Chapter 9

Do Financial Investment Decisions Affect Economic Development? An Analysis on Mortgage Loans in Turkey

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ABSTRACT
The purpose of this chapter is to determine whether mortgage loans have an influence on economic growth in Turkey. In this context, as the variable of the mortgage, the ratio of the mortgage loans to the total loans is taken into consideration. Also, the increase ratio in GDP is used as an economic growth variable. In addition to this situation, quarterly data of these variables for the periods between 2005:1 and 2017:3 is examined. On the other hand, Engle-Granger cointegration analysis is considered in this study in order to reach this objective. In the analysis process, firstly, the variables are subjected to the ADF unit root test, and it is understood that both variables become stationary by taking first order differences. It is identified that there is a long-term relationship between mortgage loans and economic growth in Turkey. By considering these results, it is recommended to encourage mortgage loans in order to increase economic growth.

INTRODUCTION
Credit; the meanings of trust, respectability and reputation from other languages are derived from general words. Today, the loan is used to lend money to a person upon request. In other words, it means accepting to give a trade to the other party, provided that the money is provided later. The reputation of the counterparty plays an important role in the credit as it is important for everyone to be a respected
person, while giving a person a loan. In other words, the reputation and dignity of a person in the market is also called the as credibility of that person (Yuksel et al., 2016).

It is possible to classify loans in two different groups as cash and non-cash loans according to their qualifications. While cash loans have a system based on interest and commission, interest rate on non-cash loans is not available (Dinçer et al., 2016). In this system, banks can only receive commissions. Loans according to their maturities are divided into 3 groups: short-term, medium-term and long-term. On the other hand, it is possible to classify the loans in two different groups according to the purpose of the loan (Yüksel, 2017).

Mortgage loans, which are also referred to as housing loans, which are part of the consumer loans group, are called loans that individuals who do not have sufficient experience but who want to own a home have requested under certain conditions determined by the banks. In other words, in the course of the mortgage loan, the customer buys the house with the credit used from the bank (Yüksel & Zengin, 2017). Thereafter, the bank has a mortgage on the purchased house until the customer has completed his credit debt to the bank. In this context, if the loan debt is not paid to the bank, the bank has the right to sell this house through the mortgage (Zengin & Yüksel, 2016).

Being a home owner is one of the main problems for individuals with housing problems. Since the housing contains a high value, it is possible for people to save money by saving for years, borrowing from their immediate surroundings or owning property by inheritance. In this context, mortgage loans are considered to be beneficial to the economic growth of the country. On the other hand, in case of uncontrolled loans, it was observed that in 2008 a worldwide crisis was caused (Dinçer & Yüksel, 2018; Yüksel, 2016).

Parallel to the issues listed above, this study examines whether economic growth is the impact of housing loans granted in Turkey. In this context, 3-month data in the period between 2005: 1-2017: 3 were included in the study. The ratio of housing loans to total loans was used to represent the housing loan variable. In addition, in the context of economic growth, the rate of increase in GDP compared to the previous period is taken into consideration. On the other hand, Engle-Granger co-integration analysis was used to achieve this aim.

The study consists of 4 different sections. In the first part of the study, information about the concept of credit in the banking survey is given. In this framework, the definition of the loan was made first. After that, information on different types of credits is given. For this purpose, loans; They are classified according to their qualifications, maturities and purpose. In the second part of the study, the relationship between housing loans and economic growth is discussed. In the relevant section, housing loans were firstly detailed. In this context, the definition of housing loans, legal dimension, housing finance systems and types of housing loans are explained. Then, in the world and in Turkey were informed about the development of housing loans.

In the third part of the study, literature reviews on housing loans were shared. In this context, first of all, some studies on housing loans in the national literature were discussed. Following the mentioned issue, the relevant section also includes selected international studies. Following the elaboration of these similar studies examining the issue of housing loans, the missing point about this issue has been determined in the literature.

In the last part of the study, an application was made on the Turkish banking sector in order to determine the relationship between housing loans and economic growth. In this context, firstly data sets and variables, followed by information on Engle-Granger co-integration analysis used in the model. Then,