75%	15,71%
1965	37,23%	26,11%	23,39%

1966	37,98%	28,99%	24,11%
1967	38,57%	30,15%	13,86%
1968	38,92%	13,04%	24,14%
1969	38,98%	8,41%	19,05%
1970	37,46%	-30,77%	-28,16%
1971	32,33%	20,14%	43,68%
1972	32,72%	21,10%	37,40%
1973	30,93%	34,23%	19,42%
1974	28,44%	38,24%	22,85%
1975	30,03%	33,24%	34,62%
1976	32,51%	27,35%	20,49%
1977	30,63%	10,62%	5,59%
1978	29,94%	-13,63%	1,97%
1979	32,78%	3,39%	8,24%
1980	27,30%	-32,28%	-34,94%
1981	30,93%	22,06%	36,86%
1982	30,63%	-2,10%	11,23%
1983	28,33%	-10,84%	-12,21%

Source: Central Bank of the Republic of Turkey (CBRT); Turkish Statistical Institute (TurkStat); Turkish Industry and Business Association (TUSIAD); Turkish Grand National Assembly (TGNA); World Bank; Federal Reserve Economic Data (FRED).

Table 3: Main Indicators

	GDP Growth (%)	**Inflation (%)**	**Money Issuance Growth (%)**	**1 US Dollar in TL**
1960	3,40%	7,40%	14,40%	₺9,05
1961	2,00%	1,30%	7,40%	₺9,05
1962	6,20%	3,80%	7,10%	₺9,05
1963	9,70%	6,50%	9,00%	₺9,05
1964	4,10%	0,80%	18,50%	₺9,08
1965	3,10%	6,70%	11,10%	₺9,08
1966	12,00%	5,50%	13,77%	₺9,08
1967	4,20%	6,30%	19,10%	₺9,08

1968	6,70%	4,10%	-0,20%	₺9,08
1969	4,30%	5,70%	10,60%	₺9,08
1970	4,4%	11,80%	26,80%	₺15,15
1971	7,0%	21,80%	22,40%	₺14,30
1972	9,20%	15,30%	17,70%	₺14,28
1973	4,9%	15,80%	26,30%	₺14,13
1974	3,3%	0,00%	29,70%	₺15,30
1975	6,1%	15,40%	24,60%	₺16,83
1976	9,0%	16,40%	27,20%	₺19,64
1977	3,0%	22,50%	49,60%	₺25,50
1978	1,2%	53,30%	45,90%	₺35,70
1979	-0,50%	62,00%	60,90%	₺91,40
1980	-2,80%	101,40%	52,400%	₺91,04
1981	4,8%	34,00%	38,700%	₺134,95
1982	3,1%	28,40%	40,400%	₺188,60
1983	4,2%	31,40%	34,600%	₺285,60

Source: Central Bank of the Republic of Turkey (CBRT); Turkish Statistical Institute (TurkStat); Turkish Industry and Business Association (TUSIAD); Turkish Grand National Assembly (TGNA); World Bank; Federal Reserve Economic Data (FRED).

Between 1960 and 1970, the average growth rate stood at 5.6%, while inflation remained at a manageable level, averaging 11.1% over the decade. However, starting in 1964, double-digit inflation became the norm. Nevertheless, the sustained growth and the increase in the wage share, which contributed to the welfare of wage earners, helped to offset inflation's adverse effects on overall welfare. Throughout this period, the exchange rate was held steady, with the U.S. dollar fixed at 9.05 Turkish lira for a prolonged time and maintained at 9.08 between 1964 and 1970, resulting in an overvalued domestic currency. This overvaluation favored importers within the country, as the Central Bank of Turkey (CBRT) provided foreign exchange to importers at a low cost while purchasing it from exporters at a similarly low rate. Meanwhile, short-term rediscount rates began at around 4.5% and were fixed at 7.5% from 1962 onward, leaving real interest rates in negative territory. Despite persistent current account deficits throughout the decade, the trade deficits remained relatively sustainable. The principal structural issue was Turkey's dependency on intermediate goods. Increases in exports led to parallel increases in imports, rendering both the goods themselves and the foreign currency required to pay for them a chronically necessary issue that first became pronounced during this period. Despite early signals from the foreign trade side, the main macroeconomic indicators continued to reflect economic growth and accompanying credit expansion. This trend was mirrored in bank balance sheets: This trend was mirrored in bank balance sheets: the ratio of loans to total assets in the banking sector rose from 46% at the end of the First Development Plan to 61%—the sharpest increase among all planning periods (Banks Association of Turkey, 2008). In fact, 1967 marked the second-highest year in which loans constituted the largest share of bank assets.

On the monetary and financial side, a range of developments indicate an acceleration in the credit creation process: increased currency issuance, the introduction of mandatory reserve requirements at the CBRT, partial use of these reserves for credit allocation, and a rising ratio of CBRT assets to GDP. These changes, along with state-provided credit and the expansion of bank balance sheets, signify a deepening of the financial sector. The growing issuance of government-guaranteed bonds and private sector promissory notes further supports this observation.

Entering the 1970s, a combination of factors including rising external debt, the inherent limitations of the import-substitution industrialization strategy, and increasing economic instability led to a significant decline in capacity utilization rates nearly for all sectors (SPO, 1979, p. 15, 37, 157, 204)As frequently noted, the inability to adopt sufficient fiscal and financial measures to address this underutilization also hindered the deepening of the banking sector (Önder, 1990). Between 1970 and 1980, the average growth rate declined to 4.1%, reflecting a deceleration compared to the previous period and a more volatile growth pattern. By 1977, signs of stagnation and even contraction had begun to emerge. Inflation averaged 32.2% during this decade, reaching triple-digit levels by the end of 1980, while the current account deficit increased dramatically.

Throughout this turbulent decade, the government's primary policy objective was to mitigate foreign exchange crises and avoid a full-blown balance of payments crisis.

To that end, all available policy tools were mobilized. Devaluations became an integral part of the policy arsenal, with the first major devaluation implemented on August 10, 1970, raising the exchange rate to 15.15 TL per USD. Devaluations continued, especially after 1976, and by the end of the decade, the exchange rate had reached 91.04 TL per USD.

Rediscount rates had reached approximately 9% by the early 1970s, yet despite soaring inflation and successive devaluations, the negative real interest rate policy remained unchanged until the 1980s. One of the key instruments used by the CBRT to navigate the balance of payments crisis was the introduction of FEID accounts. As a result, the foreign exchange item on the CBRT balance sheet increased nearly one hundredfold over the decade. Although these deposits did not constitute net foreign reserve gains, they nonetheless served to mitigate large-scale balance of payments crises.

While alignment with the industrialization program and development plans was relatively sustained until 1975, delays in overcoming the Oil Crisis exacerbated the severity of the economic crisis in the latter half of the decade (Boratav, 2005). The pace of economic growth became increasingly dependent on the availability of foreign currency, and the limits of a financial sector that expanded alongside, but failed to direct, the real economy were increasingly defined by the country's foreign exchange constraints. Toward the end of the decade, credit expansion began to contract. The main reasons behind this contraction were persistently negative real interest rates, low rediscount rates, the depreciation of the Turkish lira, and the reluctance of banks to extend medium- and long-term credit at fixed interest rates.

We examined the trajectory of the period through key macroeconomic indicators. Although the planned development period is often treated as a unified whole, a comparison of macroeconomic indicators between the 1960s and 1970s reveals that these two decades were characterized by markedly different dynamics. This naturally indicates that the structural constraints and their effects, which we mentioned earlier, tested Turkey with varying intensity during different subperiods. In light of these findings, the analysis must now turn to the key developments on the financial front.

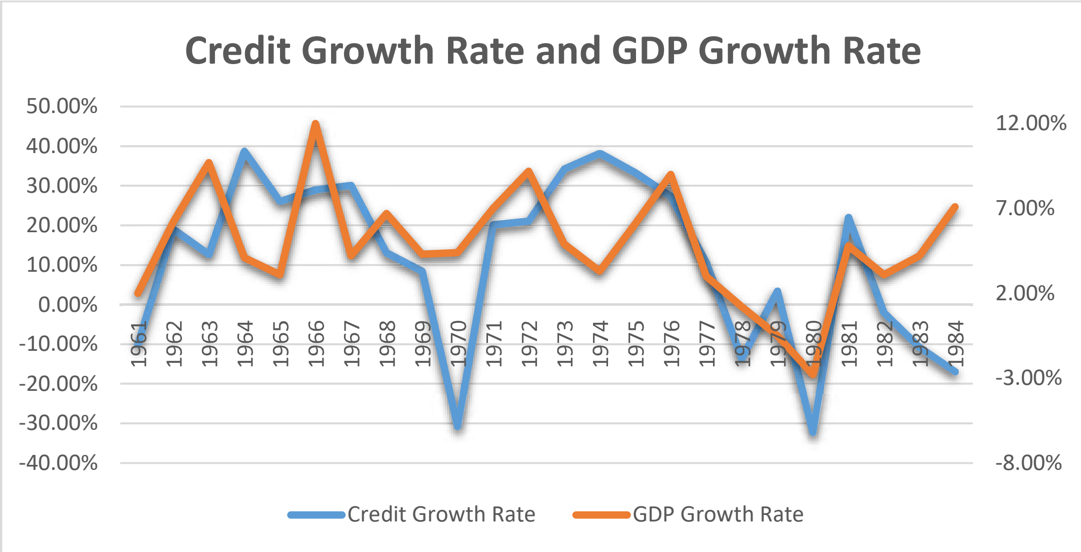

Figure 7: Credit Growth Rate and GDP Growth Rate (The left axis indicates Credit Growth Rate, while the right axis indicates GDP Growth Rate)

Source: Banks Association of Turkey (2008), data compiled by E. Keskin et al. Visualization by the author.

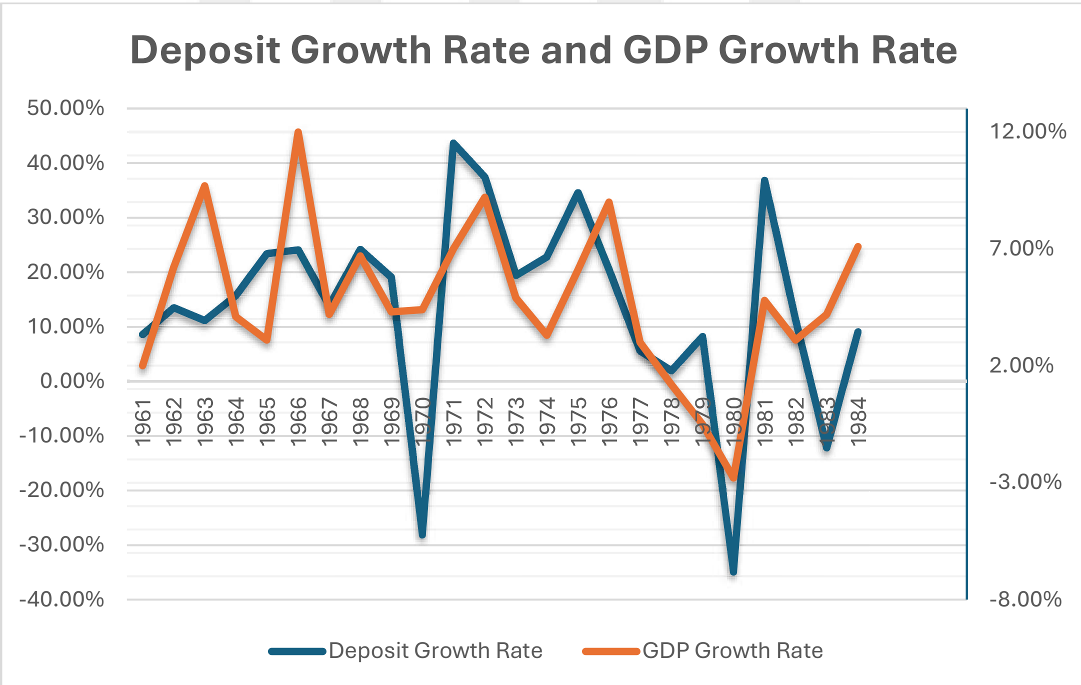

Figure 8: Deposit Growth Rate and GDP Growth Rate (The left axis indicates Deposit Growth Rate, while the right axis indicates GDP Growth Rate)

Source: Banks Association of Turkey (2008), data compiled by E. Keskin et al. Visualization by the author.

When we examine the main trends in credit and deposit growth, it becomes clear that the credit expansion observed during the First Five-Year Development Plan period (1963–1967) was never again matched, especially when considering the inflationary pressures that followed. This can be explained by the fact that from the Second Plan period onward, policymakers began to interpret the relationship between money supply and inflation primarily through the lens of credit expansion (SPO, 1968, p. 112). While the state systematically kept credit growth low from the Second Plan period onward, it is worth reiterating that the mid-period accelerations should also be understood in light of the effects of institutions like the State Investment Bank (DYB), the Industrial Development Bank of Turkey (TSKB), and the Foreign Exchange Indexed Deposit (FEID). A significant factor underlying these changes during the second five-year development plan was a paradigmatic shift within the State Planning Organization (SPO). Turgut Özal, a former World Bank official who would later become a central figure in Turkey's economic liberalization, was appointed as the undersecretary of the SPO during this period. Consequently, the organization's leadership and planning cadre became increasingly aligned with this new administrative orientation.

Looking holistically at the relationship between credit, deposit, and GDP growth, it can be argued that the financial sector's capacity to generate resources moved in parallel with GDP growth. However, three exceptional periods stand out where this parallelism was disrupted: 1964–1965, 1973–1974, and 1983–1984. During the first period (1964–1965), escalating tensions over Cyprus, international pressure, and a climate-induced decline in agricultural production (Dilik, 1965, p. 45) slowed GDP growth. In 1973–1974, the Cyprus Operation and the delayed effects of the Oil Crisis (Boratav, 2005, p. 178) led to economic stagnation. Although the reinstatement of the FEID mechanism during this time led to short-term and costly borrowing in an attempt to prevent a balance of payments crisis (Boratav, 2005, p. 180), it helped maintain credit growth. In 1983–1984, although GDP began to recover following a prolonged period of tight monetary policy, liberalized interest rates and the effects of the Bankers' Crisis, including bank liquidations and increased risk precautions, curtailed credit growth.

Apart from these three exceptions, a strong synchronicity can be observed between the expansion of the financial sector and GDP growth. This parallelism is primarily rooted in the credit structure of commercial banks, which predominantly focused on working capital loans during the period in question (Öğrendil, 1979). The high demand for working capital, often to the extent of negative net working capital, tied firms' credit needs directly to operational expenditures such as wage payments and raw material procurement.

This effectively synchronized credit demand with GDP growth. As Moore (1983, p. 373) notes, this relationship lies at the heart of banks' credit creation and money supply processes. Therefore, it is reasonable to argue that credit demand surged notably during periods of economic expansion, and this demand constituted one of the core dynamics driving the growth of the financial sector. However, it is important to underscore that the financial sector should not be viewed as the "engine" of growth but as an accompanying vehicle.

The observed simultaneity between GDP growth and credit expansion requires a more nuanced analysis to determine whether it reflects a genuine contribution to economic development or merely cyclical alignment. The key question is whether credit expansion plays a structurally transformative role or simply mirrors short-term fluctuations in economic activity. Addressing this question demands more than examining total credit growth; it is essential to analyze the sectoral distribution of credit and the extent to which it aligns with development planning objectives. In particular, the share of credit directed to the industrial sector, the investment-friendliness of credit conditions (such as maturity structures and interest rate spreads), and the contribution of these credits to GDP growth should be evaluated.

The literature emphasizes that the developmental impact of credit largely depends on the sectors it targets. For example, Bezemer (2014) argues that credit directed toward the real economy—such as manufacturing and agriculture—supports growth, whereas credit channeled into the financial and real estate sectors has adverse effects. Similarly, Beck et al. (2012) differentiate between household and corporate credit, positing that only corporate credit, interpreted here as development-oriented credit, positively influences economic growth[13] (Beck et al., 2012, p. 45). makes a sectoral approach to credit analysis not only possible but necessary.

Within this framework, attention should be paid not only to short-term working capital loans but also to medium-term credit practices. By facilitating fixed capital investments, medium-term loans can serve as a key instrument for increasing production capacity and promoting structural transformation. Thus, by examining the sectoral composition of credit, maturity structures, and the guiding role of interest rate policies, the developmental nature of the observed correlation between the financial sector and GDP growth can be assessed. This approach enables us to determine whether credit expansion is a structural driver of economic transformation or merely a cyclical component accompanying overall demand growth. To begin the analysis, we first provide a brief overview of medium-term credit practices.

Medium-term credit practices in Turkey were formalized on March 11, 1972, through a Communiqué issued by the Board of Directors of the Central Bank of the Republic of Turkey (CBRT), which mandated all commercial banks to allocate at least 10% of their total credit volume to Medium-Term Project Loans[14]. However, in practice, the effectiveness of this regulation remained limited. Most banks fulfilled this requirement by extending credit primarily to firms within their own capital groups, while continuing to provide short-term credit to other industrial and commercial enterprises. Furthermore, a significant portion of the loans classified as medium- and long-term were essentially renewals of previously matured short-term credits (Öğrendil, 1981). This indicates that credit allocation policies did not function

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[13] In the Turkish case, household credit during the 1960–1980 period provided in very limited amount except for exceptions like Emlak ve Kredi Bankası (İbrahimoğlu, 1996, p. 196)

[14] On September 9, 1972, an additional CBRT communiqué published in the *Official Gazette* expanded the scope of the 10% credit allocation to include medium-term loans to the automotive sector, loans secured by collective order contracts with municipalities or public enterprises, and loans to firms purchasing ships or aircraft from abroad (CBRT, 1972). The inclusion of such loans, which were directed especially to the assembly industry, reduced the effectiveness of the policy by encouraging intra-group utilization.

in full alignment with developmental goals. Throughout the planning period, various incentive[15] mechanisms were introduced to enhance the effectiveness of medium-term lending, particularly through interest rate structures and reserve requirement adjustments aimed at increasing their appeal. Nevertheless, growing inflationary pressures, the regular devaluation of the Turkish lira, and the structural weaknesses of the banking system limited the expected impact of these policies. There was no proper classification and data record regarding medium-term loans during the period. For this reason, we will not go into more depth in this area of credit usage at this time. Let's continue by examining the sectoral usage areas of credits.

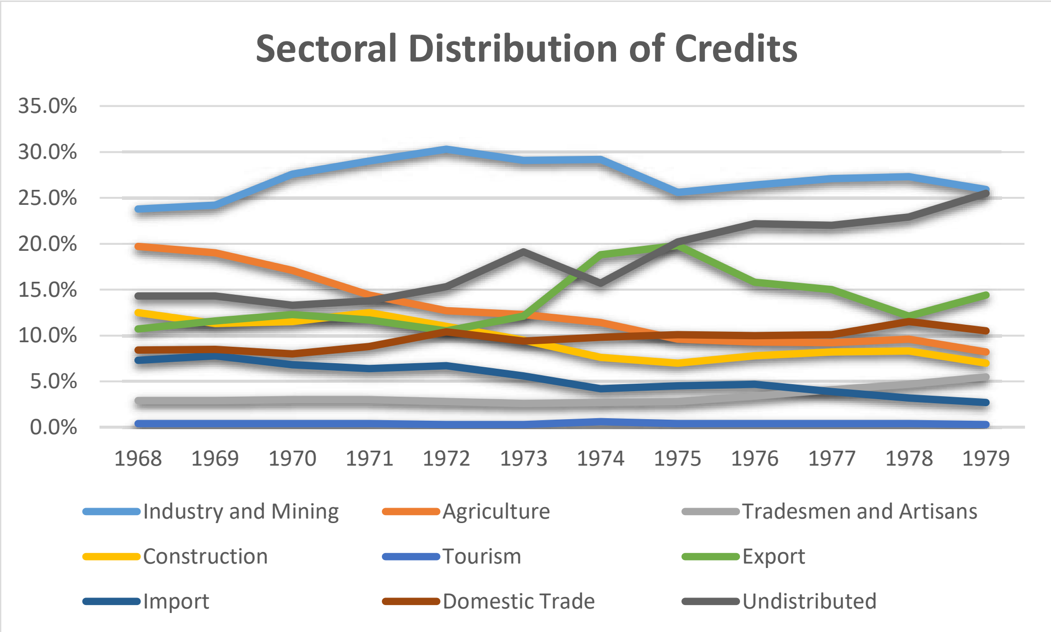

Figure 9: Sectoral Distribution of Credits

Source: Central Bank of The Republic of Türkiye

[15] Decree No. 7/5823 of February 1973 lowered the interest rate on medium-term loans to 10.5%, 1.5 percentage points above the general maximum loan interest rate, thus allowing banks to earn higher returns on these loans. This interest rate differential was further increased by Decree No. 7/8809 dated August 26, 1974. Moreover, with Decree No. 7/5824 dated February 10, 1973, the reserve requirement ratio was reduced by 5% for deposits allocated medium-term loans for sectors specified in development plans, which lowered banks' costs and facilitated resource allocation. Over time, these incentives were expanded and with the Council of Ministers Decree No. 7/13929 of September 7, 1977, reserve requirement ratios were reduced to 5% for priority sector investments and 0% for loans directed to underdeveloped regions.

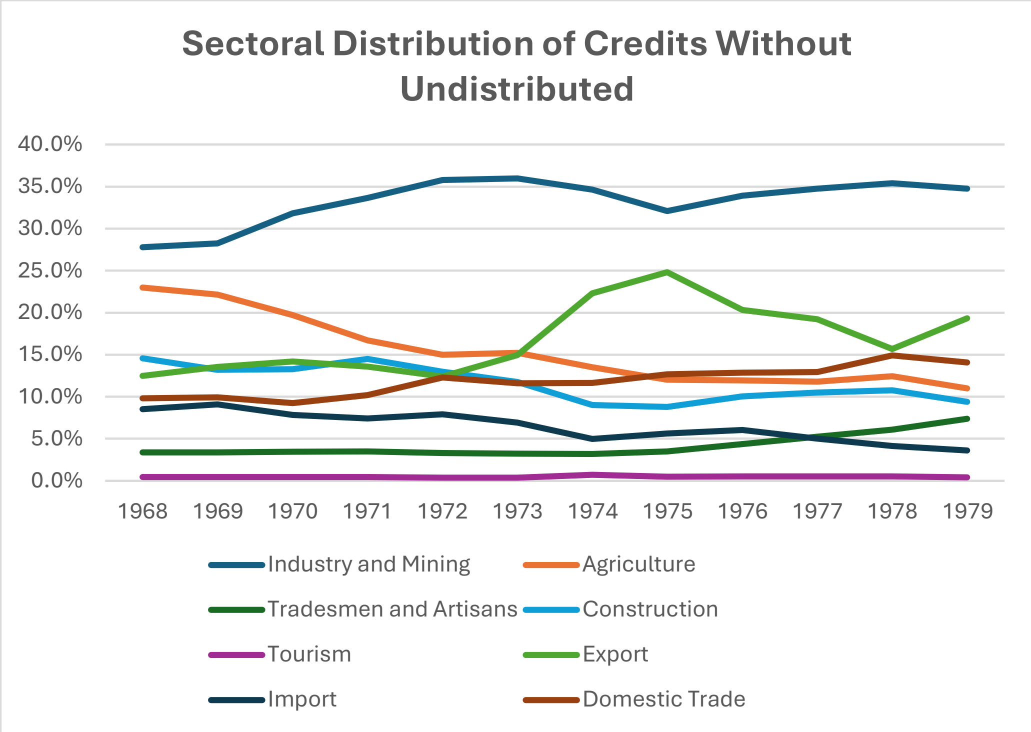

Figure 10: Sectoral Distribution of Credits Without Undistributed

Source: Central Bank of The Republic of Türkiye

The lack of a standardized and reliable credit classification system by sector was a persistent issue throughout the period, as highlighted in development plans (SPO, 1979, p.112). The Central Bank of the Republic of Turkey (CBRT) similarly reported that banks often failed to produce accurate sectoral credit data, frequently categorizing loans as "undistributed" (CBRT, 1979, p. 45). To minimize this distortion, an alternative presentation excluding the undistributed portion is provided (Figure 10). Since industrial credits were more easily identifiable, often linked to specific incentives, they were likely not classified as undistributed. As such, institutions like the SPO and CBRT relied on raw data to analyze industrial credit flows. The primary analysis is based on Figure 9, while the alternative chart serves to offer additional clarity.

