

ABSTRACT

TURKEY PARTICIPATION IN THE BANKING SECTOR AND THE IMPORTANCE OF PLACE

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Interest free banking experiencing a major development process in the world was first practiced in 1970s and first implemented in Egypt in 1976. While participation banks having become widespread under the name of “Interest free banking” were active in Muslim countries at first, it has gained a considerable function all over the world in terms of satisfying various needs today. Interest free banking system was introduced to our economic life through a law enacted in 1983, approximately 30 years before. The first interest free bank was founded under the name of “Private Finance Institution” based on the decree with power of law and the name of these institutions was changed as “Participation Banks” later on due to an amendment in the banking law numbered 5411 and it has reached its current position as a result of its always developing form.

Participation banks gained a great momentum especially after 2001 in our country and are able to compete with commercial banks today. The fact that participation banks abide by Banking Laws and have equal rights with commercial banks in terms of legislation has played a great role in this development. This study focuses on the place of participation banks in the Turkish banking system, their relations with other banks in the system and presents their behavior in the current competitive environment comparatively and it is aimed to enlighten participation banking developed as a result of the need for the evaluation of savings and financial integration throughout the world.

Key words: participation banks, Interest free banking.