Looking at the overall trend, although the industrial sector's share in total credit increased until 1972, it stagnated toward the end of the period. Despite being positioned as the primary driver of development, with clearly defined financing needs, the share of industrial credit remained almost unchanged between the beginning and end of the period. In contrast, consistent declines were observed in the shares allocated to agriculture, import-related activities, and the construction sector. However, it is important to note that the construction and import financing sectors, despite their falling shares, faced significant demand within the informal economy (TÜSİAD, 1982b). This suggests that part of the credits to these sectors may have been recorded under short-term "undistributed" loans.

Export credits, which accounted for a significant portion of total credit allocation during the Third Plan period, contracted again by the end of the period. One notable pattern is the acceleration of credit movements following balance of payments crises. As frequently mentioned, crises in securing foreign resources also had a visible impact on credit distribution. However, post-crisis measures and credit reallocation policies were often insufficient to alleviate pressure on external financing constraints. Meanwhile, an increase in domestic trade credits was observed. This increase is believed to be driven by holding banks that, during the period, expanded their distribution networks and operations nationwide, particularly in the production and trade of consumer goods, by extending credit to their own group companies.

Given the noise in the data and the prevalence of undefined credit categories, referring to development plans for sectoral credit distribution appears to provide more reliable insights. These plans, consistent with our initial findings, indicate that despite achieving some success in the 1st Plan period and partial progress during the 2nd Plan period, credit allocated to the industrial sector and the volume of medium-term credit remained insufficient (SPO, 1973, p. 113; SPO, 1973, p. 881; SPO, 1979, p. 112). Plans also frequently emphasized that banks faced resource constraints in addition to ineffective credit allocation and insufficient domestic savings, while capital markets remained underdeveloped and disorganized. In this context, assessments of credit inefficiency and the prevailing "savings fetishism" continued (SPO, 1973, p. 113).

Up to this point, the study has outlined the policies implemented to increase savings and expand the financial sector, while identifying structural flaws that contributed to the Bankers' Crisis. Despite broad-based deposit mobilization and a banking system shaped by deposit competition, it is clear that policymakers did not consider these developments sufficient. In summary, even the correctness of credit use and targeting was interpreted within a framework that attributed financial deepening problems to a perceived lack of bank resources. Thus, the prevailing orthodoxy was never abandoned. Consequently, the question of why financial reforms failed to yield meaningful improvement remained unanswered throughout the period.

This section concludes the study's evaluation of the financial sector's resource management, financial deepening, and credit allocation. The following section will focus on the structural features of the financial sector that shaped the path toward the Bankers' Crisis. Key issues such as increasing competition via branch expansion, interest rate competition after the January 24 Decisions, and the dynamics of holding banking will be central to the upcoming analysis. Finally, comparing gross saving rates between Turkey, the OECD, and selected peer countries will help assess the structural nature of savings-related shortcomings. As mentioned earlier, the increase in voluntary savings has been glorified by policymakers and seen as the main problem in financing Turkey's development. But how did these savings compare to peer countries, and how did the measures and practices trigger savings?

Throughout the period under review, expanding the financial sector was adopted as a key policy priority in Turkey, and savings were treated as an indispensable element of development, often glorified to an exaggerated degree. However, as Figure 11 illustrates, Turkey's gross domestic savings rates remained relatively high compared to peer countries throughout the period. This raises doubts about the accuracy of the policy focus on savings, calling into question whether the relationship policymakers constructed with savings was properly diagnosed. In fact, this reflects the contours of a system that strains the endogenous capacities discussed earlier in the theoretical framework. It can also be inferred that the limited outcomes of financial deepening efforts were not primarily due to a lack of savings, but rather stemmed from deeper structural problems, specifically, the failure to channel existing financial resources into productive and strategic areas.

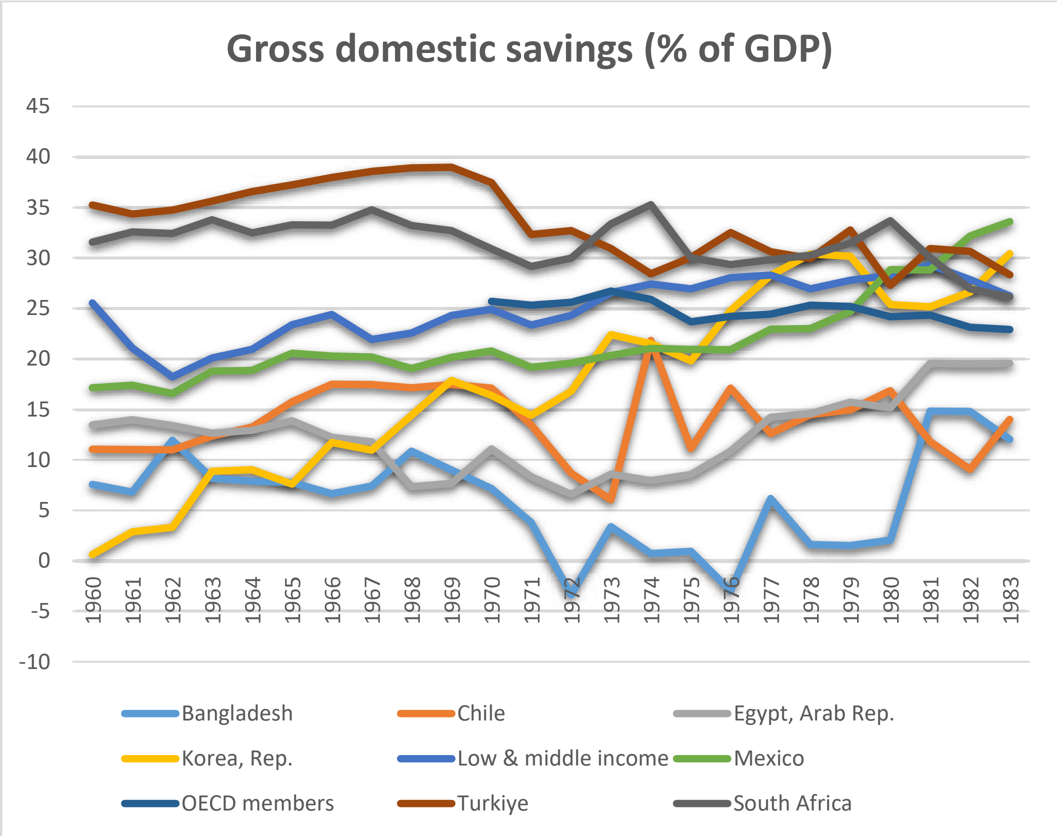

Figure 11: Gross domestic savings (% of GDP)

Source: World Bank national accounts data, and OECD National Accounts data files.

Indeed, as emphasized in development plans, there were serious shortcomings in credit allocation (Ateş & Eroğlu, 1999); medium-term and incentive-based loans required by productive sectors such as industry were not adequately provided. As a result, rather than improving allocative efficiency in the use of resources, credit expansion fueled inefficiencies and deepened structural vulnerabilities within the financial system.

CHAPTER 4

STRUCTURE OF THE TURKISH BANKING SYSTEM

In the preceding sections, the phenomenon and efforts of financial deepening, as well as the financial sector and its impact on development plans, have been addressed. Additionally, various risks and conditions that may have triggered the banker crisis, whether deliberately due to conjunctural or external developments, or as the unintended consequence of entirely different objectives, have also been discussed.

If the crisis stemmed from a malfunction in the collection of deposits through securities of banks and the provision of loans, and if bankers, though not officially recognized as banks, acted as external yet influential actors within a bank-centered financial system, also compete with then then analyzing developments in the banking sector offers a more holistic perspective on the process.

As emphasized in the introduction, alongside what Akyüz (2023) describes as instrumental developments, it is evident that structural characteristics within the banking sector also laid the groundwork for the crisis. Among these structural factors, the growing tendency toward branching in banking and the emergence of holding banking stand out. Holding banking, in particular, plays a critical role in the context of conflicts among capital groups and the distribution of rents.

Therefore, both the political transformations that occurred throughout the period and the direct political responses to these financial dynamics will be taken into account when addressing the topics of branch banking and holding banking. Together with the monopoly competition structure of the sector and the social and regional asymmetries in access to organized credit and capital markets, branching and holding banking constituted the fundamental conditions for the emergence of bankers[16]. Until the crisis, banks increased the scope of competition through different instruments and finally with interests. This situation naturally marked the beginning of a transformation in both the practice and perception of banking. Within this framework, investigating which risky areas the financial sector failed to manage in the lead-up to the banker crisis, what regulatory or structural gaps it left unaddressed, and the underlying politico-economic background of these dynamics will deepen the scope of our analysis.First, let us briefly examine the historical development of the banking sector in the period preceding the banker crisis.

4.1 Branch Banking and Main Banking Practices

In the Republic's early years, the banking system in Turkey was built upon large, foreign-capitalized deposit banks and small banks operating at the local level (Bozoklu, 2003). This structure was fundamentally shaped by structural reasons such as the Turkish bourgeoisie's insufficient capital accumulation and the historical predominance of non-Muslims in banking, moneylending, and trade(Artun, 1983). Local banks generally operated with the capital of a few major local deposit holders and essentially functioned as "safes" (Özer, 2012; Doğan, 2012). In this context, the establishment of Türkiye İş Bankası was an important step toward filling the gap of a large-scale national bank. The most significant disadvantage of local banks was their inability to mobilize capital due to their limited operational scope geographically. For example, a bank operating solely in Konya could only convert the deposits it collected into credit within that region, whereas banks operating on a national scale could transfer this capital over a broader geography. Nevertheless, it would be more appropriate to approach this mobilization capacity cautiously rather

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[16] Actually Aysin and Çalmasur 2021 defined current banking sector as a monopoly competition by using Panzar-Rosse Model. In fact, competitive advantage among banking groups is often supported by factors such as widespread branch networks, and the competition typically occurs among banks within the same hierarchy. For instance, the commonly used phrase "the big four banks" in Turkey refers to the rivalry among the four major private banks, while other banks ,though similar in nature but differing in size, also engage in competition among themselves.

than generalizing it to all banks. As Özbek (2002) notes, while such mobilization could occur in publicly owned banks with different objective functions, the same may not always apply to privately owned banks.

During this period, state-owned specialized banks were also established to finance strategic sectors. For example, Etibank provided credit opportunities for the mining sector, Emlak ve Eytam Bank for the construction sector, and Sümerbank for the textile sector. Among privately owned banks, following Türkiye İş Bankası, Yapı ve Kredi Bankası was founded in 1944, Türkiye Garanti Bankası in 1946, and Akbank in 1948 during the post-war period. From their inception, these banks became key players in the market and quickly expanded across the country. Owing to their higher capital structures and organic ties with the commercial bourgeoisie, these banks were able to transfer financial capital to the real economy not only through credit but also via their subsidiaries (Öğrendil, 1980). These subsidiary practices laid the groundwork for the integration that would later develop between the banking sector and industrial capital. During the 1950–1960 period, ten more new banks were established (Artun, 1983). While new banks were being founded during this time, some existing local banks either dissolved themselves or were acquired by larger banks. As a result, local banking practices in Turkey largely ended.

Due to structural transformations in the economy and the effects of financial innovations, the commercial and individual customer base benefiting from banking services expanded over time. With the transition to the planned period, establishing new foreign and commercial banks was generally prohibited, with certain exceptions. Moreover, mergers among small banks were encouraged to reduce average fixed costs. Within this framework, many small banks established in the 1950s ceased operations in the 1960s. Another notable development during this period was the competition for bank licenses among various large holding groups, owing to the limited availability of such licenses (Ergüneş, 2009). For instance, the struggle between the two largest capital groups of the time over the shares of Garanti Bank is detailed extensively in the memoirs of Vehbi Koç, the founder of Koç Holding (Koç, 1987). Industrial capital’s perception of the banking sector as a relatively "untapped" area with more flexible conditions for entry increased interest in this sector. Tax advantages and various incentives provided to holding structures further supported this interest. Strategically, incorporating a bank into a holding group could enhance its financing capacity and optimize its profitability. This issue will be discussed in greater detail in the later sections of the study under the title "holding banking." For now, let us proceed to evaluate the numerical change in banks' ownership structures throughout our analysis period.

Table 4 demonstrates the stability in the number of banks during this period. While market entries were tightly controlled, it is also evident that banks were not subject to liquidation. Among the key reasons for this were: these institutions engaged in virtually risk-free banking (negative real interest rates), making significant losses unlikely unless major criminal misconduct occurred; and even non-profitable structures could find buyers when necessary, given the limited availability of banking licenses.

Table 4: Number of Banks by Type

Year	Public Deposit	Private Deposit	Foreign-Owned Deposit	Local Banks	Investment and Development Banks	Total
1959	14	20	5	12	0	51
1960	14	20	5	12	0	51
1961	14	20	5	12	1	52
1962	14	22	5	9	1	51
1963	14	22	5	9	1	51
1964	12	23	5	6	2	48
1965	12	23	5	6	2	48
1966	12	23	5	5	2	47
1967	12	22	5	5	2	46
1968	12	22	5	5	3	47
1969	12	22	5	5	2	46
1970	12	22	5	5	2	46

1971	12	23	5	3	2	45
1972	12	22	5	3	2	44
1973	12	21	5	3	2	43
1974	12	22	5	2	2	43
1975	12	23	5	0	2	42
1976	13	23	5	0	2	43
1977	13	23	5	0	2	43
1978	13	24	4	0	2	43
1979	13	24	4	0	2	43
1980	12	24	4	0	3	43
1981	12	24	6	0	3	45
1982	12	24	9	0	3	48
1983	13	19	10	0	3	45

Source: Banks Association of Turkey (2008), data compiled by E. Keskin et al. Visualization by the author.

In this period, during which entry to and exit from the system were limited, and prices and rates such as interest rates were tightly regulated, thus rendering the period relatively low-risk, the primary means of competition among banks was branch expansion activities. In this context, it is possible to define this period as the "branch banking" era. In this study, the concept of "branch banking" is addressed within the framework of the phenomenon whereby commercial banks rapidly increased the number of their branches in order to strengthen their competitive position and expand their customer base during their development processes. In an environment where price mechanisms were strictly regulated, banks primarily aimed to increase their market share by attracting more deposits and customers. This tendency was not limited to the desire to reduce interest costs; it was also supported by the aim of easier access to cash and liquidity, especially since many banks were owned by large holding groups, and by the objective of maximizing holding group profits.

The effects of branch banking practices on the sector remain a debated issue in the literature. Indeed, opening a new branch of the same bank in a region where a branch already exists may not significantly increase the total volume of deposits in that locality; however, for a newly entering bank, it carries the potential to increase deposits (Yüzgün, 1982). By expanding their branch networks and thereby enlarging the competitive landscape, this banking model also has the potential to reduce the effectiveness of banks dominant in local markets (Calem and Nakamura, 1998). On the other hand, Post-Keynesian economists have interpreted this model as a mechanism that restricts credit allocations on a regional scale, in line with liquidity preferences that work in favor of national banks (Dow and Rodriguez-Fuentes, 1997). In this framework, branch banking was not merely a tool of competition among banks; it also had significant implications for the regional distribution of financial resources and financial inclusion.

Within these constraints, let us now revisit the branching strategies of banks. Figure 12 shows that, based on the numerical change in directly opened bank branches, the total number of branches approximately quadrupled over the period, with an average of 220 new branches opened yearly. The fact that there was no significant change in bank entries and exits during this process indicates that private banks grew more significantly in terms of branching and became distinctly prominent in the sector compared to public ones.

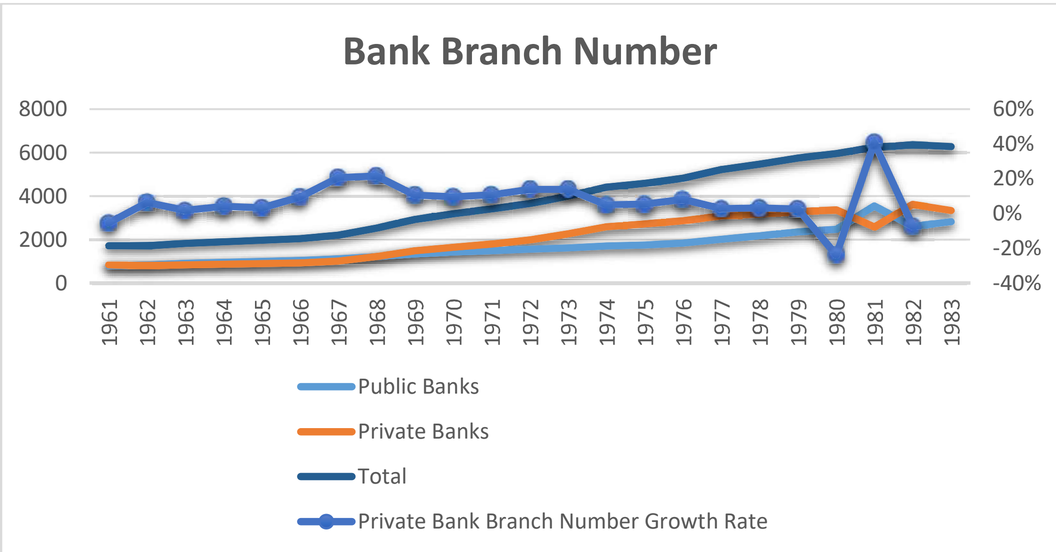

Figure 12: Bank Branch Number

Source: Banks Association of Turkey (2008), data compiled by E. Keskin et al. Visualization by the author.

However, another noteworthy development is the loss of momentum observed in the rate of branch openings among private banks, particularly in the final years when high inflation had become a structural feature (see the time series shown by the black line). Two main factors can explain this slowdown. First, the market approaching a saturation point created a natural limit to opening new branches. The second and more important reason is that the inflationary environment forced banks to restructure their portfolio preferences (Özbek, 2002). In this context, treasury bills and Central Bank securities emerged as alternatives to traditional deposit instruments, offering lower costs and more attractive returns; financial institutions thus turned to these assets. Considering this in conjunction with the decline in the utilization rates of Central Bank rediscount credits between 1976 and 1978 is useful. This period also stands out when the branching rate slowed significantly and the banking sector recorded its lowest growth rates. Therefore, it can be said that these two developments complemented each other and jointly shaped the financial dynamics of the period.

In addition to and alongside branching, let us examine other practices banks adopted to transform themselves and acquire new customers.

In the competition for deposit collection, it is observed that many banks developed new competitive strategies and promotional campaigns beyond interest rates to attract deposits. For example, housing/car lotteries and bonus savings passbooks were designed to encourage customers to open time deposit accounts. In particular, using bonuses was a widespread practice in pre-1980 banking. Cash and real estate prizes were frequently given out during this period, especially during new branch openings or new account openings (Şumnu, 2014). The prevalence of real estate prizes was not coincidental; it reflected the growing urban population and increasing demand for property. On special occasions, such as New Year's, religious holidays, or at newly opened branches, it became a standard practice for banks to organize promotional campaigns in the sector. Throughout this period, newspaper pages featured lottery advertisements almost daily for newly opened branches of various banks. Promotional strategies extended beyond branch openings, as banks continued to compete through targeted advertising campaigns directed at groups, such as women, who were relatively less reached by the financial sector during that time.

Figure 13: Real estate lottery advertisement by Yapı ve Kredi Bankası

Source: Yapı ve Kredi Bankası. (1972, December 4). [*Advertisement*]. *Milliyet*. p. 11.

Figure 14: Branch Opening lottery advertisement by Türk Ticaret Bankası

Source: Türk Ticaret Bankası. (June 12, 1967). [*Advertisement*]. *Milliyet*. p. 3.

Figure 15: An advertisement by Osmanlı Bankası

Source: Osmanlı Bankası. (1976, October 5). [*Advertisement*]. *Milliyet*. p. 3.

These new practices adopted by banks also signaled a shift in how the sector was situated within the broader social structure. Until the emergence of private deposit banks in the 1950s, the sector had been entirely composed of either state-owned banks or local banks. The functional role of public banks in allocating credit and funding the sector had solidified the perception that this was the fundamental function of banks. Local banks, on the other hand, were either seen as mutual aid funds for agricultural activities (Kutluata, 1970) or as institutions for safekeeping money, accessible only to a few privileged individuals in small towns. However, with the increasing number and influence of private national banks, this perception began to shift. These banks gradually started to recognize and act upon the fact that they were profit-driven entities. Consequently, expectations of banks varied across different segments of society. On one hand, banks were compelled to maintain their commercial operations; on the other hand, they were expected to fulfill the roles assigned to them within national development plans. This duality created a fundamental tension in the development of the banking sector, exposing the conflict between the pursuit of profit and institutional responsibilities in a developing economy.

For example, during the 1972 budget negotiations, CHP MP Memduh Ekşi said that:

> My dear friends, the banking and credit policy in Turkey is in complete disarray and an extremely corrupt manner. I have to say in advance that this failure is due to the corrupt organization of our country. There are currently 48 public and private banks in our country. These banks have 3210 branches, most of which are concentrated in a few large centers. In terms of both the number of banks and the number of branches, I have to say that I do not consider this a sign of economic health for an underdeveloped country like ours. Nearly the majority of these branches are opened only to collect deposits. As soon as one of the banks opens a branch in any part of the city or a neighborhood, the others race to open their branches in that street or neighborhood and fill it up with these branches. Competition does not end with opening branches. Banks also compete fiercely with each other, especially in the distribution of incentive bonuses and gifts. One may say that private banks can go this way as much as they want; what can happen? But, my dear friends, if we consider that, under the principles of competition, our official banks and national banks are also compelled to follow the same path, we should not think of the issue in that way.
>
> The Ziraat Bank closed its balance sheet in 1970 with a profit of 14 million liras, even though it gave 20 million liras in bonuses to its depositors. This disproportion is more or less the same in other official banks. Turkish people have reached the habit of depositing their money in banks. So much so that, according to a recent survey conducted by Isbank, only 13% of its depositors deposit money in the bank for bonuses, while the others prefer to do so for other reasons. In conclusion, I would like to say the following:
>
> 1. There is bank inflation in Turkey; the number of banks should be frozen as soon as possible.
>
> 2. Our banks should stop the distribution of bonuses and gifts as soon as possible. If this is not possible, the distribution of bonuses should be disciplined by amending the legislation. (TGNA, 1972a)

Long before this statement, during the debates on the Second Five-Year Development Plan, TİP MP Behice Boran said that:

> I would also like to point out the situation of private banks: The Plan states. 'New credit institutions will be avoided without finding new and continuously increasing resources, and limited funds for special purposes will be made available through existing institutions.' We would like to hope that this will indeed be respected; the number of private banks has increased more than necessary. It is known that most of them are not in sound financial condition. Some of them were established for short-term special purposes and were soon driven into bankruptcy. Those who have provided large loans have been sitting on millions of dollars, appearing to be unable to repay their debts. The bank was declared bankrupt, and the depositors' money was paid by the State from the funds established by Law No. 153. The bank liquidation fund increased from 54 million liras in 1962 to 205 million liras in 1965. In other words, the private benefits of a handful of individuals from this corrupt banking system have increased. (TGNA, 1967)

Years later, during the 1976 budget negotiations, CHP MP Cahit Angın said that::

> In our country's banking system, waste in our economy has reached great dimensions. 45 banks with up to 5,000 branches have deposits of 114 billion TL in Turkey. It is possible to gather these deposits in 4 or 5 strong banks, and at the disposal of the needs of our economy. Waste of buildings, waste of people, waste of energy, waste of paper and stationery has reached horrible proportions. (TGNA, 1976a)

As can be seen in parliamentary records, members of parliament identified as social democrats or socialists voiced criticisms of banks' branching strategies. These criticisms were shaped around the themes of dissipation, decentralization, and rent generation. The primary source of these critiques lay in the shifting perception of banking during the period, coupled with the ideologically different understanding of banking held by these members of parliament. While the processes of financial deepening and expansion, previously discussed in this study, are considered extensions and supporting components of branch expansion and deposit competition, these developments were unable to escape the line of critique focused on waste, and thus failed to form a comprehensive critique in parliament or other platforms throughout the period.

The first prominent line of criticism, centered on the notion of waste, was essentially associated with the rapid quantitative increase in branch banking practices. The historical evolution and primary forms of implementation of this phenomenon have been examined in detail in previous sections. At this point, it is appropriate to reassess why banks pursued such widespread branch expansion strategies in light of the aforementioned criticisms. As emphasized in the introduction to this study, the process of financial diffusion caused commercial life in Turkey to become increasingly dependent on financial institutions. This transformation compelled both private and public banks to expand in various ways. In particular, for state banks, the allocation and distribution of state resources, which included a wide range of publicly supported financial instruments such as social aid, public employee salaries, and savings bonds, necessitated the development of administrative capacity at the local level (Özbek, 2002). This necessity led bank branches to serve as financial intermediaries and administrative structures regulating the local distribution of state funds. In parallel, the early strategies of national banks established in the 1950s and 1960s were shaped by the goal of integrating idle capital in Anatolia into the financial system. During this process, these banks used branching as a means to provide financing both to their regional subsidiaries and to their supply chains.

However, the period in which the dynamics of branching truly gained momentum coincides with the years when the number of private bank branches surpassed that of public banks and the sector adopted a more competitive character. In this period, private banks, seeking alternatives to the traditional funding channels of the Central Bank of the Republic of Türkiye and facing tighter liquidity conditions, aimed to accumulate liquid assets by attracting household savings. At the same time, the motivation to increase market share in an increasingly competitive and concentrated sector became a significant driving force behind branch expansion. In this context, bank branches functioned both as infrastructure that enhanced deposit-collection capacity and as strategic assets that conferred competitive advantages within the financial sector.

One of the key determinants of banks' profitability and market position was the size of their customer base and the returns generated or anticipated from these customers. Competition, especially targeting individual customers, was largely deposit-driven during this process. The initial phase of interbank competition began with branch expansion and intensified following the liberalization of interest rates.The introduction of highly liquid financial products such as deposit certificates under a liberal interest rate regime expanded the scope of competition not only among banks but also between banks and bankers. Furthermore, within the framework of holding banking practices, to be addressed in detail later, banks could fund their affiliated group companies at lower costs. This rendered branching strategies meaningful not only from the perspective of deposit collection but also in terms of balance sheet expansion and intra-group resource transfers.

Within this general trend, another noteworthy criticism concerned the geographical spread of banking activities and decentralization processes. The expansion of banks across the country directly shaped the spatial distribution of financial services and resources; at times, this led to financial concentration and regional inequalities. For profit-driven private banks, such expansion was guided less by normative goals such as alignment with development plans or serving the public good, and more by rational market motivations like expanding their customer base, reducing funding costs, and increasing profitability. Through new branches, banks aimed to reach customers in different regions, particularly targeting industrial zones to expand services such as credit allocation and cash management, thereby increasing their market share.

However, there were limits to this strategic expansion. Regions with potential profitability were mostly confined to major cities where trade and capital accumulation were concentrated (Özbek, 2002). Rural areas, lacking high-volume deposit holders and the industrial capital driving credit demand, lost their appeal for private banks. For instance, in a sparsely populated area with only a few large deposit holders, acquiring all of them as customers would be necessary; however, if multiple banks entered the same region, intense competition would erode profitability and expose all banks to the risk of losses. In such cases, it was often preferred, through political intervention, that only a public bank provide services in the region (Özbek, 2002). The primary function of these public banks was to hold “official deposits” to sustain the state’s financial operations in those areas.

Indeed, during the development period, economic activity in Turkey was concentrated mainly within the triangle of Istanbul, Ankara, and Izmir, which in turn caused banking activities to become focused in these three urban centers. However, some banks turned to secondary cities such as Bursa, Eskişehir, and Antalya, where branch banking predominantly developed in these three major cities (Özbek, 2002). As Özbek (2002) also points out, this spatial concentration both heightened financial exclusion and deepened financial concentration in certain regions. In this context, the spatial distribution of money became one of the key determinants of the process. Although the goal of equitable regional credit distribution was consistently defined as a development priority in the State Planning Organization's development plans (SPO, 1968, pp. 114–115; SPO, 1973, pp. 876–877; SPO, 1979, pp. 257–261), as Öğrendil (1981) demonstrated, no concrete progress was made toward achieving this objective. Over time, the initial regional disparities only deepened, making financial exclusion and the center–periphery divide more pronounced. Chick and Dow (1988) interpret this situation by arguing that financial development, in the absence of planned credit allocation and public steering mechanisms, may exacerbate regional inequalities. They also emphasize that capital flows from the periphery to the center accelerate as the financial sector expands. During periods of crisis, the increased liquidity needs of central regions make peripheral areas even more vulnerable.

Among the three main lines of criticism, the most structurally grounded and conceptually substantiated was that developed around the theme of rent generation. Within this framework, claims that banking activities were structured to serve the interests of a handful of capital owners did not merely reflect a normative discourse, but also constituted a significant structural diagnosis of the period's economic transformations.

In particular, the emergence of holding banking as a rising phenomenon provided the concrete backdrop for these criticisms. As capital groups gained direct influence over the banking sector, the allocation of financial resources increasingly became integrated into intra-capital redistribution processes via non-market mechanisms. This structural transformation directly impacted both the financial deepening processes and the banking system's institutional independence. This issue will be analyzed in more detail in the following section within the structural analysis of holding banking.

4.2 Holding Banking

As demonstrated, the banking sector significantly grew in this period. Although a branching process had occurred, this expansion contained severe regional imbalances, which intensified public criticism. Another structural imbalance that critics focused on was shaped around the ownership structure. Following the trend of conglomeration, which emerged as a new tendency of the period, significant industrial capital turned toward gaining influence in the financial sector, leading to an integration of industrial and financial capital. The primary motivation behind this integration effort was the desire of holding groups to access financial resources more easily in order to optimize their internal operations (Marois, 2012, p. 56). Especially in the post-1980 environment of limited liquidity, the effort to obtain low-cost credit and use it internally among group companies (Özcan & Çokgezen, 2003, p. 2066) further reinforced this motivation. In addition, the institutional power derived from the financial sector also became a tool for gaining a competitive advantage in the real sector.

The source of this advantage lay in a loophole in the Banking Law of the period. A gap in the law regarding the amount of credit banks could extend to a business relative to their capital, increasing the integration of financial and commercial capital. Law No. 7129 on Banks imposed restrictions on how much credit banks could extend relative to their capital. For instance, a bank could extend credit up to 25% of its total capital and reserves to a single person in priority sectors, while this limit was 10% in other sectors. However, as identified by Artun (1983), if a bank extended credit to its affiliate for use in priority sectors, it could do so without any limit relative to its capital. The legal basis Artun refers to is Article 39 of the law:

> The banks may extend loans to all of their subsidiaries and affiliates engaged in business in the sectors specified in the annual programs of the development plan, up to 15% of the amount of cash loans available in the previous year's

balance sheet or up to 3 times the sum of their paid-in or Turkish reserved capital and reserves, provided that they are used only for their business in these sectors and without prejudice to the provisions of Article 38.

Furthermore, according to Article 48 of the same law, the general condition that banks could not invest more than 10% of their capital in their own subsidiaries and affiliates was also exempted for priority sectors. In light of these two articles, along with the legal and tax advantages provided by conglomeration under the conditions of the period, the integration of banking and industrial capital gained momentum.

With the help of these loopholes and incentives, many holding groups began acquiring banks and operating in the financial sector. The major actors occupying space in both the financial and real sectors are presented in Table 3 below.

Table 5: Banks and Related Holding Group

Bank	**Holding Group**
İş Bankası	İş Grubu
Akbank	Sabancı Holding
Yapı ve Kredi Bankası	Çukurova Holding
Pamukbank	Çukurova Holding
Garanti Bankası	Koç Holding
Demirbank	Cıngıllı Holding
Esbank	Zeytinoğlu Holding
İstanbul Bankası	Has Holding
İmar Bankası	Doğuş Holding
Egebank	Özakat Grubu

Source: The Banks Association of Türkiye & Saving Deposit Insurance Funds of Türkiye

When we examine the ownership structures and numerical distribution of banks, we suggest that these trends may be rooted not only in conjunctural factors but also in structural ones; therefore, they may have influenced the financial sector through various channels, contributing both to the evolution of the banking system and to the Bankers' Crisis. In this framework, we will now examine, through various data sets, whether the emerging phenomenon of holding banking constituted a dominant trend through different indicators, and whether it led to a structural transformation in resource acquisition and funding practices within the financial sector.

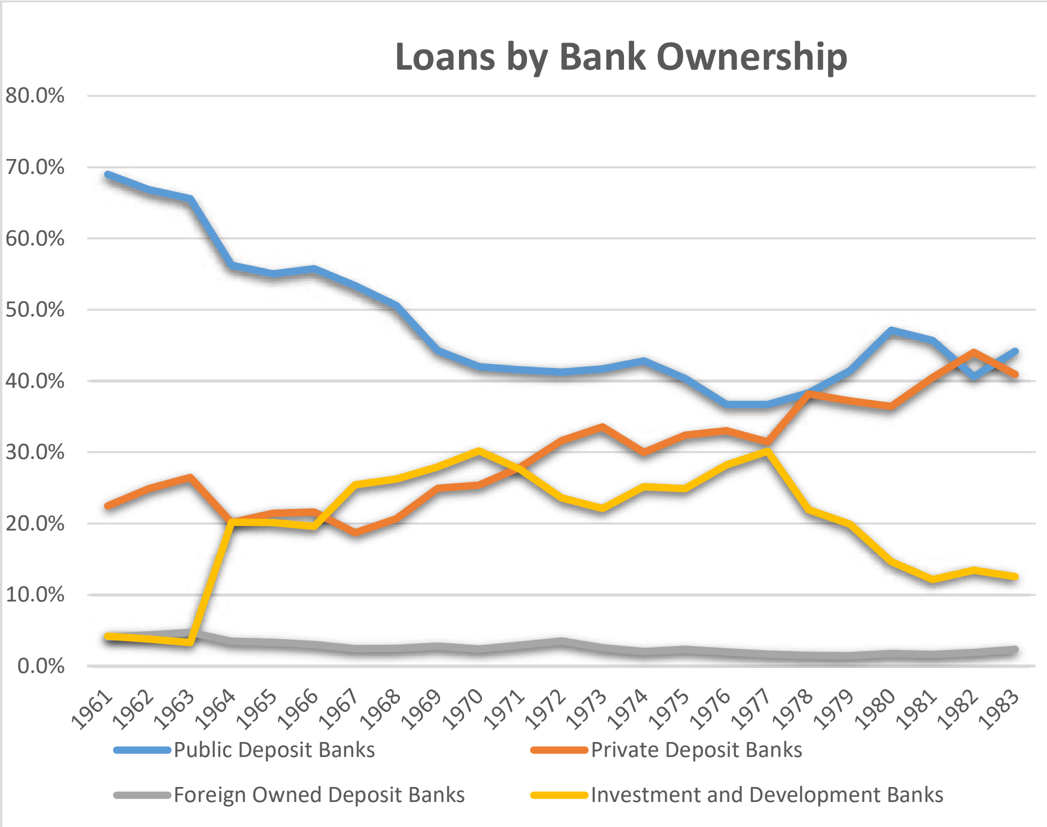

Figure 16: Loans by Bank Ownership

Source: Banks Association of Turkey (2008), data compiled by E. Keskin et al. Visualization by the author.

To understand the dynamics of the structural transformation in the market, it is first important to examine how credit was distributed according to bank ownership structures. As seen in Figure 16, at the beginning of the period, state-owned deposit banks held more than 70% of the total credit volume. However, this share gradually declined and fell to approximately 40% by 1983. In contrast, private deposit banks, which initially accounted for around 20% of total credit, increased their share steadily and eventually reached a level nearly equal to that of public banks.

We argue that private banks were unable to surpass public banks in terms of credit share due to two key reasons: the selective credit allocation principles that favored their affiliated groups, and the fact that riskier and less profitable credit types, such as agricultural, tradesmen, or housing loans, were predominantly allocated by public banks. As a result, public banks were institutionally required to allocate a certain proportion of their credits to fulfill social and developmental objectives throughout the period. On the other hand, the share of foreign deposit banks in total credit remained consistently low and mostly under 10% throughout the period. In addition to the rise in private deposit banks, the fact that foreign banks were not granted broader access to the sector also signals an increase in the share of national capital within the banking system.

Behind this transformation in credit distribution lie several structural and institutional dynamics. First, private deposit banks had a higher growth potential than public banks established under special laws. In this process, facilitative regulations introduced by policymakers supported this growth (Öncü & Gökçe, 1991). However, private banks tended to allocate their loans primarily to their affiliated holding groups or outstanding businesses, which in any case constituted a significant portion of credit demand. Moreover, these banks could also direct other firms conducting business with their group companies to borrow from their banks (Öğrendil, 1981) also the banking legislation that encouraged affiliated lending (Değirmen, 2003, pp. 57–58), and the practice of carrying out financing or business insurance operations through intra-group companies (Gültekin-Karakaş, 2005), were also observed throughout the period and further reinforced the trend of structural change. Operating within this structure, a bank that provided credit also to a firm purchasing goods or services from its group minimized risk and gained control over promissory notes or checks, thereby channeling cash flows within the financial system in a way that favored itself. Within such an integrated and expansive ecosystem, this type of advantage constituted a “win-win” situation for the bank-owning groups (Gültekin-Karakaş & Ercan, 2008). Furthermore, as Marois (2012) has noted, industrial holding groups already operating with financial deficits could, through the funds provided by these banks, finance areas that, despite yielding relatively lower profits in banking, could produce higher surplus value overall, thereby maximizing group profits. This was particularly significant given that alternative sources of credit in the market were often more costly or available only in limited amounts. Banks were more willing to accept higher limits and risks when lending to group affiliates.

Although we have revealed the structural change in market dynamics through credit allocations, the main argument of this study is that the Bankers' Crisis was essentially synchronized with developments on the deposit collection side, and that financial deepening efforts were fundamentally aimed at increasing savings through deposits. We argue that competition among banks and between bankers and banks was fundamentally shaped around deposits. In this context, the liberalization of interest rates functioned as a catalyst that triggered such competition and exacerbated financial instability, acting almost like a match that ignited the fire. Supporting this claim, Figure 17 shows that although private deposit banks kept pace with public banks regarding credit allocation, they consistently maintained their leadership in deposit collection throughout the period. More specifically, the four major banks owned by the Sabancı, Doğuş, İş, and Çukurova groups alone controlled nearly one-third of total deposits (Çokgezen, 2000, p. 530). As we have frequently emphasized, the primary motivation behind this concentration was the ability of banks to access relatively low-cost liquidity sources and use them to finance intra-group companies.

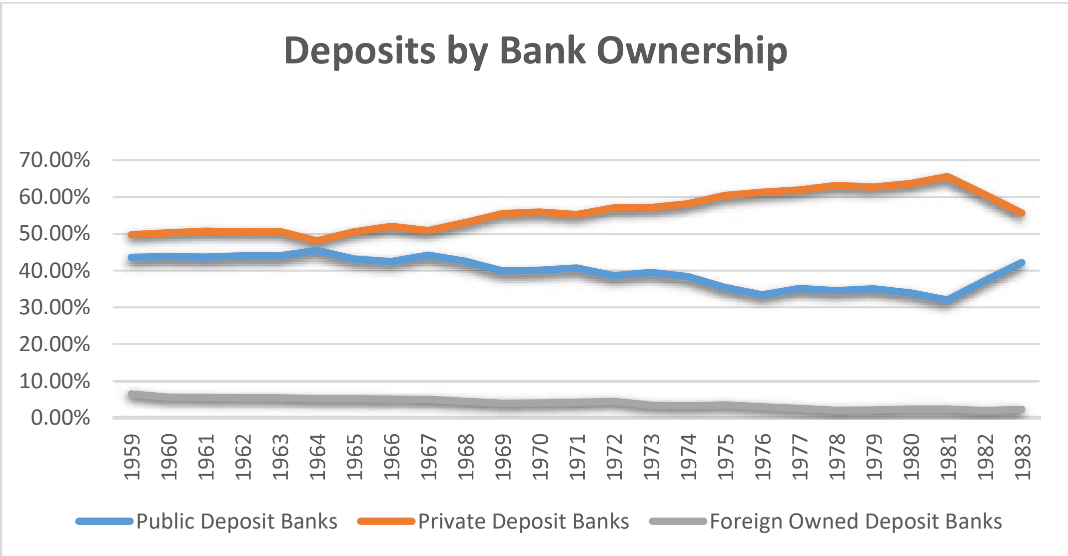

Figure 17: Deposits by Bank Ownership

Source: Banks Association of Turkey (2008), data compiled by E. Keskin et al. Visualization by the author.

This structure not only reinforced the intra-group circulation of capital but also made it more difficult for rival groups to access the collective savings of the broader public (Öncü & Gökçe, 1991). Therefore, the concentration of financial capital in such a tightly grouped structure became a factor that deepened both vertical and horizontal inequalities in the market. A critical turning point for private banks was the 1982 Bankers' Crisis. This crisis and the subsequent liquidation of several banks likely increased depositors' search for security, leading them to shift towards public banks, which were considered safer compared to their private counterparts. This shift caused a reorientation in deposit flows and temporarily undermined the leadership of private banks in the sector.

As previously noted, the trend of holding banking changed perceptions of banking both within the sector and among the public, with these types of banks primarily aiming to maximize the profitability of their groups. Turkey was encountering such an approach for the first time, marking a transformation within the financial system. The traces of this transformation were followed through the distribution of credit and deposits by bank ownership structure. As seen in Figures 16 and 17, private capital banks that led the deposit market adopted a more cautious approach in credit allocation. In contrast, public banks extended credits within their areas of responsibility, even at the expense of incurring duty losses, exposing themselves to problematic or non-performing loans due to adverse macroeconomic conditions (Marois, 2012, pp. 56–58). While private banks could afford to be more selective in credit allocation, public banks had to allocate public resources or continue their operations for political reasons (Özbek, 2002), thereby deepening the profitability gap between the two types of banks. The inability to exercise selective credit allocation stemmed from the fact that these public banks operated through a more extensive branch network and, by extension, served clients with generally lower-quality financial information. This naturally contributed to a higher incidence of non-performing loans and adversely affected their profitability (Uçarkaya, 2006, p. 84). Moreover, public banks continued to extend medium- and long-term loans as part of their mandates. In an inflationary environment, the fixed interest rates on these loans caused erosion in the real value of both principal and interest repayments.

Interestingly, the profitability of public banks was assessed independently of the sector's overall performance. They were blamed for inefficiency and became one of the main justifications for the period's banking reforms and all subsequent reform processes (Marois, 2012, pp. 56–58).

These structural differences were also reflected in banks' profitability indicators, as seen in Figure 18. Private banks recorded a consistent increase in profitability, particularly in the last decade of the period, and banking proved to be a profitable business for the private sector throughout. A divergence began to emerge between public and private banks in terms of profitability, with a noticeable widening of the gap, especially in the final year leading up to the Bankers' Crisis. This divergence can be attributed to the risk-taking policies resulting from the mandatory duties and selective credit allocation practices discussed earlier. The interest rate liberalization decisions known as July Banking may have especially contributed to increased profitability in public banks.

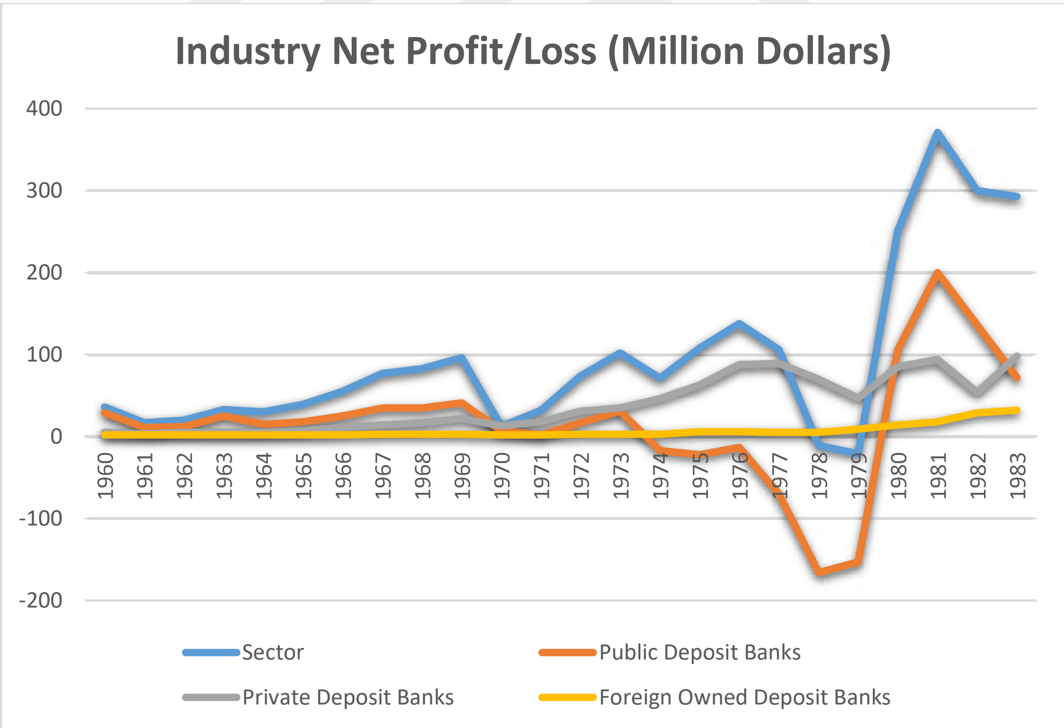

Figure 18: Industry Net Profit / Loss (Million Dollars)

Source: Banks Association of Turkey (2008), data compiled by E. Keskin et al. Visualization by the author.

While net profitability is important, return on equity (ROE) is also a critical performance indicator for banks. Marois (2012) has shown that public banks, despite all policy-induced losses, continued to maintain a sufficient level of ROE. However, when examining private banks, a more striking picture emerges. In 1980, the ROE of Turkish private commercial banks was 43.7%, while it stood at 6.8% in Japan, 16.02% in the United Kingdom, and approximately 14.6% in the United States (TÜSİAD, 1982, p. 13). A similar trend is observed in return on assets (ROA); while ROA in Turkey was 0.98%, it was 0.14% in Japan, 0.15% in the United Kingdom, and 0.57% in the United States (TÜSİAD, 1982, p. 13). In general, the Turkish commercial banking sector achieved levels of return on equity that exceeded inflation rates throughout the period. In summary, the Turkish banking sector effectively utilized its changing ownership structure to enhance both its own profitability and that of its affiliated group companies, improve access to liquidity and cash flow, and transform this ownership into a competitive advantage in the real sector.

We demonstrated the structural shift in favor of holding banking through certain metrics. Akgüç (1992) associates the development of holding banking with the financing needs of expanding real sector firms, highlighting the objective of controlling substantial financial resources with relatively little equity. This allowed holding groups to maintain control over financial flows and ensured access to funds in times of potential crisis. Ergüneş (2005) also characterizes this phenomenon as an effort to control monetary and financial capital. She argues that in a late-capitalizing country like Turkey, where capital structures were weak, the integration of industrial and financial capital may have served as a motivational factor for generating rapid growth. By reaffirming these claims using the main quantitative developments in the sector, we also suggested that the resulting asymmetric and incomplete credit creation could plausibly be linked to the Bankers' Crisis.

We addressed the structural changes in the sector, including ownership structure and integration with industrial capital. Overall, we noted that the changing ownership pattern introduced an asymmetry in favor of the holding groups in terms of access to liquidity and funding. This asymmetric structure naturally resulted in incomplete and inefficient credit creation. Such deficiencies, in turn, could drive the real sector to rely on unregulated money markets(composed mostly of bankers). Indeed, this is not merely a speculative inference; it is also referenced in TÜSİAD reports of the period:

> The unorganized money market was highly active in the mortgage market. Since lending at high interest rates was illegal, the parties involved could not declare these earnings as official income, and thus, unwillingly found themselves in the position of tax evaders… While interest rates in the free market circulated above 100%, the maximum interest rate banks could offer for deposits was 24%. Banks were unable to meet credit demand and were raising rates through various means to 45–50%. With the influence of the bankers, the public's deposits in banks began to decline starting in 1979, revealing that the banking system could not function with real negative interest rates. Seeing that bank interest rates were insufficient, the public began to entrust their money to bankers who provided payment guarantees in exchange for private sector bonds. (TUSIAD, 1980, as cited in Ergüneş, 2009)

Therefore, in the final stage, by examining the historical development of funds provided by banks to the private sector and comparing this trajectory with examples from similar countries, we will assess whether there was a financing shortage significant enough to trigger credit demand in the unorganized credit markets during the lead-up to the Banker Crisis[17]. Naturally, the absence of direct data measuring the unorganized money market for the period compels us to rely on proxy data; however, this data will at least help us determine whether there was a financing gap in the private sector. While we have already analyzed the sectoral distribution of this funding, we will now examine its allocation based on the ownership structure of the recipients.

In Figure 19, as we move towards the end of the period and the years when private sector banks gained dominance, a decline in private sector funding is observed.

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[17] This section presents an analysis focused solely on the credits provided by banks. However, as noted at the outset of the study, one of the methods the real sector employed to overcome financing shortages was the issuance of bonds and promissory notes, which were predominantly marketed by bankers. The trajectory of these instruments, as well as their relationship to financial asymmetries and the bankers' crisis, will be examined in detail in Chapter 5.

Although the private sector remains the primary beneficiary of funds despite losing momentum, this alone is insufficient to understand the whole picture. It is necessary to consider not only the supply of funds but also how the demand for funds is shaped by the components of the economy. Additionally, towards the end of the period, as previously mentioned, funding state-owned enterprises (SOEs) at the expense of operational losses may have contributed to this situation.

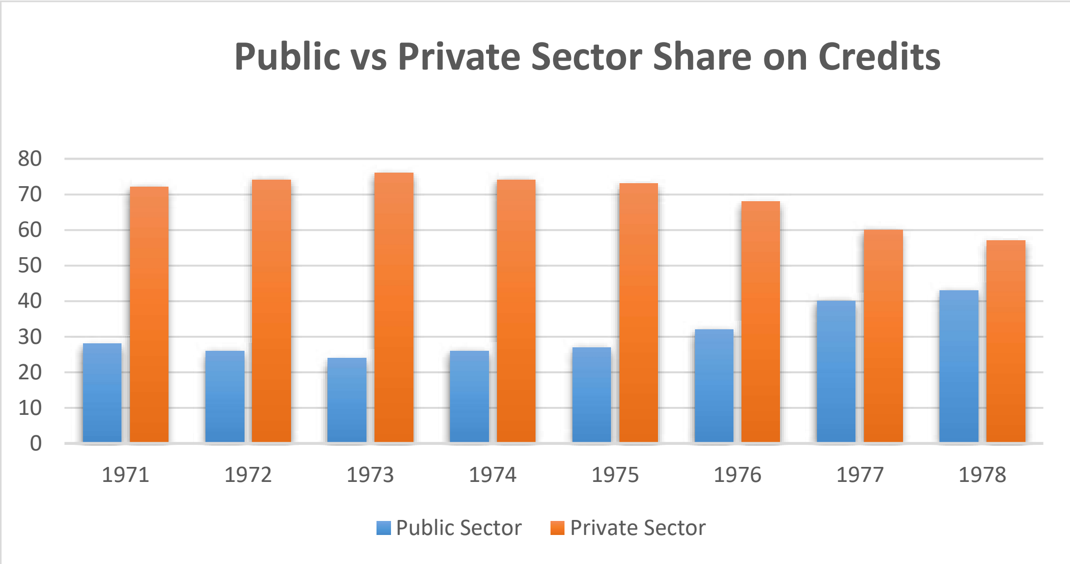

Figure 19: Public vs Private Sector Share on Credits

Source: TÜSİAD. (1979b). *1979 Yılına Girerken Türkiye Ekonomisi*. Türk Sanayicileri ve İş Adamları Derneği.

Therefore, in Figure 20, we compare Turkey with countries and country groups at similar levels using the indicator "domestic credit to private sector by banks over GDP." This comparison reveals that Turkey experienced a significant decline in financing provided to the private sector during the years leading up to the Bankers' Crisis. Notably, in 1980 and 1981, it is evident that Turkey ranked at the bottom among its peer countries in this regard. When these two datasets are evaluated together, it can be clearly stated that an asymmetric and incomplete structure existed in fund access in Turkey during those years. Of course, this fund access problem should not be reduced solely to the banking structure. Macro-financial developments, such as high inflation and balance of payments crises experienced between 1977 and

1980, directly affected the country's credit creation constraints. However, since our study has already emphasized the need to consider this issue in the introductory and subsequent sections, we will not revisit macro-financial developments.

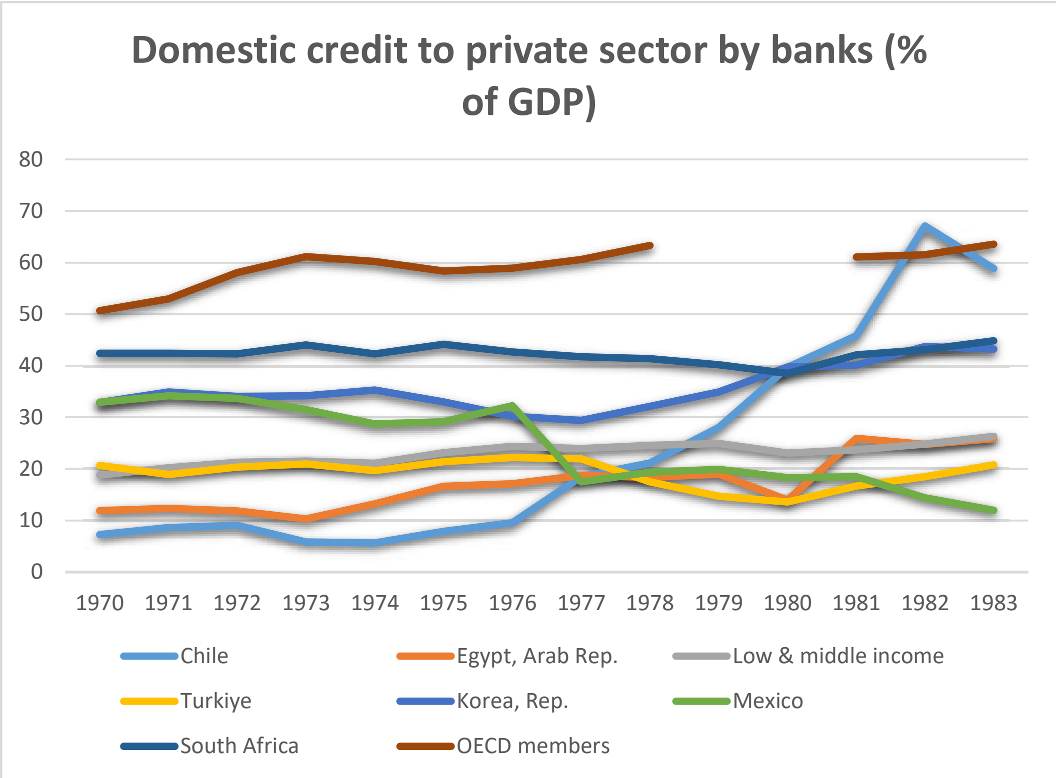

Figure 20: Domestic credit to private sector by banks (% of GDP)

Source: World Development Indicators

This type of asymmetry was naturally bound to create conflict between different capital groups. Indeed, according to Özcan and Çokgezen (2003), conflicts of interest among capital groups became pronounced during this time; significant divisions arose between Istanbul-based capital centered around TÜSİAD, which included large banking groups, and Anatolian capital, which had a more dispersed structure but was organized under TOBB. Moreover, some large capital groups without political influence or owned banks faced severe financial difficulties. Ergüneş (2005) highlights that capital segments without bank ownership had to turn to informal financial actors operating in Tahtakale at much higher interest rates to meet their credit needs during this period. In short, holding companies with bank ownership showed no tendency to transfer the liquidity they held or the credit they could generate to capital groups not under their control, regardless of risk or conditions.

The phenomenon of holding banking and its effects, which we have also identified and tested, began to be debated within the political arena. In addition to the other aspects of financial deepening we mentioned, this phenomenon also had a political dimension related to rent creation. As bank ownership created rent for large groups, the state's production and permission to use this rent were inherently political.

For example, during the 1972 Budget Discussions, CHP Deputy Eşref Derinçay said that:

> The capital market movement that will represent a new stage in the economy is a nightmare for banks. They collect money from the public with low interest rates and give it to the consumer class, who sell goods to the public with high interest rates, and they extract this interest from the low-income public. The competition between private banks and capitalist industrialists for the savings of low-income citizens continues. They want even bank interest rates to be converted into industrial establishments in return for bonds with high amounts of public savings. This historical tension between large industrial establishments and private banks on one side, and small capital and public savings on the other, represents one of Turkey's fundamental crises, Mr. Minister. (TGNA, 1972b)

During the 1976 budget discussions, Democratic Party Deputy Ekrem Dikmen said that:

> The number of banks and especially bank branches in Turkey is increasing day by day. "We would like to state with regret that some banks do not operate with normal legal interest rates. It is a known fact that various corruptions take place in banks. Banks in Turkey are in the hands of certain well-known circles and individuals. Deposit accounts collected from the public with various promises are used by certain circles and individuals who have established monopolies in the Turkish economy. The owners of economic power who control the banks have also taken political power into their hands. These are the extra-parliamentary supports of the Front Government. (TGNA, 1976b)

Although there has been criticism from parliamentarians in this direction, the first official criticism and identification of the situation from official economic mouthpieces was in the 4th Development Plan (SPO, 1979, p. 114). In fact, in this hastily prepared plan, the severing of the link between banks and the central bank—

due to the control of banking and foreign exchange resources shaping deposit management—was addressed. This situation naturally contributed to the broader political crisis in the country and culminated in what Yalman (2018) referred to as a "hegemony crisis." The hegemony crisis we mentioned emerged when the economic crisis was accompanied by a social and communal crisis. In particular, the foreign exchange shortage severely disrupted the production activities of holdings that relied heavily on imported intermediate goods. Facing both a contraction in industrial output and perceived attempts to suppress their financial capital, these holdings responded—most notably through TÜSİAD. Despite opposition from holding circles, the coalition government of the time proceeded with amending Decree Law No. 28, dated July 23, 1979, introducing a new regulatory framework for the Turkish banking system. The decree aimed to broaden capital participation in banks by mandating a minimum of 100 shareholders. Additionally, it imposed ownership limits, capping the maximum stake in a bank's capital at 40% for legal entities such as foundations, associations, funds, and unions, while restricting other individuals and legal entities to a 30% ownership limit. Furthermore, shares held by immediate family members (parents, siblings, spouses, and children) or partnerships in which they held a majority stake were considered as belonging to a single entity. The decree, controversial[18] from its inception to its implementation, sparked significant debate in Parliament.

During the discussion of the plan, a group of Justice Party deputies submitted a parliamentary question:

> This Plan includes policies and principles that envisage bringing the monetary, credit and banking system under full State control. In this respect, the Plan proposes to bring foreign trade and the banking system under control

[18] The steps implemented to stop certain capital groups from taking over banks did not achieve their intended goal very effectively. For instance, prior to the enactment of Decree Law No. 28, which brought in the related changes, the shares owned by capital groups, families, or holdings were often transferred to individuals and entities controlled by these same groups(Artun, 1979). In addition, the coalition government that introduced these provisions was also defeated by the government crisis of hegemony and fell from power in a short period of time. Especially after the coalition fell from power, the new government started to ignore the plan and bypassed the SPO in decision-making processes.

> together. Undoubtedly, as in every field, foreign trade should be under the control of the State. However, the control envisaged in this Plan is not the usual control. This control aims to put private resources directly at the disposal of the public sector. In the words of the Plan, supervision is also necessary 'to transform the high profits obtained in the foreign trade and banking sectors into the economy for the benefit of society.' Thus, the funds of the banks will be confiscated by the State, and the private sector will either not be given any credit or will be given limited and guided credit. Such an act is to cut the lifeblood of the private sector. If this principle is realized, 'free enterprise' will be replaced by 'servant enterprise'. (TGNA, 1978)

The dismantling of protectionist development regimes on a global scale forced Turkey to reposition itself within the international economy. We refer to this as a "forcing" because, as mentioned earlier, there are insurmountable foreign exchange shortages and the consequent necessity of transforming the mode of production. Large capital groups, recognizing the unsustainability of rents derived from import-dependent production structures, turned toward exports and faced the imperative of expanding into foreign markets (Öncü & Gökçe, 1991; Gültekin-Karakaş, 2005). In this context, the liberalization of commercial transactions and interest rates cannot be explained solely by the internal dynamics of the banking and financial sectors; it must also be understood as part of Turkey's efforts to integrate into the evolving global economic order (Boratav, 2005). Capital organizations like TÜSİAD supported this transformation to preserve existing rent opportunities and exploit newly emerging ones.

In 1979, TÜSİAD declared in newspaper announcements that:

> The solution lies in opening the Turkish economy to the outside world and in making decisions that will accelerate its integration into the Western economy, based on free competition. (TÜSİAD, 1979a)
>
> The solution is to abandon the excessively interventionist and trust-shattering mentality that drowns our economy in a network of prohibitive legislation, breaks the entrepreneurial spirit of the person, and leads the person in the wrong direction. (TÜSİAD, 1979a)

The reflection of this crisis and the accompanying paradigm shift in the financial sector became evident following the January 24, 1980 Economic Decisions, with the implementation of specific measures on July 1, 1980—a phenomenon commonly referred to in the literature as "July Banking." Among the most notable aspects of these measures was the removal of restrictions on both credit and deposit interest rates, allowing them to be freely determined between banks and depositors. Thus, the long-standing policy of negative real interest rates was abandoned. Eliminating negative interest rates had a liquidity-constricting effect, reducing credit volume. The primary objective of this policy was to boost savings, curb consumption, stimulate investment, and combat inflation—a point so obvious it hardly needs reiteration. Additionally, these measures introduced " mobilization of state money," allowing public savings to be held in private banks, and implemented deposit certificates, which would later directly influence the Bankers' Crisis. At this stage, we observe a rapid liberalization step, one so drastic that it surpassed even countries with more mature financial systems, akin to lighting a match in a room doused with gasoline. In addition to the flawed expansion and the risks it created, as discussed in Chapter 3, the liberalization measures acted as a catalyst for the structurally flawed financial sector we demonstrated in Chapter 4.

One of the key factors shaping the liberalization process's feasibility was the period's political developments. To briefly outline the political framework, Turgut Özal, who had pioneered a significant conceptual shift in the objectives, targets, and implementation methods of development plans, particularly during the Second Five-Year Development Plan, served as Undersecretary to the Prime Minister when the January 24 Decisions were enacted. Drafted under Özal's leadership, a figure with World Bank experience, these decisions included constraints on public spending, suppression of real wages, increased openness to foreign trade, and the initiation of a comprehensive deregulation process. Thus, the structural axis of Turkey's neoliberal transformation was established. However, the social legitimacy of these decisions was not based on a unified public consensus. This situation gains meaning within Yalman's framework of a "crisis of hegemony".

These disagreements stemmed not only from labor-capital conflicts but also from intra-capital group rivalries. Amid heightened criticism, the decisions were implemented within a limited timeframe, and specific public objections were observed. However, following the September 12, 1980, military coup, the program found greater implementation speed and scope, thanks to both the suppression of societal opposition and the authoritarian regime's political framework. In this sense, the coup both suppressed the economic program's legitimacy crisis and enhanced its execution capacity.

Among the few pre-coup criticisms was one from the prominent opposition leader, Bülent Ecevit:

> A decree issued during the Republican People's Party era required state institutions to deposit their money only in state banks. There was nothing more natural than the state depositing its own money in its bank. But now the government has abolished this decree, and the money of the state institutions in the banks has started to change banks immediately, in a moment, in a day; it has started to be taken from the state banks and transferred to private banks, to big family banks. This is a new support from the state and the people for family banking, which is unprecedented in any serious capitalist system in our country; it is the strengthening of monopoly capital in this way. I wonder what the complaints of the state institutions, which started to take their money out of state banks and deposit it in private family banks as soon as this decision was taken, were about state banks? Were state banks giving lower interest rates than private sector banks? Now I would like to make a warning - the officials of the institutions that withdraw their money from state banks and deposit it in other banks should know that they will be looked at with suspicion. Therefore, I recommend from the rostrum of the Parliament: They should not withdraw their money from the state bank and deposit it in private banks without written instructions from the relevant minister. (TGNA, 1980a)

Also CHP deputy Coşkun Karagözoğlu said:

> Following the deregulation of prices within the rules of a free market economy, interest rates have also been deregulated. An interest anarchy will be created with these decisions, and the economy will suffer irreparable wounds. The money saved by the people, penny by penny, will be distributed through private banks to family companies and through state banks to the relatives of those in power. Instead of fixing the banking system and bringing bankers under control, banks will be bankerized. Interest rates will be raised through negotiations, and this will increase costs and contribute negatively to the cost of living. Savings and investment patterns will be upset. Public banks will become non-viable. (Voices of 'Accountability' from AP ranks). This minority government has introduced adventurism into the banking system. Turkish banking will be in the hands of 3-5 family banks and holdings. Bank loans will shift to speculative areas. Peasants, farmers, small and medium-sized enterprises, small industrialists, medium industrialists, and people's entrepreneurs will be deprived of credit opportunities. Monopoly capital will dominate. What will happen to the loan interest rates of peasants, small tradesmen and artisans, and medium-sized industrialists?

> Is this minority government thinking about this? What is the security of billions of liras of hundreds of thousands of citizens? No one thinks about this. (TGNA, 1980b)

Before the coup, public criticisms warned that sudden liberalization within a financial system lacking adequate institutional infrastructure, weak oversight mechanisms, and asymmetrical functioning could lead to unequal distribution of resources and create a chaotic environment in the financial sector. Critics emphasized that rents would concentrate among certain groups, exacerbating income and wealth inequality while increasing systemic fragility. However, with the September 12, 1980, military coup, democratic critique and oversight mechanisms were largely dismantled. As a result, Turkey began to assume its assigned role in the financial sphere more seamlessly within the new economic order, open to international capital flows and grounded in neoliberal principles[19].

An additional dimension of the financial liberalization and innovations introduced by the July Banking took root in the post-coup environment. As noted, banks were legally allowed to compete through interest rates under this new liberalization. However, translating this into practice would naturally impose cost pressures on banks. It was precisely at this juncture that the September 12 Coup's restrictive measures on wages and labor rights further strengthened the hand of banks.

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[19] One of the key developments triggered by the coup ,an issue that would later contribute to rising interest rate, was the deliberate decline in the real wages of workers in both private and public sector banks during this period. This was primarily due to the prohibition of collective bargaining agreements (CBAs) and strikes, which significantly curtailed labor rights and bargaining power. As a result, banks gained a significant advantage in terms of cost competitiveness. According to TUSIAD (1982b, p. 12), personnel expenses across all banks dropped by approximately 50 percent, with the most substantial reduction occurring among commercial banks, where the ratio fell from 40 percent to 23 percent. These lower labor costs enabled banks to more effectively compete through interest rate offerings. In parallel, the share of interest income in total revenues of commercial banks increased from 40 percent to 63 percent following the coup, further underscoring the structural shift in their income composition.

CHAPTER 5

THE BANKERS' CRISIS

In the previous sections of this study, we examined the efforts toward financial deepening in Turkey leading up to the Bankers' Crisis, along with the objectives of these efforts and the structural developments within the banking sector. The economic and institutional impacts of these developments were also analyzed in detail. The following sections of the study aim to explore how the institution of bankership emerged and evolved in Turkey. In this context, the previously discussed preliminary developments will be shown to have played a decisive role both in the emergence of the banker institution and in the process that ultimately led to the crisis. Additionally, the study seeks to critically re-examine the operational structure of bankers, their profitability models, and their functional categorizations, with the aim of testing the widely accepted perception in the literature that bankers operated as pyramid-like schemes. It also aims to analyze the type of crisis that bankers created on the road to the broader financial collapse, as well as how policymakers and market actors perceived these risks and what was lacking in their responses.

This section will offer a more isolated analysis specific to the bankers' market, without reiterating the facts and findings discussed in earlier chapters. This approach is intended to provide a clearer understanding of the place of the banker phenomenon within the financial system and to offer a new contribution to the existing literature.

5.1 Bankership Institutions and How Bankers Work

Bankers are commercial/personal enterprises legally defined for the first time (25 July 1939) in the General Communiqué on Transaction Tax No. 78 as "individuals engaged in banking transactions". However, in practice, most money lending and borrowing transactions, such as usury, riba, brokerage, etc., could also be carried out by these institutions/persons like banks. In fact, in the late Ottoman period and in the early years of the Republic, bankerism and usury were seen relatively in the same pot (Çelik & Kantarcıoğlu, 2023). However, usury was a tool used to further increase the exploitative power of money-capital in the hands of the "notables", who were landlords or merchants in rural areas, especially until urbanization and the increasing influence of the industrial sector in production (Keyder, 1978; Önal, 2012). Not only this, but also the Galata Bankers, who were involved in the domestic borrowing activities of the Ottoman Empire, are subjected to a similar classification. Moreover, the involvement of the Galata Bankers in the Ottoman Empire's domestic borrowing activities might suggest a similar function due to the shared nomenclature. However, this study focuses on what may be termed "modern bankers," who emerged particularly after the 1960s and whose primary function centered on the intermediation of financial securities. Unlike Galata Bankers or usurers, the modern bankers had limited engagement in credit allocation and interest income generation, for which there is only scant empirical evidence.

There were two specific points in the spread of this type of early bankership in Turkey. First, bankers engaged in asset-based marketing instead of borrowing money by participating in trade with a profit share (Çölaşan, 1982, p. 82). Especially in Anatolian settlements that could be characterized as relatively pious, the idea that this type of financing had nothing to do with interest was dominant (Atar, 2020). The second is the asymmetries in Turkey's access to finance capital, which we addressed in previous chapters. However, when we look at bankers with an instrumental approach as Akyüz (2023) does, the initial institutionalization of the *banker* practice in Turkey did not emerge in the area of credit allocation, but rather through the collection of borrowed funds via Savings Bonds—an arrangement resembling deposit-taking. As can be observed in newspapers of the period, the first individuals and firms engaged in these bond trades were associated more with the field of "commerce" than with banking or capital markets. Indeed, these individuals or firms often promoted their activities in sectors such as construction and contracting in the same advertisements where they offered to buy and sell savings bonds and shares[20]. Despite the banking reforms of the early 1920s, the Banks generally provided loans only to successful businesses or new ventures with good political connections (Özcan & Çokgezen, 2003). Close relationships between big business groups, industrialists, and politicians shaped this bank-centered corporate governance model. This further deepened the gap between capital-poor small and medium-sized enterprises (SMEs) and large family conglomerates. Many SMEs have had to raise equity from fragmented and informal capital markets based on local and family networks. For relatively large enterprises, instead of obtaining loans, offering stocks and bonds on the market became an alternative method of financing (Özcan, 1995).

With the introduction of such bonds and securities into the Turkish financial system, the structural vulnerabilities of the system in this area also came to light. Most importantly, Turkey lacked an established capital market until the crisis, and there was no adequate legal framework governing this field (Coşkun, 2012). As a result, although bonds and shares were being issued, the secondary markets for these instruments were underdeveloped, unregulated, and far from trustworthy. Despite this, interest in these financial instruments among specific segments of the public grew, while banks and issuers lacked the capacity and initiative to market them effectively. At the same time, a top-down imposition of bond subscription requirements as part of public savings policies made a functioning secondary market increasingly necessary. The bankers initially filled this market gap.

In the previous chapters, a conceptual analysis of savings bonds as one type of financial instrument was provided, including the socio-political context in which they were introduced, their effects, and the dynamics underlying their eventual dissolution. In this section, the analysis will be further elaborated by clarifying the relationship between savings bonds and the bankers, aiming to examine the

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[20] This statement is based on the author's personal archival research on the "Küçük İlanlar" page of *Milliyet* newspaper published between 1965 and 1975. See : https://gazetearsivi.milliyet.com.tr

functionality of this connection and its role within the broader financial system. The main clients of bankers in the savings bond market represented two extremes. Wage earners with low incomes and income taxpayers subject to annual declaration, whose financing needs were relatively higher (Akyüz, 2023). Bankers traded these bonds, basically buying unmatured bonds at a discount, collecting the price of the bonds themselves after earning interest returns, or trading them for sale if the bonds had a longer time to maturity. The misuse of Savings Bonds had created a secondary market that was precarious and lacked a legal framework. To address this issue, steps were taken to establish a legal framework. The Savings Bonds Issuance Law No. 930, enacted on July 27, 1967, exempted low-income individuals from being classified as Savings Bond taxpayers. This decision was based on the observation that a significant portion of those selling Savings Bonds in the informal market were low-income earners. The law aimed to curb the flow of bonds into the informal market by introducing regulations that restricted their tradability. The emergence of this informal market was primarily due to Article 15 of Law No. 223, which stipulated that registered bonds would automatically convert to bearer bonds five years after issuance, with their interest coupons treated as bearer bond coupons. This provision led to the buying and selling of bonds before their maturity dates, ultimately creating an informal market. Law No. 930 effectively limited these transferability features of bonds (Akyüz, 2023). The restrictions imposed on Savings Bonds forced the *bankers* to operate with alternative capital instruments. The first of these were the corporate bonds and stocks issued by companies. However, this shift was not merely a search for new financial instruments; it was also driven by broader macroeconomic conditions that necessitated the development of such tools. As Akyüz (2023) notes, these types of corporate bonds served a dual purpose: they were functional in terms of resource management practices within the real sector, and they also encouraged forms of saving outside the traditional banking system. While we agree with Akyüz's observation regarding access to this alternative form of financing/resource management, we argue that it was less a matter of preference and more a structural necessity. As previously noted, holding groups without affiliated banks faced limited, expensive, and often inaccessible financing options. Under such circumstances, firms turned to issuing bonds and notes as a means of securing funding. As shown in the graph taken from Akyüz (2023), there is a marked increase in the number of firms issuing bonds and notes, particularly during the period between the implementation of Savings Bonds and Certificates of Deposit. Notably, what makes this development particularly striking is that all parties involved in such transactions appeared to benefit, creating a seemingly mutually advantageous financial arrangement.

Table 6: Number of Firms Issuing Equity and Bonds

Years	Number of Firms Issuing Bonds	Number of Equity Issuing Firms
1968	12	-
1969	15	-
1970	33	16
1971	21	14
1972	21	22
1973	42	44
1974	40	38
1975	56	-

Source: Adapted from Akyüz (2023, p. 37).

At this point, as will later be discussed in the context of Certificates of Deposit, it is a well-documented fact that bankers frequently acquired financial instruments such as bonds at a discount (Çölaşan, 1982). Kafaoğlu (1982) provides a particularly illustrative example that demonstrates how these transactions could yield simultaneous gains for all participants: the issuing firm, the banker, and the depositor. In the scenario he presents, a firm issues a bond with a nominal value of 1 billion TL and sells it to a banker for 780 million TL. This transaction reflects not only the close, and at times symbiotic, relationship between firms and bankers, but also the small-scale financial maneuvers employed to circumvent the official interest rate ceiling, which at the time was set at 15%. To attract clients, the banker offers an effective return of 22.5% to potential investors.

Having purchased the bond below par, the banker proceeds to resell it to clients at its full nominal value, thereby generating a significant margin. If we assume that the banker completes the resale over a five-month period, distributing 200 million TL worth of bonds each month, and settles the payment obligation within six months, the financial arithmetic becomes particularly revealing. The banker collects the full 1 billion TL from investors, gains interest income throughout the repayment period estimated at approximately 112,750 TL annually, and secures an additional month's worth of interest income (around 11,275 TL) by completing the bond sale ahead of the repayment schedule. Against these inflows, the banker pays 780 million TL to the issuing firm and a total of 225,000 TL in interest to investors. The result is a net gain achieved entirely through arbitrage and timing, without engaging in conventional credit intermediation.

At the same time, the firm benefits by accessing a substantial amount of liquidity, 780 million TL, at a relatively low cost. Given the broader macro-financial environment of the period, marked by credit rationing, asymmetric access to finance, and persistently negative real interest rates, the existence of credit was often more valuable than its cost. This was especially true for firms lacking direct ties to commercial banks. Following the liberalization of interest rates, the implicit cost of this type of borrowing became even more tolerable, especially when compared to alternatives in the formal banking sector. Lastly, the depositor also benefits by receiving a return that exceeds the legal interest rate and what could be offered by traditional banks, thus making participation in these transactions financially attractive.

As Kafaoğlu's example demonstrates, this mechanism functioned as an informal but efficient financial architecture in the absence of a fully developed capital market. It substituted for formal channels by offering flexible, mutually beneficial arrangements that allowed firms to raise funds, bankers to generate profits through financial intermediation outside conventional frameworks, and savers to access higher yields in an otherwise repressed financial environment. To be examined later from a broader time-series perspective, the use of bonds will be returned to in more detail; for now, let us continue by exploring how the institution of bankership utilized other financial instruments and how it began to take root and expand.

In addition to corporate bonds and notes, a new highly liquid financial instrument was introduced to the capital and money markets following the decree issued alongside the July Banking regulations. This decree included the provision that "banks can issue bearer certificates of deposit with maturities ranging from six months to two years." This financial instrument, which had a hybrid structure combining features of both deposits and bonds, contributed to the convertibility of financial assets into money within the financial system through its transferable, endorsable, discountable, and tradable characteristics. Furthermore, its status as a bearer instrument—indicating that ownership was determined solely by physical possession, without formal registration—made it an effective tool for integrating untaxed or informal income (such as undeclared or illegal earnings) into the financial sector. The most attractive feature of the deposit certificates offered by the *bankers* was the provision of monthly interest payments (Kafaoğlu, 1982). For instance, while interest on a one-year deposit made directly at a bank would be received at the end of the term, deposit certificates with coupons allowed investors to collect monthly interest payments as a new tool during that period.
The interest rate on a deposit certificate was the same regardless of whether it was obtained from a *banker* or directly from the bank. The shortening of maturity periods made *bankers* more appealing, which accelerated liquidity cycles. However, this also made the system increasingly dependent on a constant influx of new funds.

Table 7: Certificates of Deposit Balance

Date	Amount (Billion TL)	Date	Amount (Billion TL)
25.07.1980	1,8	27.03.1981	42,8
1.08.1980	3,3	24.04.1981	49,7
8.08.1980	3,7	27.05.1981	57,8
15.08.1980	4	26.06.1981	66

22.08.1980	4,6	17.07.1981	150,6
29.08.1980	4,9	10.07.1982	233,9
26.09.1980	6,8	1.12.1982	257,6
31.10.1980	10,2	1.07.1983	113,8
28.11.1980	13,1	1.08.1983	118,1
31.12.1980	17,9	1.12.1983	206,1
30.01.1981	24,8	1.08.1984	306,7
27.02.1981	34,8	1.12.1984	273,8

Source: Adapted from Akyüz (2023, p. 44)

As shown in the table, from the inception of the certified deposit practice to its peak period, the volume of funds collected through this instrument increased at an exceptionally rapid pace compared to traditional deposits, reaching approximately 257.6 billion TL. The share of these funds within total deposits hovered around 10% during the first two years and stabilized at around 5% in subsequent years (SPO, 1985, p. 113). This sharp increase can be attributed to several factors: the liquidity and balance sheet advantages that these certificates offered to banks, their marketing not only by banks but also by *bankers*, often with promises of higher interest rates and shorter maturities, and the appeal of the instrument's negotiability and lack of scrutiny regarding the source of funds. These features made the certificates particularly attractive to depositors and contributed, albeit to a limited extent, to the channeling of informal or idle savings into the formal financial system. In fact, as Akyüz defines, the Bankers developed instrumentally through these 3 main tools.

We now turn to a closer examination of how bankers—empowered by these practices and operating within either legal definitions or regulatory ambiguities—utilized these instruments to generate profit. Bankership institutions were generally associated with the people who owned them, and this led to associating these institutions with a person and seeing them as a personal loan shark/fraudster rather than a financial intermediary. We showed at the beginning how the crisis was covered in magazines and how Kastelli became an anti-hero pop figure of the period.

However, this view is not entirely accurate. Because even large conglomerates such as Eczacıbaşı, Sabancı, Transtürk, etc., who saw that secondary capital market activities would flourish, established institutions similar to banking institutions in order to trade their corporate bonds and stocks as well as other securities (Artun, 1987, p.55). Moreover, especially the big bankers themselves were not as amateur or huckster-level actors as was thought. Moreover, Such labeling risks diverting attention away from a critical analysis of the structural origins of the problem by placing blame on specific instruments (e.g., certificates of deposit) or institutions (e.g., bankers).

This tendency not only oversimplifies complex financial dynamics but also scapegoats mechanisms that, if properly designed and regulated, could serve legitimate and constructive purposes, ultimately obstructing a deeper engagement with the fundamental issues at stake. Relatively large bankers like Kastelli, etc. had even created many functions in their companies, such as research, treasury, and internal audit. In fact, for a long time, such bankers' firms generally used bank and corporate securities with low risk premiums (especially before 1980 when liquidity was abundant) in their certificates of deposit and bonds (Kafaoğlu, 1982). Therefore, it would not be correct to uniformly label all banker organizations as incompetent or fraudulent. For this reason, we consider bankers in two main categories:

1. **Stock Bankers** (e.g., Kastelli): Larger, semi-institutionalized actors marketing bank certificates, corporate bonds, and equities.
2. **Market Bankers**: Smaller entities issuing personal checks/promissory notes under Law No. 2279 (Ödünç Para Verme Kanunu), which permitted unlicensed lending.

It is believed that this type of categorization was shaped by public discourse over time, rather than being formally established in legal or regulatory texts. Indeed, no explicit classification of this kind appears in the laws or decrees issued concerning bankers. However, journalists of the period, most notably Çölaşan, proposed such a classification, dividing bankers into two main groups. Although the crisis has generally been associated with the larger stock-exchange bankers due to their greater scale and public visibility, it is equally important to closely examine the operations and roles of other types of bankers active in the market, particularly market bankers.

These types of bankers were typically established by individuals operating from a single branch or office, often with very little—sometimes no—initial capital. They relied heavily on personal networks within a limited hinterland, such as a neighborhood or city, and usually had backgrounds in small-scale trades such as real estate, brokerage, or contracting. This type of banker activity was mostly clustered in Ankara (Çölaşan, 1984). One of the biggest reasons for this was the desire of people who were usually civil servants, retired civil servants or retired workers, who did not want to engage in trade or who were not very successful in this field, but who had some savings, to utilize these savings and not to miss the train in a rising interest rate environment. In this type of bankers, on the other hand, due to the small size of the business and the lack of legislation, business was, to put it mildly, more "amateurish". Their market share was low. They were lagging behind both in finding depositors and in buying securities. Naturally, no firm wanted to market its bonds through market bankers. The only place they could feed was the secondary markets. In order to buy as many securities as possible, they were buying products at lower discounts. At some point, market bankers decided to solve this product crisis in a different way. This was to offer their own checks and promissory notes as collateral/guarantee against the amounts deposited by depositors (Doğan & Çölaşan, 1985). At this point, the banker ceased to be an intermediary and became a direct borrower/lender. Regardless of whether these checks or promissory notes were honored or not, some checks were outright invalid/counterfeit. This was the main difference between the market and other types of bankers. In a way, this influenced the distinction between two institutions engaged in similar activities regarding their collateral structures, thereby naturally impacting their respective risk levels. Market Banker structure, which could only operate with the permission of the Governorate without any regulatory and supervisory framework, was able to ignite panic in the market in a short time. In fact, under an "ideal world" scenario, even relatively small-scale bankers operating within this framework would not inherently pose a high risk to the system, provided they were simply marketing discounted corporate bonds and promissory notes in the secondary market and earning commissions in return. In such a case, the banker merely acted as an intermediary or broker, while the full risk remained with the original issuer of the security. However, in practice, the absence of an effective regulatory and supervisory framework, the lack of minimum capital adequacy among these institutions, and the resulting vulnerability of the system to abuse meant that reality diverged significantly from this ideal. The core issue here was not the nature of the activity itself, but that it left the door wide open for abuse. As will be further demonstrated in the following section, under increasingly constrained bond and equity market conditions, market bankers largely lost the ability to generate profit without engaging in some form of misconduct. Even the largest bankers began to struggle to find marketable securities through which to conduct intermediary (Çölaşan, 1984, p. 262). Soon enough, the problem of the small market bankers would spread to the big stock bankers. Now, let us turn our attention to another key component of the market: the stock-exchange bankers.

As previously mentioned, stock-exchange bankers initially operated by marketing the bonds of companies that were unable to secure financing and later transitioned to dealing in the bonds of nationally recognized firms and the deposit certificates of banks. Organizationally, they were based on more robust structures. Internally, these institutions often had their own treasury, audit, and research departments (Kafaoğlu, 1982). Their use of well-known public figures in advertisements also positively contributed to their corporate image and credibility in the eyes of the public. These *bankers* competed directly with both market bankers and national banks, often enjoying several competitive advantages. Among the most significant were exemptions from taxes and required reserves, granted to promote capital markets (Kafaoğlu, 1982), since the deposit certificates they sold were technically considered capital market instruments. Moreover, due to their exemption from reserve requirements on their controversial credit distribution activities, their cost of funding was substantially lower. This gave them a notable cost advantage in their financial operations. Stock-exchange bankers obtained bonds and deposit certificates directly from issuers, allowing them access to higher transaction volumes and more readily available capital market instruments compared to market bankers. Operating with fewer branches, they also incurred lower personnel costs, contributing to operational efficiency. Their collateral structures were generally more reliable than those of *market bankers*, as they engaged in activities based on securities backed by real-sector instruments rather than unbacked checks, promissory notes, or fictitious guarantees.

Nevertheless, despite these advantages, various risks and structural vulnerabilities persisted in their operations. One example of this is the separate buying and selling of coupons attached to coupon-bearing securities. Although this practice was mostly exploited by market bankers, stock-exchange bankers also developed certain practices to gain interest rate advantages (Çelebican, 1979). One such practice involved bankers selling a deposit certificate with detached interest coupons to the client, while providing the client with a principal guarantee and creating cash flow for themselves by selling the remaining coupons separately. In this process, bankers verbally assured the payment of the coupon interest, and the records regarding the client's entitled coupon payments were maintained in the bankers' own records, based on mutual trust (Çelebican, 1979). Thus, bankers not only circumvented the scarcity of securities in the market but also sometimes attracted clients by making lump-sum coupon payments upfront, effectively shortening the maturity. This practice served as evidence that bankers could pay higher interest rates by offering additional incentives. We previously explained the reasons why bankers could offer higher interest rates than banks, but it should be noted that some bankers made such offers by promising high returns through investments and trading based on the interest rate margin between themselves and banks (Kafaoğlu, 1982). For example, if a certificate had a monthly coupon interest rate of 2.2%, and the banker offered the client 3%, the banker's risk was the difference of 0.8%. The banker had to cover this risk by paying the deposit certificates to the bank at a discount and by using the interest income earned from lending the remaining funds. However, as can be seen, even in this scenario, the principal and the return printed on the certificate—that is, the obligations recorded "on paper" from the security purchased from the banker—were ultimately guaranteed by the bank. Thus, apart from the additional risk mentioned, the banker bore no real risk.

Another advantage that this regulatory gap provided for both bankers and depositors was the ability to shorten the maturity of coupon payments. In the earlier example cited from Çelebican, we described a case in which a certificate was sold directly to the depositor without a coupon. However, particularly as regulatory measures emerged to prohibit the separate sale of coupons, instances were observed in which bankers reached agreements with depositors to purchase these coupons at a discount. In such cases, although depositors were offered the opportunity of early payment, effectively a shortening of maturity, the banker, by creating a liability based on a coupon that would be either resold to another depositor or paid by the issuer at a later date, was essentially creating an obligation without an actual backing. This practice naturally increased the liquidity risk in the event of a potential demand for redemption.

The intensification of this practice, especially in the run-up to the crisis, and the fact that it was seen as a kind of justification for the crisis, led to all the activities of all bankers being seen as Ponzi financing (Coskun, 2010; Aslan, 2009, p. 10). In a way, this definition is both correct and incorrect. In the broadest sense, when bankers gave a certificate of deposit to a customer, they were already transferring the risk arising directly from the principal and coupon payments to the bank holding the certificate. In other words, the riskiness in this respect was low and borne by the bank. We have also mentioned that the risk posed by bankers' additional interest payments is not related to the certificate held by the depositor, and we do not have data to generalize this situation. The fact that bankers make monthly interest payments, or even advance interest payments, or sell separate coupons, is more due to the lack of a maturity matching or liquidity management system. The basic marketing methodology of the bankers is to lure the customer by making interest payments quickly so that the principal remains in the system in some form. When it is considered that the customers' returns will re-enter the system and the bank will still cover the certificate fee, the system does not seem risky for the bankers. It was challenging to discuss a practical problem as long as the net amount entering the vault was positive for all branches on only x number of days. However, it would not be enough to classify the entire system as a Ponzi scheme. As defined by Barron's

Dictionary of Finance and Investment Terms (Downes & Goodman, 2004, p. 519), a Ponzi scheme is a fraudulent financial structure in which the returns to existing investors are paid using the contributions of new investors, and the scheme collapses when the incoming cash flow fails to meet obligations. Pyramid schemes, often used interchangeably with Ponzi fraud, also rely on a continuous inflow of new funds from new participants. In the Turkish case, the products marketed, mainly bonds and certificates issued by banks and corporations, were, in principle, repayable at maturity. With the exception of a few unverifiable anecdotes, there is no concrete evidence of fictitious payments by bankers. Still, as liquidity shrank and the supply of financial instruments dried up, bankers increasingly relied on short-term cash flow to meet their daily obligations. While the structure was not formally a Ponzi scheme, it required continuous inflows of both principal and new products to function. At this point, although such a fragile structure was inherently vulnerable to bank runs, its continued operation depended on the absence of panic withdrawals and, crucially, on the introduction and sale of new financial products to ensure ongoing inflows into the system. After 1981, due to tightening regulations and rising risk, bankers had almost no access to new instruments. It is interesting to note that Kastelli himself was the first to identify this situation before it was revealed at this time (Çölaşan, 1984, p. 262). Without coupon-bearing assets, and with liabilities increasingly short in maturity due to discounting and early payouts, the system operated with little transparency regarding the maturity structure of its assets. The essence of the situation was that such a high-risk structure relied on Ponzi-like behavior to manage liquidity risk in sudden and sharp measures.

Having thus demonstrated the deposit collection techniques of bankers and some of their unique practices, now, it is essential to examine a particularly contentious issue, especially in the case of stock-exchange bankers, their engagement in credit extension activities.

In principle, lending and borrowing activities were not governed by distinct legal frameworks but instead fell under the provisions of Law No. 2279 on Money Lending Transactions. This law stipulated that any person engaging in such activities was required to obtain approval from the central government or, at a local level, from the relevant provincial authorities. Within this regulatory framework, lending operations were permitted under specific conditions.

However, both liquidation records and contemporaneous press coverage reveal that the credit-provision activities of bankers are critical for understanding the system's functioning. For instance, according to Kafaoğlu (1982, p. 15), the company Sermest Halıcılık, backed by Kayseri-based capital, obtained a loan of 160 million TL from Kastelli. Similarly, as Dayıoğlu (2019, p. 144) notes, the İşçi Kredi Bankası, another entity within Kayseri's local capital ecosystem, borrowed 1 billion TL in cash from Kastelli. Furthermore, Çölaşan (1984) reported that financially stronger bankers extended loans to weaker counterparts. Kazgan (2005, pp. 208–209) also observed that small business owners borrowed from informal markets and bankers, and that the non-repayment of such debts contributed to the banker crisis.

In this context, according to a statement by the Liquidation Committee published in *Cumhuriyet* newspaper on January 19, 1989, one of Kastelli's largest non-performing loans was a 549 million TL loan granted in 1981 to Adana-based businessmen Hikmet and Hacı Döner. This loan was never repaid. The companies that received the credit were identified as Ermaksan and Ertrans. According to the Turkish Trade Registry Gazette, Ermaksan was founded in 1975 with a capital of 1.75 million TL and secured a loan of 53 million TL from Yapı Kredi Bank within three years by pledging various commercial goods and assets as collateral. The other company in the same group, Ertrans, was reportedly established in 1982 with a capital of 5 million TL. The weak financial structures of these companies and the fact that most of their assets were already pledged to other banks indicate their financial instability. The amount of credit extended to these companies was extremely high, considering their capital, especially that Kastelli extended credit worth ten times more than other banks offered against collateral. This points to a severe lack of caution in the credit allocation process. A similar example was reported in the *Cumhuriyet* newspaper on September 25, 1982, which stated that Kastelli and its affiliated institutions had outstanding receivables exceeding 9 billion

TL, of which approximately 2 billion TL consisted of dishonored checks. The report further noted that these receivables generally originated from loans extended to businesspeople across various sectors, typically against promissory notes or checks as collateral. The diversity of the debtor profiles is particularly noteworthy. For instance, the list included both prominent industrial firms such as Güney Sanayi and individuals allegedly associated with illicit financial activities, such as the underworld figure Fikri Erdöş. Although systematic records are lacking, existing evidence indicates that bankers like Kastelli engaged in extensive and largely informal credit allocation. This reinforces the view that their role extended beyond fund collection to include significant credit intermediation. The Kastelli case, while not representative of all, clearly illustrates a disregard for fundamental principles of collateralization, credit monitoring, and risk assessment. Notably, the volume of credit extended by Kastelli far exceeded what recipient firms could obtain from formal banks, underscoring the deviation of banker practices from conventional banking norms.

Given this, the role of *credit extension* within the broader framework of banker activities must be acknowledged. As previously discussed, the client base for banker-issued loans often consisted of actors who could not access more organized or formal money markets. As such, these loan portfolios were inherently risky. In cases of default, the risk was compounded by the absence of required reserves or provisioning mechanisms and elements that banks were typically obliged to maintain. With this in mind, let us now go through the risks that may arise from being disconnected from the regulatory framework and the legal framework, particularly the lender of last resort, which we have seen as an advantage for bankers up to this point.

Compared to banks, bankers lacked access to institutional safeguards such as the Central Bank acting as a lender of last resort, interbank liquidity, or syndicated loan markets. This created a severe and unique dependency on cash and liquidity. According to Turgut Özal (as cited in Çölaşan, 1984, p. 423), these institutions had their own systems of reserving a certain reserve. However, even according to the impressions of the most authoritative person at the time, this was either never adequate or became inadequate over time, and the collapse could not be prevented. The banking system itself, also subject to liquidity risk, operates on the principle of money creation and manages this risk through institutional mechanisms such as central bank access and structured interbank markets, making such risks manageable under normal circumstances. On the other hand, bankers operate in an ecosystem without a lender of last resort. Not only a lender of the last resort, but in short, banks themselves trade in a currency that does not exist at the outset, subject to liquidity risk, and the regulatory framework protects the bank from a possible liquidity risk. Bankers lack this safeguard as their greatest weakness. Given that an institution lacking such a connection could not engage in instant borrowing through a simple transaction, it would have been necessary for it to keep on hand, at all times, an amount equivalent to the sum of its demand liabilities and all obligations maturing on that day. Clearly, such a requirement would not provide a profitable operating environment for either banks or bankers. In principle, while both banks and bankers operated under similar conditions of liquidity risk, the absence of access to formal liquidity support significantly heightened the vulnerability of bankers. Despite their efforts to create internal reserves, provisioning structures, or establish subsidiaries, which they claimed would invest the depositors' funds to earn interest income, these measures remained insufficient. Consequently, the level of liquidity risk faced by bankers was substantially higher than that of banks.

The core characteristics, advantages, and risks of bankers in areas such as deposit collection, credit allocation, and liquidity management can be categorized along distinct lines, as previously outlined. In fact, the risks associated with bankers did not materialize until the onset of the crisis. Until then, bankers had expanded by leveraging their structural advantages and had begun to occupy a significant position within the financial system, and some of the major bankers had reached a point where they could directly compete with banks[21]. However, since the financial products ultimately marketed by bankers had long been issued by the banks themselves, small

[21] See the advertisement in Figure 24.

and medium-sized banks were not harmed by this competition, on the contrary, they benefited from it (Kafaoğlu, 1982). This was primarily because, in a context of high interest rates and tight liquidity, banks were able to secure a stable inflow of funds from these institutions. Banks holding the bonds or commercial deposits of their affiliates were relatively less affected by liquidity shortages. In contrast, banks that were either unaffiliated or affiliated with weak corporate groups became increasingly dependent on such financial products.

The competitive environment also facilitated rapid liquidity transfers between banks, thereby creating an additional reserve requirement. The real issue, however, would arise if a liquidity shortage turned into a systemic crisis and was allowed to unfold unchecked. The factor that rendered these risks increasingly visible was the intensification of competition among banks, brought about by branch banking and the liberalization reforms known as July Banking. We have already discussed the effects of branch and holding banking on the financial sector and the institutional voids that led to the eventual banker crisis. On top of this institutional structure, the liberalization of interest rates created an opportunity for bankers who lacked a deposit infrastructure and aspired to grow. These actors were able to offer higher interest rates through the advantages and alternative mechanisms previously described. In this context, growth was not limited to increased revenues from lending activities. In a period of extremely tight liquidity, the availability of cash assets in every business line was of critical importance. For bankers, ensuring a continuous flow of cash took precedence over concerns regarding cost.

Not only bankers but also smaller banks without holding company affiliations began raising their interest rates. At the beginning of the July liberalization process, there was, in fact, an implicit gentleman's agreement in the market. Most large banks refrained from adopting an aggressive stance, believing that their peers would not raise rates either. However, this de facto agreement quickly collapsed, and large banks raised their rates to avoid losing market share. Interestingly, although interest rates had been liberalized, the government was not pleased with these increases. Banks were still expected to adhere to informal gentleman's agreements. In other words, despite the appearance of financial liberalization, its implementation was not actively encouraged. Institutions that disregarded regulatory expectations were even subject to various forms of informal sanction (Çölaşan, 1984, p. 139). Throughout the period, banks were expected to comply with these agreements, both through meetings of the Bankers' Association and via various official briefings. This contradictory stance stemmed from the government's recognition that the transition was occurring too rapidly. Nevertheless, in its effort to "signal compliance" with IMF policies, it refrained from taking overt regulatory action.

Concluding the conceptual analysis of bankers, the question of whether similar situations were unique to Turkey also gained importance. It should not be overlooked that the roles assumed by bankers have had historical counterparts in different geographies. In this context, the Secondary Banking Crisis that occurred in the early 1970s in the United Kingdom stands out as a noteworthy example. During this period, institutions referred to as "secondary banks" operated as structures that primarily relied on wholesale funding sources and carried out high-volume credit operations. The fundamental problem of these banks was the mismatch in maturity and liquidity between their assets and liabilities. For this reason, they were compelled to adopt an active liability management strategy by effectively utilizing the developing parallel money markets (Reid, 1982). This orientation reversed the traditional banking model; banks first issued credit and then sought to secure the corresponding funds through short-term borrowing. Gardener (1985: 2) stated that this transformation shifted the British banking system from a deposit-based structure to a credit (advance)-based one: banks were no longer required to wait for deposit inflows before expanding their credit volume; instead, they issued loans based on managerial preferences and then tried to secure the necessary deposits afterward. In this system, secondary banks tried to increase their deposit appeal through certificates of deposit (CDs), which were as liquid as ordinary bank deposits but offered higher interest returns (Dutta, 2020).

The banker institution in Turkey, however, is structurally different from the secondary banks in the UK. While the institutions in the UK example were banks with direct lending authority, the bankers in Turkey were generally individual entrepreneurs or legal entities involved in borrowing and lending money. In the Turkish case, there is no direct primary data regarding the credit creation function of bankers. The literature mainly evaluates the activities of bankers through their deposit collection processes. However, considering the claims based on secondary sources that they were engaged in credit activity, it can be said that this assumption is reasonable. Indeed, among global examples, the structure most similar to the Turkish case is that of the secondary banks in the UK.

Within this framework, the working methods of bankers, their profitability mechanisms, and how they exploited loopholes in the system have been demonstrated. In their borrowing activities, bankers did not bear the risk of an instrument they had issued themselves; however, in their lending processes, they engaged in riskier credit activity by taking advantage of weak monitoring and control mechanisms and the inherently asymmetric financing conditions of the economic structure. In addition, practices such as maturity shortening and the lack of transparency in transfer and payment relationships with banks further increased the liquidity risk in the system.

In this context, it is possible to consider the banker institution in Turkey as a relatively primitive and micro-scale form of shadow banking. Bankers, within the economic and financial conditions of the period, participated indirectly in large-scale resource generation and credit allocation processes by transferring liquid assets to banks, while remaining outside of legal regulations under the status of "non-bank financial institutions." They had no access to Central Bank of the Republic of Turkey liquidity, nor did they benefit from public sector guarantees. Pozsar et al. (2010: 6) emphasize that structures like these refer to unregulated credit creation processes when defining the shadow banking system. In this respect, while it appears possible to relate the role of bankers in the Turkish financial system to the theory of shadow banking, caution must be exercised in such a classification. This is because the concept of shadow banking is especially used, particularly after the 2008 global financial crisis, for highly sophisticated institutional structures that are integrated into the financial system and have a high capacity to generate systemic risk. In contrast, the banker practices in Turkey constitute a more limited and micro-level example in terms of both scale and institutional structure.

In summary, this section has addressed the definition of bankers, their growth dynamics, the fragile points of the system, and their global counterparts. It has been shown that the fundamental risk for bankers was liquidity risk, and that the legal and practical loopholes that were exploited further exacerbated this risk. On the other hand, it has been argued that it is difficult to definitively claim that large-scale stock market bankers engaged in Ponzi financing, and that bankers should be evaluated in two separate categories.

In addition to this internal structure of the bankers, let us now reconsider the sectoral and economic dynamics that we have examined throughout the study. Bankers appeared to offer a solution to the problem of increasing savings, which was considered the most pressing issue in Turkey by policymakers and capital circles. Banks affiliated with large holdings focused on strengthening their cash positions in the face of liquidity shortages. Banks controlled by smaller holdings, on the other hand, saw interest rate liberalization and certificates of deposit as an opportunity to help other companies overcome their liquidity problems. Large banks were not indifferent to this process either. Indeed, according to *Milliyet* newspaper dated July 31, 1981[22], deposits increased thirteenfold in the first year of July Banking compared to the previous year. However, this development did not yield the expected contribution to the real economy.

Despite the increase in deposit volume during a period of monetary tightening, no significant expansion occurred in the credit market, and particularly, no noticeable rise was observed in the allocation of production- and investment-oriented loans. In the end, a rise in deposits and savings was achieved through bankers and liberalized

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[22] (*Milliyet*, 1981a)

interest rates, but rather than having a tangible impact on the real economy, as we have seen, it led to a systemic crisis.

5.2 Historical Flow of Crisis

In this section of the study, we will explain, step by step, how the process leading to the banker crisis unfolded. First, let us examine the development of the stock and bond markets, whose benefits for bankers we have previously mentioned.

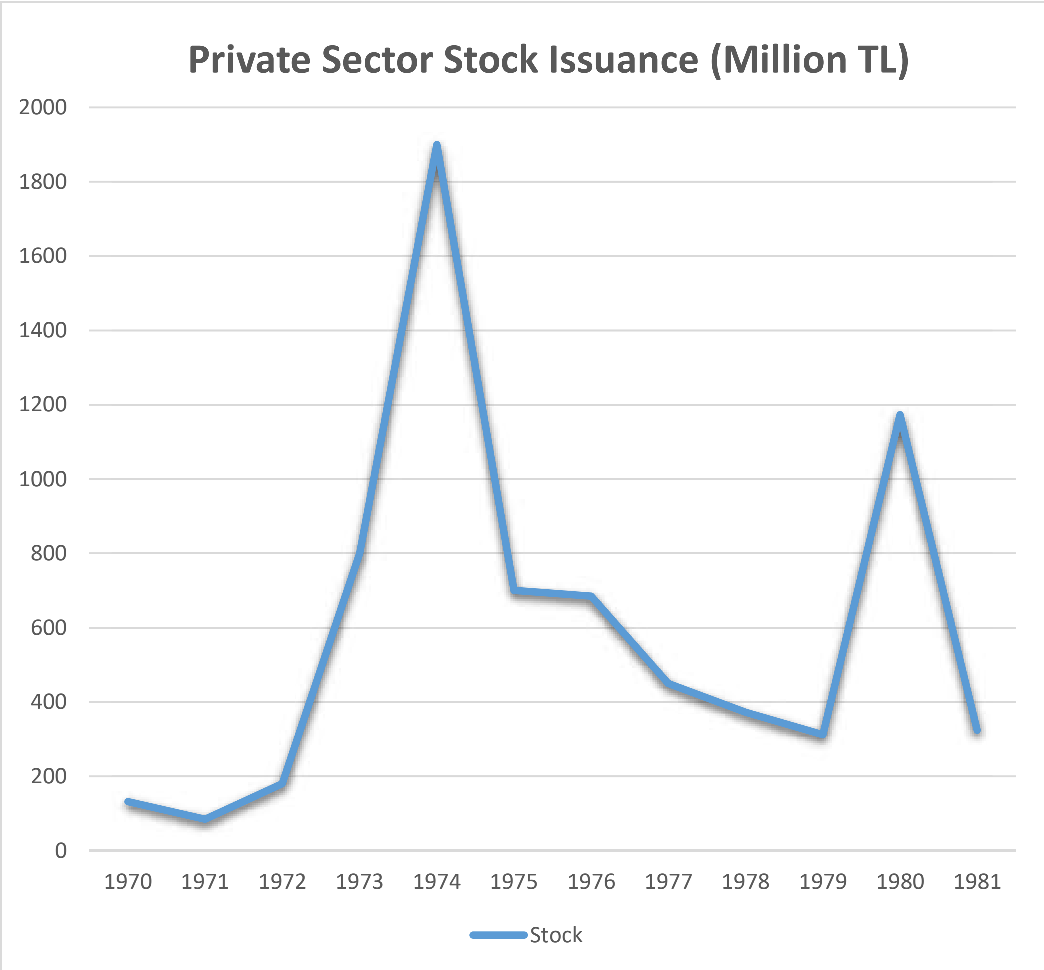

Figure 21: Private Sector Stock Issuance (Million TL)

Source: TÜSİAD. (1982). *1982 yılına girerken Türk ekonomisi*. Türk Sanayicileri ve İş İnsanları Derneği. Data taken from TÜSİAD (1982) and visualized by the author.

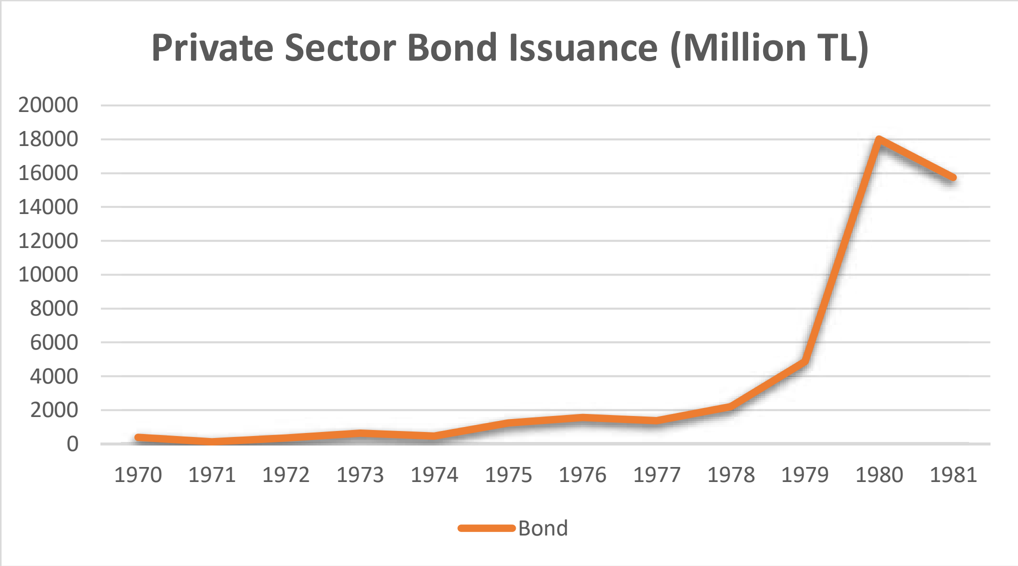

Figure 22: Private Sector Bond Issuance (Million TL)

Source: TÜSİAD. (1982). *1982 yılına girerken Türk ekonomisi*. Türk Sanayicileri ve İş İnsanları Derneği. Data taken from TÜSİAD (1982) and visualized by the author.

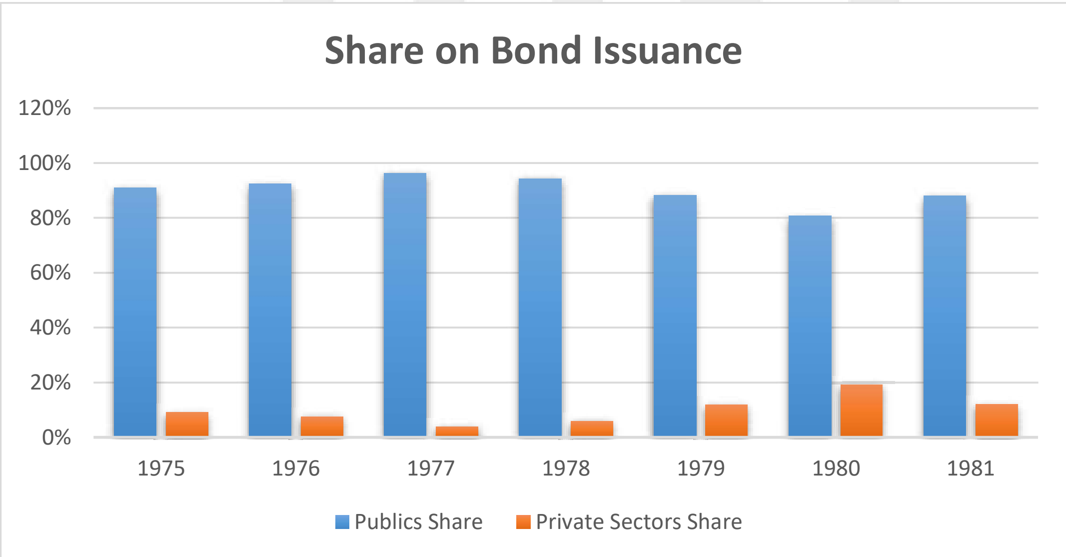

Figure 23: Share on Bond Issuance

Source: TÜSİAD. (1982). *1982 yılına girerken Türk ekonomisi*. Türk Sanayicileri ve İş İnsanları Derneği. Data taken from TÜSİAD (1982) and visualized by the author.

As mentioned earlier, real sector actors—especially those with limited access to finance, such as newly established firms or firms not sufficiently connected to finance capital—tended to place their bonds and bills on the market through bankers. We have also shown that the number of firms issuing both bonds and stocks increased between 1968 and 1975. In Figure 23, we elaborate on how the issuance of these two securities evolved in Turkey during the period. We observe that the bond market followed a steady upward trend, with the share of private-sector bonds increasing relative to public bonds. At this point, the nominal increase between 1977 and 1980, along with the private sector's expanded use of this financing avenue, reinforces our claim regarding access to asymmetric financing as previously discussed.

A similar relationship exists within stock markets between bankers and real sector actors. Although a general upward trend was observed in this market compared to the early years of the period, a fluctuating course also stands out. Especially when the increases in 1973 and 1974 are examined, it becomes clear that these developments cannot be explained solely by market dynamics; systemic factors such as the 56% public offering of Koç Pazarlama A.Ş. or İş Bank's establishment of the Securities Center, which created a rudimentary stock exchange infrastructure, also played a significant role. In the lead-up to the Bankers' Crisis, a sudden rise also occurred in the stock market in 1980, but a decline soon followed this surge. In this context, when evaluating the trend of stock issuances by the real sector, it should be taken into account that, due to the impact of economic contraction, the market may have reached a saturation point, and a shrinking economy would also struggle to generate new joint-stock companies. Bankers needed to generate increasing daily sales to ensure the return on their marketed products and maintain a cash flow of similar magnitude. Until 1981, they continued to be supported by the increases and the existence of the certificate of deposit, which had already become their intermediate product. In 1981, however, the first signs of a decline in these markets began to emerge. While holding companies approached established banks or utilized their institutions engaged in bond trading, many small and medium-sized enterprises facing financial difficulties preferred to borrow from the unorganized credit market (Kazgan, 2005, pp. 208-209) due to their low creditworthiness and lack of political connections, which hindered their ability to obtain loans from established banks.

While the economy and businesses needed capital, the government remained silent and did not attempt to regulate the market. During the 1980-81 period, it is estimated that the total amount collected by market bankers was approximately 3.2 billion USD, equivalent to one-quarter of total bank deposits. The official banking sector lost significant revenues to unregulated actors (Özcan & Çokgezen, 2003). However, it is important to note that banks with different structural characteristics were affected by the crisis in varying ways depending on the time frame. For instance, smaller and mid-sized banks that were more actively engaged in transactions with bankers benefited in the early stages of the certificate of deposit practices by securing significant amounts of liquidity. In contrast, larger and more institutionalized banks lost a portion of their deposit base and client portfolio to these actors, experiencing relative losses during the initial phase of the system. In a period when access to financing was limited, the movement in secondary markets of capital market instruments such as bonds and bills, along with the increasing demand for credit, led to a noticeable expansion in the role of bankers in the economy, both instrumentally and purposefully. In this context, in an environment where the necessary institutional structures, regulations, and alternative financing options were inadequate, the economy, though it may sound like an ambitious claim, effectively came to depend on bankers. However, let us now return to the primary source of the crisis and take a closer look at the market position of bankers' primary instrument of operation: certificates of deposit. Before the market heated up, the deposit base in Turkey had grown significantly, and its distribution was as follows:

Table 8: Deposit Balance data from *Milliyet* (September 19, 1981)

Type	Amount (Billion TL)
Demand Deposits	204
Time Deposits	289
Commercial Demand Deposits	296
Certificate of Deposits	75
Others	154

Turkey Total	1.018
Stock Bankers	150
Market Bankers	15

Source: *Milliyet*. (1981b, September 19). [*Banker Tartışması Gittikçe Büyüyor*].) Newspaper visualized by the author.

Approximately 15% of savings were concentrated in bankers, while about 7.5% were found in Deposit Certificates. According to Banker Kastelli's advertisements, savings deposits (including certificates of deposit) increased by 1,152% within a year, and Kastelli ranked 11th in size among public and private banks. In fact, it had even surpassed many banks whose certificates it sold, such as Hisarbank, Odibank, and İstanbul Bankası, all of which would later be liquidated. Even if there were a decline in bonds or stocks, this growth was at an incredible level. Anecdotal accounts suggest that, during this period, depositors were sleeping in front of Kastelli's door just to be able to deposit their money (Munyar, 2008).

Figure 24: An advertisement published by Banker Kastelli
Source: *Yankı*, July 20, 1981, Issue 538(4).

During all of this, large banks had begun to utilize their reputational capital, that is, their trust card. The reputational risk, which is generally considered among the risks in banking but is impossible to measure, was potentially greater for smaller banks. It is also worth noting that bankers are essentially in a trust-based relationship, and for this reason, reputational risk is quite high and significant for them as well. Perhaps for this reason, bankers were engaging in a sort of "reputational risk management" by featuring famous personalities of the time in their advertisements. An example of the use of the trust factor from the perspective of banks is this advertisement published in the *Milliyet* newspaper on 26/08/1981[23]. Akbank, one of the strongest banks of the time, especially in terms of deposits, was warning savers with the headline "It's no use crying over spilled milk."

Figure 25: An advertisement of Akbank for depositors

Source: Akbank. (1981, August 26). [*Advertisement*]. *Milliyet*.

While all this was happening, the State had also begun to prepare its initial regulations for the market. The banking license/permission (which could actually be referred to as a permission to borrow and lend under the Borrowing Act) was obtained from the governor of the province in which the activity was conducted until

[23] (Akbank,1981)

the change in the regulation. However, with the regulation published in the *Official Gazette* dated September 15, 1981[24], a requirement was introduced for all individuals and legal entities, except for institutions subject to the Banking Law and private entities authorized to borrow and lend, to obtain permission and licenses from the Ministry of Finance for their activities. It was stated that these entities were required to apply to the Ministry of Finance for a license within one month from the date of the regulation. Interviews conducted with market and stock market bankers in the *Milliyet* newspaper dated September 19, 1981[25], revealed that the initial change at that time was primarily aimed at restricting market bankers, while stock market bankers and banks were generally satisfied with the decision. In these interviews, most bankers indicated that they provided credit to small tradespeople and artisans who could not access loans with the financing they offered, and noted that they would be the ones to suffer the most from the change. In fact, it seems that the failure of banks to supply loans to all sectors has also played a role in the growth of these entities, as we have pointed out from the beginning. However, it was unclear how much and on what terms these entities financed these sectors. Essentially, the stock market bankers, who could create the most significant leverage in terms of the system, were currently playing the role of potentially sharing a crisis with other stakeholders in the economy without exposing their hands. In fact, the stock market bankers engaged in the trading of bonds and deposit certificates were technically not borrowing money in securities transactions. Although they will obtain this license in the future, there were no technical elements in this communiqué that would restrict their activities. Following this communiqué, 278 individuals and entities, including central stock market bankers such as Banker Kastelli or Yağmur Ticaret, as well as companies of various extensive holdings such as Eczacıbaşı Yatırım or Ak Yatırım, were granted authorization to engage in bankership activities by an announcement published in the *Official Gazette* on 22/10/1981[26].

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[24] (*Official Gazette*, 1981a)
[25] (*Milliyet*, 1981b)
[26] (*Official Gazette*, 1981b)

As we return to these developments, one particularly important point in the flow is the statement made by Minister of Finance Kaya Erdem, published in *Milliyet* newspaper on 22/09/1981[27], in which he said, “the public has gambled to earn a few extra pennies.” As we have repeatedly emphasized, in a system where the main risk is liquidity and where stepping outside the system manifests particularly in the form of maturity shortening, the riskiest action that could trigger a crisis is the emergence of a panic that could lead to a bank run that is, a situation undermining trust. A statement of this nature from one of the highest authorities intensified the crisis, prompting the public to rush to the bankers to withdraw their investments, thereby causing a small-scale bank run.

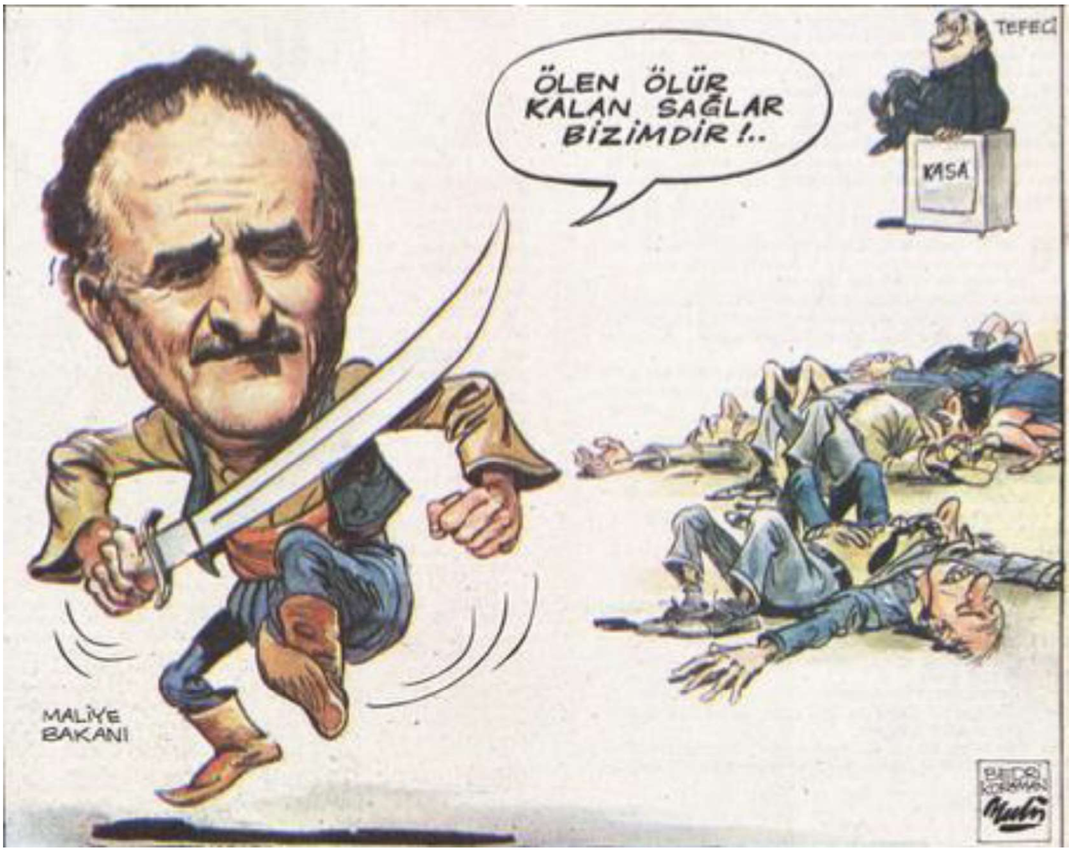

Figure 26: A political cartoon depicting Kaya Erdem’s statements

Source: Bedri Koraman, *Milliyet*, September 22, 1981, p. 1.

[27] (*Milliyet*, 1981c)

In addition to this interesting event in realpolitik, the effectiveness/ineffectiveness of the measures taken was also beginning to be seen. Changes in the previously cited communiqués could not prevent access to major stock bankers or the resulting interest escalations for the reasons we mentioned (Çölaşan, 1984). Such an increase in deposits could be expected to push deposit interest rates downward in a normal market. However, the difference in approach between banks and bankers toward deposits created varying effects on rates in this market. The primary reason banks hold deposits stems from strict monetary policy and narrow liquidty. For some small banks, losing these deposits could directly jeopardize their operations with liquidity risk. However, maintaining market share among the big banks was also a matter of concern.

On the other hand, bankers were obliged to ensure liquidity sufficient to meet obligations the next day. Although these two root causes pushed interest rates upward, despite the increase in deposits, the escalation in interest rates was unsettling for the Ministry of Finance, which aimed to delve deeper into the problem. The communiqué published in the *Official Gazette* dated November 17, 1981[28] announced that banks would not structure Deposit Certificates with coupons and not market these certificates through bankers and other third parties. For bankers, having the certificates with coupons was crucial for both early interest payments and the ability to market the coupons as a separate product. Thus, their primary function of liquidity management was interrupted. During these times, bond issuance in Turkey had also reached its natural limits (TÜSİAD, 1982b, p. 18).

A notification had been issued, but there were still several elements here that would be impractical to implement. Firstly, as is customary for bankers from their institutions, they primarily traded these certificates in the secondary market. Although there were wholesale purchases of the certificates they had acquired from banks, this prohibition would mainly halt wholesale purchases from banks. Bankers could still gather these securities in retail from the bank itself or from depositors.

[28] (Official Gazette, 1981c)

The ability to be negotiable was one of the fundamental characteristics distinguishing deposit certificates from deposits. However, such an abrupt prohibition would naturally create anxiety and risk. What would hurt bankers more in this notification was that the monthly coupon system would no longer be usable. However, it soon became apparent that bankers had once again found a loophole in the system by inventing a daily interest payment system (Çölaşan, 1984).

Nevertheless, the psychological effect of the notification had served to accelerate the anticipated panic. The daily interest tool mentioned was still act of temporary survival. The intent behind "survival" was the bankers' pursuit to prevent their inability to make payments in the event of a sudden withdrawal, either by maintaining a daily liquidity surplus or at least achieving balance. The situation was managed this way until June, but the event that would bring about the bankers' end would occur on June 7. Until that date, although not strictly adhered to, there was a gentleman's agreement among banks to determine deposit and loan interest rates jointly. In meetings attended by the Central Bank and the general managers and senior executives of all banks, the government attempted to control the interest rates it had released freely through the Central Bank via recommendation (Çölaşan, 1984).

In the newspapers of June 6, Hisarbank, owned by the Çavuşoğlu-Kozanoğlu group, claimed that it would offer the highest interest rates ever seen on June 7. This was, in a way, a re-breaking of the already broken gentleman's agreement. An important reason for Hisarbank's announcement was the financing problems faced by the groups to which it was affiliated. This bank had already sold many Certificates of Deposit, bonds, and stocks to its groups through the bankers. For this reason, it was one of the banks that had the most ties with the bankers. In fact, on the same day as the announcement, the newspapers reported that the gentleman's agreement was broken. The bank officials interviewed stated that the main reason for this was the tight monetary policy, liquidity shortage, the decrees preventing the sale of certificates of deposit taken so far, the reduction of rediscount limits and the increase in reserve requirements, and that they had difficulties in liquidity management so that they would act competitively in deposits by any means necessary. This move by

Hisarbank naturally led to an upward movement in deposit rates in other banks. In particular, banks such as Odibank, Istanbul Bank, or Pamukbank also moved their deposit rates upwards, and naturally, there was a transition from bankers to the banking system. The space for bankers was now very narrow. Following these developments, the banks met again on 18 July 1982, discussed the gentleman's agreement, and reached an agreement on new rates. The banks would announce this gentleman's agreement in the newspapers with this article on 21/06/1982[29]:

> Having reviewed the latest developments in our economy, we, the banks listed below, have concluded that it would not be appropriate to make any changes in the interest rates stated in our previous Interbank announcement to be applied to both deposit accounts and loan accounts.
>
> Accordingly, we announce to the public that we have decided to continue to apply the gross interest rates on deposits and loans as follows.
>
> - When banks use expressions promising interest and similar income in their advertisements and announcements, they will definitely specify the gross interest rates.
>
> - If interest on 6-month term deposits and certificates of deposit is paid monthly, the monthly interest rate of 42% is applied.
>
> - Gross interest rates of certificates of deposit must be indicated.
>
> - Deposits and certificates of deposit will not be issued for deposits with 3,2 and 1-month maturity.
>
> - 3-month and 2-month term deposits cannot be paid monthly.
>
> - Advance interest is not charged on deposits.
>
> - Certificates of Deposit cannot be marketed outside banks and through bankers.
>
> - No gifts will be given by banks to their customers in any way.

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[29] *Milliyet*. (1982a, June 21).

- Regarding bank advertisements, the professional regulation rules taken and to be taken by the Association of Banks will be strictly complied with.

- Sanctions determined between the Banks will be applied to the bank or banks that do not comply with any of the above-mentioned issues.

- No interest will be paid on commercial deposits.

Regards,

However, on the back page of this advertisement, which stated that Certificates of Deposit would not be marketed by bankers, there was an advertisement by Kastelli stating that national banks were buying and selling Certificates of Deposit, and on another page, there was an advertisement by Hisarbank stating that they were still charging high interest rates.

While all this was going on, Kastelli, who had been stuck since June 7, fled to Switzerland on June 20, 1982. This news was served to the press together with the news that savings in Kastelli were under state guarantee (Çölaşan, 1984). On June 25, 1982,[30] the first evaluations of the case began to appear in the newspapers. At that time, the IMF, with which the country was in a strict 36-month standby agreement, described the situation as a road accident. It stated that there was no need to see the policies implemented from this point of view as faulty, and that it would turn a blind eye to the loans that the CBRT would extend to banks as a kind of Quantitative Easing practice. In order to resolve the crisis fueled by the agreement, the IMF gave Turkey the right to relax the limits set by the agreement (Çölaşan, 1984). The IMF stated that the root cause of the crisis was that banks went beyond their normal efforts, which should be spread over time. In fact, this type of attitude is already seen in all the crises that followed IMF interventions. In this respect, the IMF, as well as the public and policymakers, was trying to reduce the crisis to a kind of governance failure by decoupling it from the political economy. Turgut Özal, the Deputy Prime Minister at the time, described the situation as a “small wind”. He

[30] *Milliyet* (1982b, June 25)

considered that the main problem of the situation was that the bankers were working like banks, giving out loans and failing to provide sufficient liquidity, and when asked why he did not intervene, he replied that they could have gone bankrupt; on the contrary, he stated that this event would not cause any damage to the economy, but would be beneficial for the system to be put in place (Çölaşan, 1984). Turgut Özal's attitude was naturally to confine the crisis to the axis of fraud and incompetence.

Kozanoğlu, the owner of Hisarbank, who was blamed for the crisis, denied these allegations. He stated that they were also affected by the panic, but that they were managing the situation for the time being with their foreign exchange positions and the support provided by the CBRT. Kastelli, who also made his first statements to the press on this date, stated that he had TL 19.5 billion of receivables from the market and TL 25 billion of real estate, which could cover his liabilities, and that he had no liabilities to cover because all the certificates and bonds he marketed were guaranteed by the lending banks and companies. Of course, there were still doubts about the existence and value of the real estates as well as the receivability of the loans.

This event somewhat dampened both the risk appetite of citizens and the incentive of financial institutions to compete on interest rates. On 26.06.1982[31], newspapers reported that MEBAN and other banking institutions such as Eczacıbaşı Investment Holding were trying to lower interest rates. Leading figures in the sector, on the other hand, started to blame the public's appetite for interest rates in the newspapers, while at the same time stating that the support of the CBRT was very important in the process and that the state should bear the risk in some way. The number of banks and proposals for their merger/dissolution were already being discussed in the lobbies.

[31] *Milliyet*. (1982c, June 26)

On the other side, panic-stricken depositors resorted to interesting solutions. For example, *Milliyet* newspaper dated 27/06/1982[32] shows that despite the communiqué on state guarantee, the public, who did not have enough confidence in these announcements, were collecting the remaining certificates and bonds by selling them at half-price discounts at the corner bankers they found. Later, when the amount of the guarantee was announced as TL 200,000, it was understood that some depositors were indeed avoiding this risk.

According to the July 2, 1982, edition of *Milliyet* newspaper, some banks such as İstanbul Bank, Pamukbank, and Uluslararası Bank began extending the maturity of their outstanding certificates of deposit by six months or one year, on the condition that they pay monthly interest to address liquidity shortages they couldn't overcome despite support loans from the Central Bank, which were expected to continue. However, the real plan was to transition the certificate of deposit practice directly to time deposits, that is, to accounts that were no longer confidential. As we have seen so often in the Turkish financial system, the scapegoat was not the policy itself or its macro contours, but the instrument that was implemented.

5.3 Resolution

This section addresses the effects of the banker crisis and the post-crisis liquidation process. The banker crisis not only severely undermined trust in the financial system but also significantly weakened the state's regulatory capacity over that system. It also led to a substantial erosion of trust among individual savers who had only recently begun participating in the financial system. According to studies, at least two bankers were killed during this period, ten fled abroad, five were taken into custody, five were arrested, and twelve faced bankruptcy (Asomedya, 2001). Ertuna (1986, p. 50) estimated the total liabilities of the bankers to be around 200 billion TL, while Tokgöz (2001, cited in Öztürk, 2005, p. 135) stated that the losses suffered

[32] *Milliyet*. (1982d, June 27)

by investors due to the bankrupt bankers reached $350 million by the end of 1982. Caprio and Klingebiel (1996, pp. 17, 32) reported that between 1982 and 1985, seven banks were closed, five after 1983 and two after 1985, with the total restructuring cost amounting to 2.5% of GDP.

The crisis was contained within the banking sector through the rapid liquidation of the bankers and the Central Bank's use of its lender-of-last-resort function (Karacan, 1996, p. 177). However, as can be seen from the sequence of events, intervention was deliberately delayed, and these measures were only taken when the risk of the crisis evolving into a broader social crisis became apparent. Although the crisis was brought under control in the short term, it had much more profound effects in the long run. The collapse of the bankers exposed the unhealthy structure of Turkey's financial intermediation system. Operating in a legally undefined gray area, the bankers collected deposits, competed with banks while enjoying certain advantages, and sometimes extended credit with inadequate monitoring mechanisms. However, they were not subject to any oversight by the Central Bank or the Treasury during this process. This lack of regulation allowed bankers to continue their activities through personal relationships and political connections with public authorities.

Following the crisis, Decree-Law No. 35 (the Banker Decree) was issued, initiating the liquidation of banker activities, and the Treasury assumed the bankers' liabilities. The decree particularly aimed to compensate certificate holders, enabling the repayment of banker debts using public funds. This intervention must be analyzed from two perspectives. First, policymakers did not regard these institutions, which competed with banks, as serious market actors until the crisis erupted. Indeed, according to the economic chief Turgut Özal, their failure was tolerated in the name of letting the market find its path (Çölaşan, 1984). We say the intervention was "made possible" because, in the end, it was unnecessary, because, as explained in the liquidation section below, all of the debts of the most prominent actor, Kastelli, were paid directly from Kastelli's assets. The real burden of the crisis fell on the banks that were the counterparties to the certificates. To better understand the unraveling of the crisis and the crisis itself, let's take a closer look at the liquidation of the biggest player, Kastelli. According to an interview with the Head of the Liquidation Committee, Sezai Onaral, published in the *Nokta* economics magazine on May 12, 1985[33], by the end of the three-year liquidation process, no remaining depositors had claims on Kastelli. This led to a renewed public debate over whether Kastelli had operated through outright fraud or a Ponzi-type financial model. Within the scope of the liquidation, 1,049 million TL was obtained from real estate sales, 2,520 million TL from securities, and 1,791 million TL from interest income from banks, totaling 7,525 million TL in revenue (Nokta, May 12, 1985, pp. 38–40). Among Kastelli's assets were high-value properties, such as the *Cemil Topuzlu Yalısı*, which still holds significant value today. These assets provided a major advantage during the liquidation, as the market value of real estate increased over time in the high-inflation environment, while interest payments remained fixed, thereby enabling debts to be covered. Regarding debts, it was noted that Kastelli owed substantial amounts to banks such as Odibank, Hisarbank, and İstanbul Bank; for instance, the debt to Pamukbank alone was approximately 1 billion TL(Nokta, 1985b). Although there were allegations that these banks had extended direct credit to Kastelli in exchange for certificates and that these loans were managed not through actual payments but via accounting records, these claims were never definitively proven. Regarding Kastelli's liabilities, it was reported that he owed significant amounts to banks such as Odibank, Hisarbank, and İstanbul Bank; notably, his debt to Pamukbank alone was estimated at approximately 1 billion TL.

Following regulatory restrictions on the direct marketing of certificates through bankers, it is a well-documented fact that these banks facilitated a workaround by extending loans equivalent to the value of the certificates, effectively enabling their marketing through reverse transactions. Furthermore, instead of making immediate cash payments on deposit certificates, banks often issued postdated checks to settle these obligations (Çölaşan, 1984, p. 146). Another allegation raised at the time was that private banks experiencing liquidity shortages would fulfill loan disbursements

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[33] *Nokta*. (1985a, May 12)

not in cash, but by issuing deposit certificates of a nominal value higher than the loan amount. The receiving firm would then discount these certificates through a banker to access liquid funds (Çölaşan, 1984, p. 137). The presence of different risky and abusive situations, such as these, which were known throughout the period but became evident after the liquidation process, should be re-evaluated within the activities of the bankers and their relations with the formal banks.

Both the previously discussed elements and this anecdote reveal that the structural weaknesses exposed by the banker crisis were not limited to non-bank financial intermediaries but also extended into the banking sector itself. In this context, the banking sector adopted a strategy after the crisis to remove weak and risky banks from the system. In mid-1982, the management of İstanbul Bank, Hisarbank, and Odibank was taken over by the state; these banks were transferred to Ziraat Bank at the end of 1983. Within the same year, İşçi Kredi Bank ceased operations. In 1984, Bağbank's activities were suspended, and İstanbul Emniyet Sandığı was transferred to Ziraat Bank. Töbank, whose financial structure had deteriorated significantly during this period, was nationalized in 1987 and was eventually transferred to Türkiye Halk Bank in 1992. Similarly, Anadolu Bank, a public bank that had been struggling financially at the beginning of the period, was merged with T. Emlak ve Kredi Bank in 1998 and restructured under the name Türkiye Emlak Bank (Coşkun, 2012). These liquidations in the banking sector demonstrate that the banker crisis was not merely a collapse of certain actors but a structural breakdown that affected the entire financial system. Indeed, the crisis also tested the Central Bank's capacity to intervene in the face of increasing liquidity demands in the market. Despite the implementation of tight monetary policies under IMF-backed programs, the Central Bank continued to function as a lender of last resort. It temporarily supported liquidity-strapped banks through rediscounting credit facilities (Karacan, 1996, p. 177). While these interventions may have delayed some banks' sudden collapse, their liquidation became inevitable in the long run.

At this stage, it becomes evident that the state's approach to sanctions and support for institutions undergoing liquidation varied according to their size and structural position within the financial system. While managing the process, the state adopted a more flexible and interventionist stance toward certain actors, while applying a stricter and more exclusionary approach to others. For example, small-scale market bankers and their depositors were not granted any state guarantees; losses in this segment were framed as the result of individual misjudgments. In contrast, when large bankers like Kastelli collapsed, state guarantees were activated. As the crisis began to spill over into the banking system, the government resorted to monetary expansion tools despite the fact that doing so contradicted its broader macroeconomic policy commitments.

This differentiated treatment not only shaped practical responses but also revealed an underlying hierarchical structure within the financial system. As Çölaşan (1984) notes, while certain large holding-owned banks with deep ties to bankers were retained within the system, smaller or unaffiliated banks—despite facing similar technical difficulties—were excluded. A comparable hierarchy was also evident among bankers themselves, with distinctions drawn between market-based and stock exchange-based bankers[34].

The early warning signs of fragility in the lead-up to the banker crisis were also ignored. The deterioration in the situation of the bankers could have been understood

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[34] This structural asymmetry closely aligns with the Legal Theory of Finance framework developed by Pistor (2013), which posits a division within the financial system between the “apex” and the “periphery”. Institutions at the apex ,such as large banks, central banks, and sovereign states, are afforded more flexible and protective legal treatment, while peripheral actors are subject to more rigid rules and contractual obligations. Within this conceptual framework, the Turkish financial system during the period in question clearly exhibited a similar hierarchical configuration: large, holding-affiliated banks occupied the apex of the system, while bankers and smaller banks were positioned at the periphery. Although this conceptualization remains open to further elaboration, it is employed in this study as an analytical tool to help explain the behavioral patterns of policymakers during the crisis.

as early as the collapse of the first small market bankers. In particular, Kastelli's frequent complaints that "there are no goods left to sell in the market," his dependence on cash flow, and his difficulties in purchasing new financial products demonstrated the system's unsustainability. Even if a surplus of cash were available, a potential panic-induced outflow from the vaults would have stopped the system. Therefore, the primary condition for the system's survival was trust. However, the statement by then Finance Minister Kaya Erdem that "citizens gambled with bankers" abruptly undermined this fragile confidence.

The stance taken by the Minister and similar statements by Turgut Özal cannot be understood independently of the political economy of the period. Under the standby agreement signed with the IMF, Turkey committed to tight monetary policies and renounced tools such as monetary expansion. Furthermore, the prevailing logic of eliminating "inefficient" enterprises—another element of the tight monetary policy—was also reflected in the financial sector. In fact, not only the general attitude but also Kaya Erdem, the Minister of Finance at the time, stated that they did not take any action at the beginning of the crisis to ensure the elimination of weak structures in the banker market (Çölaşan, 1984, p.100). It was clear from the beginning that the state would intervene at some point; however, to not compromise its macroeconomic policy flexibility, the government initially chose to ignore the crisis. Eventually, the crisis was allowed to unfold. However, the state later intervened by extending rediscount credits to banks, providing guarantees to depositors, and assuming the overall financial burden of the system.

In summary, the process points to a field of intense political and institutional intervention that cannot be explained solely through market mechanisms. The restructuring of the financial system following the banker crisis (Ergüneş, 2009) led to a multidimensional transformation encompassing both private financial institutions and public banks. This transformation was driven by economic necessities and the state's repositioning within the financial domain. Following the regulations enacted after 1983, more precise definitions were introduced for non-bank financial institutions, and their areas of activity were restricted. Key steps in this process included enhancing the authority of the Capital Markets Board, requiring official authorization for non-bank fund-raising activities, and institutionalizing capital markets.

In conclusion, the banker crisis emerged within the broader transformation of the financial system in Turkey. It was not merely a result of developments in the immediate pre-crisis years. However, it was felt throughout the period under the shadow of wider financial and fundamental economic changes, ultimately unfolding amidst an environment of unchecked financial liberalization. Explaining the crisis solely through internal dynamics would lead to a myopic understanding of Turkey's financial sector's historical evolution and transformation processes. Post-crisis reform initiatives were launched; however, this process also exhibited significant contradictions. On one hand, the lack of oversight that contributed to the banker crisis was criticized; on the other, financial liberalization and product diversification were actively encouraged. This dual structure created a fundamental tension in balancing regulation with financial deepening. Although the lessons of the crisis emphasized the importance of regulation, the liberalization policies implemented in practice limited the effectiveness of these regulatory efforts.

Within this framework, the banker crisis in Turkey represents not merely a technical collapse, but a structural rupture in which the relationship between the state, the market, and the law was crystallized. The legal ambiguity surrounding financial institutions, the forms of state intervention, and the political authority's relationships with financial actors emerged as key elements shaping the nature of financial capitalism in Turkey. At the same time, the crisis serves as a typical example of the structural vulnerabilities faced by institutions and actors positioned at the lower tiers of the financial hierarchy in developing countries.

CHAPTER 6

CONCLUSION

This study examines the 1982 Bankers' Crisis and the structural transformations that took place in Turkey's financial sector in the years leading up to the crisis. Despite its significant place in the country's crisis history, the event has often been underexplored in academic literature. Where it is addressed, it is typically framed through sensationalist narratives focusing on fraud or depositor irrationality. With a few notable exceptions, most studies have reduced the crisis to governance and regulatory failure issues. In contrast, this thesis aims to provide a comprehensive analysis of the crisis by situating it within the macro-financial and political context of the period while drawing on alternative theoretical frameworks that foreground both sectoral and developmental structural dynamics.

To understand the dynamics of the crisis, the thesis analyzes the transformation of Turkey's financial sector from 1960 to 1980. During this period, the sector's primary function was to support five-year development plans aligned with the Import Substitution Industrialization (ISI) strategy. Within this framework, one of the most pressing constraints faced by policymakers was the "Credit Creation Capacity" (CCC), a problem particularly pronounced in developing economies. This constraint is examined through the lens of monetary hierarchy and shown to be central in shaping the financial and policy-making trajectory of the era. Efforts to overcome this constraint centered on increasing voluntary savings. As Akyüz (2023) also notes, the state promoted various financial innovations to mobilize household savings more effectively. These findings have been substantiated with empirical indicators in the thesis. Furthermore, these policy instruments are not treated merely as Turkey-specific phenomena, but also as localized manifestations of global "liability management" strategies gaining traction during the same period.

By extending Akyüz's instrumental framework on banker practices to include structural changes in the financial sector, the thesis critically evaluates the roles of "branch banking" and "holding banking" models in shaping the crisis. The competitive dynamics of branch banking, centered on deposit and customer acquisition, and the asymmetric and insufficient credit allocation mechanisms of holding banking are analyzed in detail. The thesis demonstrates that while savings mechanisms became widespread among households, they did not have a parallel diffusion among small and medium-sized enterprises (SMEs) or commercial actors. These two structural configurations are contextualized within the broader political economy of the period, particularly in terms of rent distribution, intra-capital conflicts, and the state's role in economic coordination.

The political context is analyzed in depth to trace the impact of paradigm shifts catalyzed by the January 24, 1980 liberalization decisions, the July 1 interest rate deregulation, and the September 12 military coup. The financial liberalization initiated on July 1 marked the beginning of a restructuring process, which was sharply intensified by the post-coup adoption of neoliberal economic policies. These shifts rapidly externalized financial risks accumulated over the preceding two decades.

Within this structural and political-economic framework, the thesis reinterprets the banker phenomenon using archival sources and a comprehensive comparative literature review, offering a new perspective on the crisis. Bankers are not treated as a homogenous group; distinct typologies are identified, and their specific risk profiles are analyzed; the dominant view of banker operations as Ponzi schemes is critically assessed. The thesis argues that bankers did not generate unpaid debt burdens during their rise nor their liquidation in the classical sense, as the securities they sold were issued mainly by banks and firms. It contends that the transformation of a liquidity shortage into a systemic crisis was primarily driven by policy missteps in timing and intensity.

The structural weaknesses of the banking sector, deposit-based competition, sectoral hierarchy, and the chronic underfinancing of the real economy created the conditions that made the rise of bankers almost inevitable. However, the abrupt and severe policy interventions in the aftermath of interest rate liberalization caused the crisis to deepen and spill over into the banking sector. Still, the thesis does not overlook the bankers' roles; the loopholes they exploited, the unchecked credit allocation practices, and their aggressive marketing strategies are all evaluated as risk factors within a broader systemic context.

In conclusion, this study situates the 1982 Bankers' Crisis within the broader landscape of financial instruments, political-economic structures, and sectoral dynamics. It argues that the crisis was shaped by the instruments used to expand a financially shallow base, by the hierarchical and monopoly competition structure of the financial sector, by the shortcomings in funding development plans, and by the impact of a paradigmatic transformation underway at the time. The emergence of the banker phenomenon under these conditions was not only structurally predictable but also functionally significant within the context of the period. Just as the formation of the crisis was rooted in systemic factors, so was the transformation of bankers into crisis-generating actors. Through this lens, the study provides a theoretically grounded and empirically informed contribution to understanding financial crises in developing economies.

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APPENDICES

A. TURKISH SUMMARY / TÜRKÇE ÖZET

1982 Banker Krizi, Türkiye'nin yaşadığı ilk büyük finansal sektör krizi olmuştur. Bu kriz yalnızca Türkiye açısından değil, dünya genelinde de finansal liberalleşme kaynaklı ilk krizlerden biri olması açısından önem taşımaktadır. Kriz, yalnızca teknik bir finansal olay olmanın ötesine geçmiş ve toplumsal yaşam üzerinde de ciddi etkiler yaratmıştır. 1982 ile 1984 yılları arasında gazetelerde neredeyse her gün en az bir sayfa banker haberlerine ayrılmış; bu dönemde bankerlerle ilgili üç film çekilmiş, şarkılar yapılmıştır. Ayrıca kriz, o dönemde sorgulanamaz bir konumda olan askeri cunta hükümetinin ekonomi kurmaylarının istifasına yol açmıştır. Hem filmlerde hem de kamusal yaşamda banker imgesi kalpazan ya da dolandırıcı olarak yansıtılmış ve bu durum finansal sisteme duyulan güveni doğrudan zedelemiştir. Kriz sonucunda en az iki banker öldürülmüş, yaklaşık on banker yurtdışına kaçmış, birçok banker ise tutuklanarak hüküm giymiştir (Asomedya, 2001). Krizin dönemin GSYH'sinin yaklaşık %2,5'i kadar bir finansal kayba yol açtığı tahmin edilmektedir (Caprio ve Klingebiel, 1996, s. 17, 32). Kriz bankacılık sektörünü doğrudan etkilemiş; sonraki yıllarda altı bankanın kapatılmasına veya daha büyük kurumlarla birleşmesine neden olmuştur. Mevduat sertifikaları uygulamadan kaldırılmış ve bir daha sektörde kullanılmamıştır.

Bu çalışma, Türkiye'de 1960-1980 planlı döneminde uygulanan bankacılık ve finansal ekosistem pratiklerinde krizin yapısal köklerini arayarak bankerler krizini incelemektedir. Banker krizinin denetim ve yönetişim eksikliğinden kaynaklandığı yönündeki (Coşkun, 2012; Karacan, 1996; Erdoğan, 2002; Parasız, 2000; Eğilmez, 2019; Ertuna, 1986) anaakım görüşe karşı olarak, bu çalışmada krizin küresel ve yerel finansal yapıya içkin nedenlerinden kaynaklandığını ve dönemin politik ekonomisinden doğrudan etkilendiğini savunuyoruz. 1960-1980 döneminde Türkiye'de bankacılık sektörünün dönüşümü, finansal tabanın genişletilmesi ve kalkınmanın finansmanı doğrultusunda şekillenmiş; bu süreçte Tasarruf Bonoları devletin, Tahvil ve Bonolar şirketlerin, Mevduat Sertifikaları ise bankaların yükümlülük yönetimi ve bilanço büyütme araçları olarak ortaya çıkmıştır (Akyüz, 2023). Bu araçlar, bankerler piyasasında yaygın biçimde kullanılarak 1980'lerde yaşanacak olan krizi tetikleyen temel finansal mimariyi hazırlamıştır. Finansallaşmanın ilk evresi, Beck ve Knafo'nun (2020) ve Knafo'nun (2013) işaret ettiği gibi, finansal aktörlerin alternatif para piyasalarına erişimiyle kazandıkları özerklik ve bu özerkliğin bilanço büyümesiyle birleşerek yarattığı sistemik kırılganlıklarla tanımlanmaktadır. Bu kırılganlıkların ampirik bir karşılığı, Dutta'nın (2020) İngiltere'deki Secondary Banks Crisis üzerine yaptığı çalışmada da ortaya konmuştur. Türkiye örneğinde olduğu gibi, bu tür inovatif araçların neden ve nasıl ortaya çıktığı, sadece finansal sektörün dinamizmiyle değil, aynı zamanda gelişmekte olan ülkelerin yapısal sınırlarıyla ilgilidir.

Akyüz'ün (2023) vurguladığı bilanço büyütme güdüsü, kredi yaratım kısıtlarına sahip bir sistemin içsel sınırları aşma çabasının ürünüdür. Bu çerçevede, Düzçay'ın (2022) kredi yaratım kapasitesini para hiyerarşisi ile ilişkilendirdiğiyaklaşımı, gelişmekte olan ülkelerin uluslararası parasal hiyerarşideki alt konumları nedeniyle sürdürülebilir kredi sistemleri kuramadığını gösterir. Nitekim, "kendi parasında dış borçlanamama" durumu, bu ülkelerin kredi yaratım kapasitelerini doğrudan sınırlandırmakta; bu da, Eichengreen ve arkadaşlarının (2003:3) belirttiği gibi, finansal sistemde istikrar sorunlarına ve kaynak tahsisinde verimsizliklere yol açmaktadır Bu çerçevede bankerlerin yükselişi, yalnızca finansal inovasyonların bir sonucu değil, aynı zamanda bu kredi yaratım kısıtlarının iç dinamiklerle aşılmaya çalışılmasının bir tezahürü olarak değerlendirilebilir. Bankerlerin kullandığı araçlar ve uygulamalar, Akyüz'ün belirttiği gibi devletin, şirketlerin ve bankaların farklı yükümlülük araçlarıyla geliştirdiği finansal derinleşmenin bir parçasıydı. Ancak bu araçların bankerler eliyle kontrolsüzce yaygınlaştırılması, sistemsel kırılganlıkları da beraberinde getirmiştir.

Bu dönemin arka planında, politika yapıcıların benimsediği belirgin bir "tasarruf takıntısı" yer almakta; tasarrufları artırma yönündeki söylem ve politikalar, halkın hızla mudi hüviyetine kavuşup gönüllü tasarrufları arttırma amacındaydı. Bu dönüşüm, bankerlerin de finansal araçlara erişimini kolaylaştırmış; gönüllü tasarruf seferberliği hedeflenirken, sistemde oluşan risklerin bir bölümü bankerlik faaliyetlerine aktarılmıştır. Bankerler bu yönüyle yalnızca bireysel piyasa aktörleri değil, aynı zamanda kredi yaratım kısıtlarını aşmak isteyen siyasi-ekonomik bir yapının sistemik uzantısı olarak ortaya çıkmıştır. Dolayısıyla bankerlerin doğuşu da, kriz üretici kapasiteleri de, mevcut makro-finansal çerçevenin kaçınılmaz bir sonucu olarak görülmelidir.

Ancak Düzçay'ın ve (Bezemer, 2014; Beck vd., 2012, p. 45) detaylandırdığı gibi kredi yaratım kısıtlarını iç dinamiklerle çözmeye çalışmak kredilerin üretken alanlara doğru vadede tahsisi ve derinleşmiş finansal sistemlere sahip olmadan fayda sağlayan bir unsur değildir. Nitekim uçtan uca incelediğimizde biriken risklerin bankerlerde realize olduğu ayrıca bankacılık sektörünün yapısının gereği ve politikaların sonucu olarak asimetri ve eksik finansmanı arttırıcı bir biçimde evrimleştiğini bu çalışmada doğruluyoruz.

Bu bağlamda, Akyüz'ün finansal araçlar üzerinden kurguladığı finansal derinleşme argümanları değerlendirildiğinde, yaşanan dönüşümün yapısal ve üretken bir derinleşmeden çok, finansal faaliyetlerin toplumsal tabana yayıldığı bir "yaygınlaşma" süreci olduğu görülmektedir. Artan şube sayısı, bireylerin bankacılık hizmetlerine erişimindeki yükseliş ve saklama-takas altyapısındaki gelişmeler bu yaygınlaşmayı göstermektedir. Ancak, kişi başına düşen aktifler veya banka varlıklarının GSYH'ye oranındaki kısmi artışlara rağmen, bu gelişmenin temel yapıda durağan ve genel ekonomi içerisinde etkin olmayan bir karakter taşıdığı açıktır. Zira Kalkınma Bankaları aracılığıyla yönetilen yurtdışı fonlar ve işçi dövizlerine dayalı Dövize Çevrilebilir Mevduat (DÇM) gibi uygulamalar, sistemin dışsal kaynaklar ve konjonktürel etkilerle oluşan kısmi büyümelere rağmen finansal sistemin derinliği halen tartışmalı bir gri noktada kalmıştır.

Aynı zamanda bu yaygınlaşma süreci, finansal sistemin giderek daha kaldıraçlı ve riskli çalışmasına; özkaynakların aşınmasına ve bankerler krizine doğru ilerleyen süreçte sistemik risklerin birikmesine yol açmıştır. Bu nedenle dönemin finansal dönüşümünü değerlendirmede sadece erişim göstergelerine değil, finansal sektörün fonlama kapasitesine ,yani kaynak yaratma ve yönlendirme yeteneğine, odaklanmak gerekmektedir. Böyle bir analiz, söz konusu büyümenin gerçek anlamda üretken sektörleri destekleyen bir derinleşme mi yoksa yüzeysel bir yaygınlaşma mı olduğunu ortaya koyacaktır.

Planlı dönem boyunca finansal sektörün fonlama yapısı incelendiğinde, sistemin kalkınmayı yönlendiren değil, ekonomik büyümeye eşlik eden bir karakter taşıdığı görülmektedir. Özellikle ticari bankaların kalkınma finansmanına katkısı sınırlı kalmış; birinci ve üçüncü kalkınma planları dönemlerinde gözlemlenen kısmi iyileşmeler dışında kayda değer bir yönlendirici rol üstlenilememiştir. Her ne kadar proje bazlı finansman yaklaşımı benimsenmiş olsa da, Türkiye Cumhuriyet Merkez Bankası'na yüklenen çelişkili görevler, teşvik politikalarındaki tutarsızlıklar, uygulayıcı kurumların çokluğu ve görev çakışmaları gibi kurumsal sorunlar bu süreci etkisizleştirmiştir. Ayrıca, sabit faizli orta ve uzun vadeli kredilerin yüksek enflasyon ortamında negatif reel getiri üretmesi, bankaların bu tür kredilere yönelik isteksizliğini pekiştirmiştir.

Bu yapının sadece sektörel değil, mekânsal boyutta da eşitsizlik ürettiği anlaşılmaktadır. 1960–1980 döneminde baskın bankacılık modeli olan şube bankacılığı çerçevesinde, bankalar arası ürün ve fiyat rekabeti son derece sınırlı kalırken, şube açılışları üzerinden yürütülen mekânsal rekabet stratejileri hem bölgesel eşitsizlikleri derinleştirmiş hem de sektördeki yoğunlaşmayı artırmıştır (Özbek, 2002). Lisanslı banka sayısındaki sınırlı artış ve sektör dışına çıkışın güçlüğü, mevcut bankaların pazar paylarını korumasına ve yapının tekelci rekabete evrilmesine neden olmuştur.

Tekelci rekabet olarak niteleme sebebimiz ise benzer büyüklükteki aynı hiyerarşideki bankaların benzer banka grupları ile rekabette bulunmaları ve hatta sonradan kriz sürecinde göreceğimiz gibi Bankerlerin de nispeten küçük banka grupları ile rekabete başlıyor olmasıdır.Bu tekelci yapının en belirgin boyutlarından biri, özel mevduat bankalarının büyük sanayi gruplarıyla organik bağlara sahip olmasıdır. "Holding bankacılığı" olarak tanımlanan bu yapı, finansal kaynakların grup içi aktarımına, likiditeye daha kolay erişime ve grup düzeyinde kâr optimizasyonuna imkân sağlarken, aynı zamanda piyasa içi rekabeti zayıflatmış ve kaynakların etkin olmayan biçimde tahsisine neden olmuştur(Marois, 2012). Bu süreçte özel bankalar, kamu bankalarına göre operasyonel anlamda birçok üstünlük elde etmiştir. Kamu bankalarının üstlendiği görev zararları onları rekabet açısından zayıf düşürürken, özel bankalar özellikle sanayi sermayesiyle iç içe geçmiş yapıları sayesinde sistemde belirleyici aktörlere dönüşmüştür. Bankacılık Kanununda yer alan eksiklikler de bu yapıyı güçlendirmiştir. Bankaların kendi iştiraklerine kredi verirken herhangi bir sermaye sınırlamasına tabi olmamaları, fonların grup içi aktarımını kolaylaştırmış; orta ve uzun vadeli kredi ihtiyaçlarının dolaylı biçimde karşılanmasını mümkün kılmıştır. Bu durum, finansal sistemdeki yönlendirme kapasitesinin zayıf, iç içe geçmiş çıkar ilişkilerinin ise güçlü olduğu bir yapı üretmiştir.

Bankacılık sektöründeki yapısal sorunların en temel etkisi, mevduat temelli rekabetin finansal piyasalarda hız kazanmasına yol açarken, aynı zamanda eksik ve asimetrik finansman yapısı nedeniyle reel sektöre yeterli kaynak aktarılamaması olmuştur. Özellikle 1970'lerin başlarından itibaren, firmalar geleneksel bankacılık kanallarıyla ihtiyaç duydukları fonlara ulaşamayınca tahvil ve hisse senedi ihracı yoluyla alternatif finansman arayışına girmişlerdir. Ancak bu girişimler, holding bağlantısı olmayan ve bankalarla güçlü ilişkiler kuramayan küçük ve orta ölçekli firmalar açısından sınırlı kalmış; bu boşluğu dolduran ise bankerler olmuştur. Bankerler, özellikle sermaye yapısı zayıf firmaların menkul kıymet ihracı faaliyetlerini üstlenmiş, zamanla bu firmalara doğrudan kredi vermeye başlamıştır. Faaliyetlerin tam boyutu belgeye dayalı olmasa da, güçlü anekdotsal kanıtlar bankerlerin, resmi bankacılık sistemine erişimi sınırlı kesimlere önemli finansman sağladığını ortaya koymaktadır. Böylece bankerler, planlı dönemin sonlarına doğru finansal sistemin dışında kalan ancak reel sektörün finansman ihtiyacını karşılayan yarı-formal aktörler olarak konumlanmıştır.

Ancak bu noktada, düzenleyici çerçevenin yetersizliği kritik bir sorun haline gelmiştir. Bankerler, karşılıklandırma mekanizmaları, sermaye yeterliliği kuralları ve likidite yönetimi düzenlemelerinden mahrum kalmış; resmi bankalar arası piyasalara ve merkez bankasına likidite erişimleri bulunmamıştır. Bu durum, sistem dışı bu yapıların üzerinde aşırı risk birikimine neden olmuş ve nihayetinde finansal istikrar açısından ciddi tehditler doğurmuştur.

Biriken risklerin neden kriz anında açığa çıktığı ise ayrı bir önem taşımaktadır. Risklerin artışına paralel olarak, Türkiye'de 24 Ocak Kararları ve ardından 12 Eylül Darbesi ile hızlı ve köklü bir paradigma değişimi yaşanmıştır. Finansal serbestleşmeler ve pek çok alanda deregülasyonlarla birlikte dışa açılma politikaları, emeğin ve devletin ekonomideki rolünün kısıtlandığı, özel sektör ve piyasa dengesinin ön plana çıktığı bir dönemin kapısını aralamıştır. Ancak krizin temel unsuru olan Mevduat Sertifikaları, bu serbestleşmelerin bankacılık alanındaki yansıması olarak Temmuz Bankacılığı uygulamaları ile hayata geçirilmiştir. Aynı kararlar, faiz oranlarının serbestleşmesini de içermiştir. Bu gelişmeler yalnızca bankalar arasında değil, bankerlerle bankalar arasında da rekabeti zirveye taşımıştır. Artan faiz oranları özellikle sınırlı finansmana erişebilen holding dışı sermayesinin kaynak bulmasını daha da zorlaştırmıştır. Sonuçta bu gruplar giderek bankerlerden daha fazla kredi talep etmeye başlamıştır. Aynı zamanda para politikası sıkılaştırılmış, piyasada likidite darlığı yaşanırken hükümet mevduatların artırılması yönündeki baskıyı sürdürmüştür. Mevduatlardaki sert artışlar ise erken uyarı sinyali olarak algılanmamıştır. IMF programları kapsamında oluşturulan politika çerçevesi ise ne erken müdahaleye istekli ne de yeterli olmuştur.

Paradigma değişimi ve bankerlerin ortaya çıkışı, ürünlerinin bankacılık sektörü üzerindeki etkileri ve taşıdıkları riskler değerlendirildikten sonra, bankerlerin yapısını izole biçimde ele almak; sürecin ortaya çıkardığı yapısal risk ve açıklıkları daha net görmeyi mümkün kılacaktır. Bankerler, ticari hayatta bireysel tefecilik ve gayriresmî kredi piyasaları gibi biçimlerde zaten varlık gösterirken, tasarruf bonolarının kullanılmasıyla sermaye piyasası araçlarını işlemeye başlamış ve bu faaliyeti temel iş kolu haline getirmişlerdir. Sermaye piyasalarının henüz kurumsallaşmadığı bir dönemde, ikincil piyasa işlemlerinin neredeyse tamamı bankerler aracılığıyla gerçekleştirilmiştir. Sosyolojik açıdan bankerlerin, büro tüccarları veya ticari aracılar gibi yapılar içerisinde şekillendiği; müşteri profilleri nedeniyle özellikle Ankara'da yoğunlaştıkları gözlemlenmiştir.

Klasik literatürün aksine bankerleri homojen bir grup olarak değerlendirmek yerine, "borsa bankerleri" ve "piyasa bankerleri" şeklinde ayrıştırmak daha açıklayıcıdır. Borsa bankerleri operasyonel ölçek olarak küçük bankalarla karşılaştırılabilir seviyeye ulaşmış; araştırma, denetim ve hazine yönetimi gibi işlevlerini geliştirmiştir. Ancak bu aktörler, bankalara uygulanan karşılık ayırma ve kredi sınırlamaları gibi düzenlemelerin dışında tutulmuş; Bankacılık Kanunu kapsamı dışında oldukları için birçok vergisel yükümlülükten de muaf kalmışlardır. Öte yandan piyasa bankerleri daha küçük ölçekli faaliyet göstermiş, teminat yapıları ağırlıklı olarak şahsi teminat mektupları ve çeklere dayandığı için daha yüksek risk taşımıştır. Toplumdaki banker algısı da esasen bu ikinci gruba dayanmaktadır.

Bankerlerin operasyonel yapısı ve kâr elde etme yöntemleri incelendiğinde, bankalardan iskonto yoluyla satın aldıkları mevduat sertifikalarını alım-satım yoluyla elden çıkararak komisyon geliri sağladıkları; ayrıca bu araçlara ait kuponları ayrı olarak pazarladıkları, müşterilere kuponların gelecekteki ödemelerine karşılık avans ödemeleri yaparak vadeleri kısalttıkları ve bu menkul kıymetleri teminat göstererek formel bankacılığa erişemeyen kesimlere kredi sağladıkları anlaşılmaktadır. Ancak bankerlerin yasal yapılarının belirsizliği, likidite riskine karşı koruma sağlayacak kurumsal araçlardan yoksun olmalarına yol açmıştır. Likidite talebi oluştuğunda ödemeleri kendi rezervlerinden karşılamak zorunda kalan bankerler, bankaların aksine merkez bankası veya para piyasalarından borçlanma imkânına sahip değillerdi. Bu durum, bankerleri yüksek likidite riskiyle karşı karşıya bırakmıştır.

Literatürde banker yapısı sıklıkla Ponzi şeması olarak değerlendirilse de bu tanımlama tam anlamıyla doğru değildir. Bankerlerin sattığı mevduat sertifikaları bankalardan, hisse senetleri ise reel sektörden temin edilmekte olup, nihai risk menkul kıymeti ihraç eden kurumda kalmaktadır. Nitekim menkul kıymetler vadeye kadar tutulduğunda anapara ve faiz ödemeleri eksiksiz yapılabilmektedir. Bankerlerin müşterilere sözlü olarak verdiği faiz taahhütleri ise yasal bağlayıcılıktan yoksundur. Ancak bankerleri riskli hale getiren temel unsur, bu menkul kıymetlerin vadelerinin kısaltılması eğilimidir. Aylık ödemeli yıllık vadeli sertifikalar ya da kuponların önceden ödenmesi gibi uygulamalar, bankerlerin ciddi bir vade uyumsuzluğu içinde faaliyet göstermesine yol açmış ve sürekli nakit akışı ihtiyacını zorunlu kılmıştır. Tüm bu risklere rağmen, banker şubeleri günlük net nakit girişi sağladığı sürece sistem görünürde sorunsuz işlemekteydi. Ancak bu yapının sürdürülebilirliği, yeni fon girişine ,yani yeni menkul kıymet satışlarının, bağlıydı ve banka hücumu yaşanmaması gerekiyordu. Dolayısıyla, sistem başlangıçta teknik olarak bir Ponzi şeması olmasa da likidite riskine karşı korumaları zayıf bir sistem hüvetindedir. Yapısal özellikler çerçevesinde krizin gazete haberleri ve resmî belgeler ışığında anbean incelenmesi, yaşananların herkesin yaklaşmakta olduğunu bildiği bir "kırmızı pazartesi" senaryosuna karşılık geldiğini ortaya koymaktadır. İlginç olan, krizi bankacılar veya politika yapıcılardan önce fark eden kişinin, yurt dışına çıkışıyla krizi fiilen başlatan Banker Kastelli olmasıdır. Kastelli çalışma genelinde de piyasanın en büyük temsilcisi olarak çoğu mikro vaka incelemesine konu edilmiştir.

Kriz anı, klasik bir "bank run" yani mudilerin nakit çekimi için banker şubelerine hücum ettiği durumdur. Kastelli'nin, formal bankacılık sisteminin sunduğu likidite kaynaklarına erişememesi nedeniyle piyasadaki yoğun rekabeti sürdüremeyeceğini öngörerek yurt dışına çıkması, bank run'ı tetiklemiştir. Kastelli'nin kaçışından hemen önce bankerlerin bankalarla olan rekabeti en üst düzeye ulaşmıştır. Ancak kendi likidite sınırlarını ve sistemin sürdürülemezliğini gören Kastelli, piyasada normal faaliyetle bu baskıyı kaldıramayacağını fark etmişti. Düzenleyici kurumların tasfiye tutanakları ise, sistemde vadelerinde ödenemeyecek herhangi bir yükümlülüğün bulunmadığını ve tüm taahhütlerin zamanla karşılandığını göstermektedir. Kastelli'yi zorlayan esas unsur, başka likidite kaynağı olmaksızın, yeni ürün satmadan vadesi gelmeden yapılacak nakit çekim taleplerini karşılayamamasıydı. Bu durum bankerlik sisteminin sürdürülebilirliğinin yeni fon girişlerine ve güvene dayalı kırılgan doğasını açıkça ortaya koymaktadır. Ek olarak bu kısıtlı likidite sorununu çözmek ve faiz geliri edinmek için kredi tahsisi yaptığını da tespit ettiğimiz Kastelli'nin sunduğu kredilerin riskli kişi ve kurumlara yetersiz teminat yapısında açıldığını gördük. Bu krediler sebebiyle artan gecikmiş veya NPL statüde kredilerinin de Kastelli'yi daha da dar bir hareket alanına ittiği görülebilir.

Çalışmada ayrıntılı biçimde gösterildiği üzere, Banker Krizi, piyasanın tarihsel gelişimi, siyasi-ekonomik ve makro-finansal çerçeve içinde analiz edilmiştir. Bankerlerin içinde doğduğu makrofinansal ortamın yapısı, işleyiş modelleri ve likidite riski yönetim araçlarının yokluğu, krize yol açan temel faktörlerdendir. Dönemin finansal liberalleşmesi, bankerlerin mevduat toplama olanaklarını artırırken, risklerini de büyütmüştür. Genellikle 24 Ocak kararlarıyla özdeşleştirilen finansal serbestleşme, aslında planlı dönemlerde başlamış ve "Temmuz Bankacılığı" uygulamalarıyla görünür olmuştur. Bankerler bu sistemde faaliyet gösterirken, düzenleyici otoriteler bankerlerin bankalardan farkını kavrayamamış ve onları uygun yasal çerçeveye oturtamamıştır. Alınan önlemler hem geç hem de yetersiz kalmıştır. Dönemin siyasi ekonomisi, bazı bankerlerin batmasına bilinçli olarak izin vererek krizi kontrol etmeyi tercih etmiş ve Türkiye ilk finansal serbestleşme kaynaklı krizini yaşamıştır. Analizimizin özünde, bu krizin sıkı para politikası, sınırlı likidite ve kısıtlı finansmana erişimin yanı sıra ilk finansal serbestleşme hamleleriyle birleşmesinden doğduğu anlaşılmaktadır. Kriz, karar alıcıların hatalı ve kısa vadeli yaklaşımlarının doğrudan sonucudur. Bankerlerin işleyiş ilkeleri doğru anlaşılamamış; dönemin siyasi ekonomisi, hem kriz ortamını hazırlamış hem de etkin müdahalede bulunamamıştır.

Bu çalışma, planlı dönem bankacılığı ve Banker Krizi üzerine literatüre temel teşkil edecek tez ve analizler sunmakta; ileride yapılacak araştırmalar için önemli olanaklar yaratmaktadır. Çalışmada kısmen değinilen şube bankacılığı ve holding bankacılığı uygulamaları daha geniş bir tarihsel çerçevede incelenebilir; ticari bankacılık sektörünün oluşumuna ilişkin önemli bilgiler sağlayabilir. Ayrıca döviz tevdiat hesapları uygulamaları, göçmen işçilerin bu uygulamalara sosyolojik tepkileri ve ödemeler dengesi krizlerindeki işlevleri üzerine yapılacak araştırmalar da değerli katkılar sunabilir. Tüm bu uygulamalar gelişmekte olan ülkelerin kredi yaratma kapasitesi sınırları içinde gerçekleştiği için, Türkiye ve benzeri ülkelerin bu sınırların etkisini nasıl yaşadıkları da önemli bir araştırma alanıdır. Bu çalışma bankerleri genel hatlarıyla incelemiş olsa da, bireysel banker vakalarının derinlemesine analiz edilmesi literatüre daha zengin katkılar sağlayacaktır.

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