

Politics of Household Indebtedness in Türkiye

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Berkay Ayhan - Ahmet Ulcay

Research Design

Qualitative Data

- ▶ Grand National Assembly of Turkey Minutes
- ▶ Election Manifestoes of Major Political Parties

Quantitative Data

- IMF Global Debt Database
- World Bank Global Findex
- TurkStat Survey on Income and Living Conditions
- CBRT Household Finance and Consumption Survey

Literature

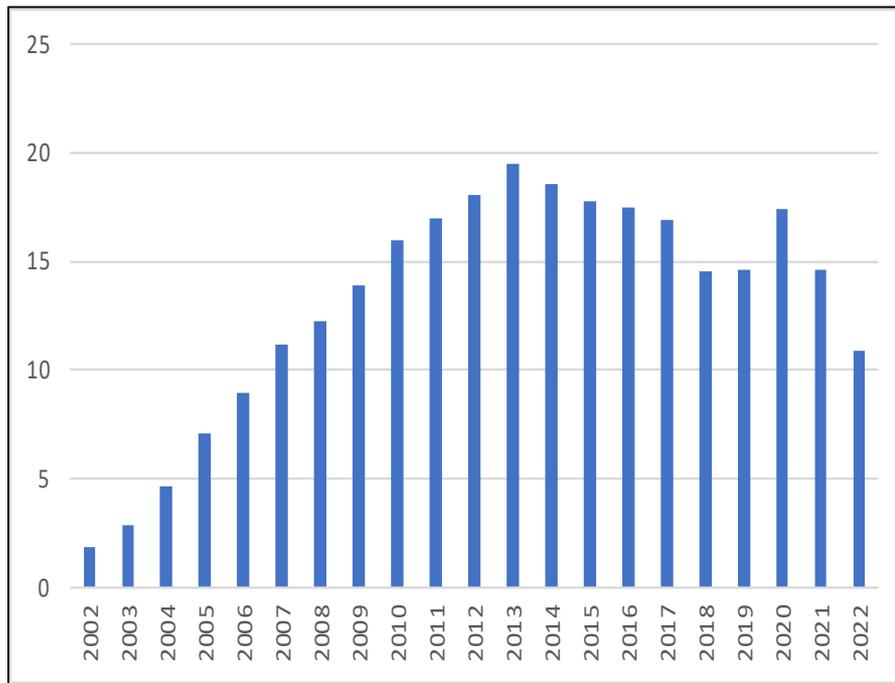
- ▶ Forced indebtedness of low income groups due to changing consumption patterns, labour market conditions, and welfare reform (Karaçimen, 2014)
- ▶ Financial inclusion as a compensation mechanism in context of neoliberal populism (Akçay, 2019)
- ▶ Turkey's debtfare state (Güngen, 2021) and authoritarian debtfarism (Doğru, 2023)
- ▶ Banks becoming our family (Kılınçarслан, 2024)

Main Argument

- ▶ AKP governments have *benefited* from household debt via micro-level household wealth/debt accumulation for its macro-level economic implications for the construction-led, credit-dependent economic growth model
- ▶ Household debt has *negative and destructive* societal consequences such as bankruptcies, divorces, suicides
- ▶ Opposition parties utilized *household debt alleviation* as an election promise in the 2023 general elections

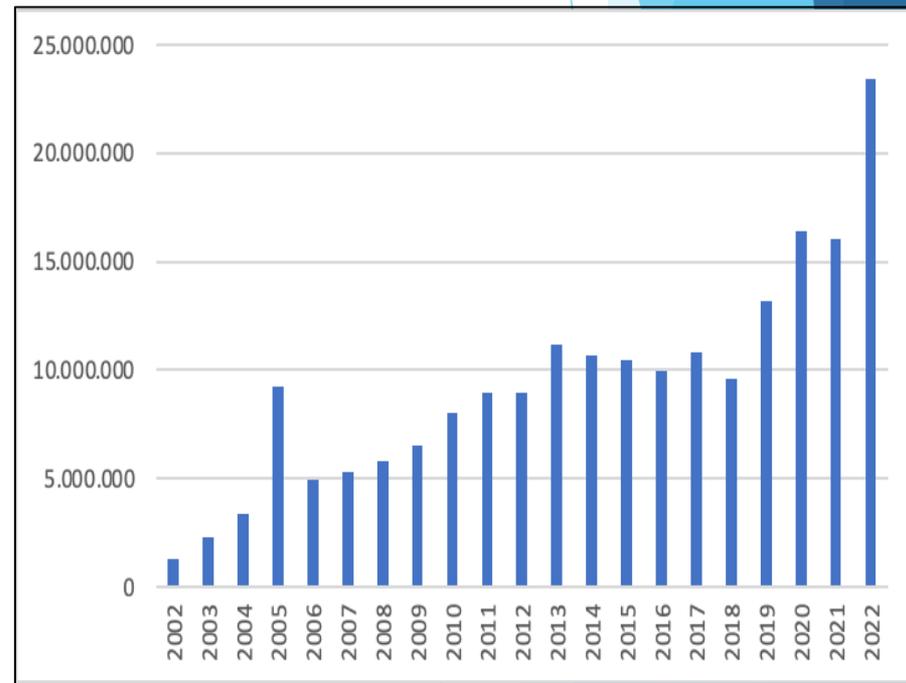
Household Debt | Macro-level

Figure 1 | Household Debt / GDP



(Source: IMF Global Debt Database)

Figure 2 | # of Individuals Using Consumer, Car and House Credit



(Source: Banks Association of Turkey)

Financial Inclusion and Household Debt

Table 1 | World Bank Findex Data, Turkey

Survey Year	Adult Population	Financial institution account (% age 15+)	Owns a credit card (% age 15+)	Saved any money (% age 15+)	Saved at a financial institution (% age 15+)	Borrowed any money (% age 15+)	Borrowed from a formal financial institution (% age 15+)	Borrowed from family or friends (% age 15+)
2011	52869660	58%	45%	n.a.	4%	n.a.	5%	43%
2014	56091336	57%	33%	41%	9%	61%	36%	29%
2017	59612044	68%	42%	39%	23%	59%	43%	28%
2021	64146560	73%	33%	20%	10%	65%	38%	41%

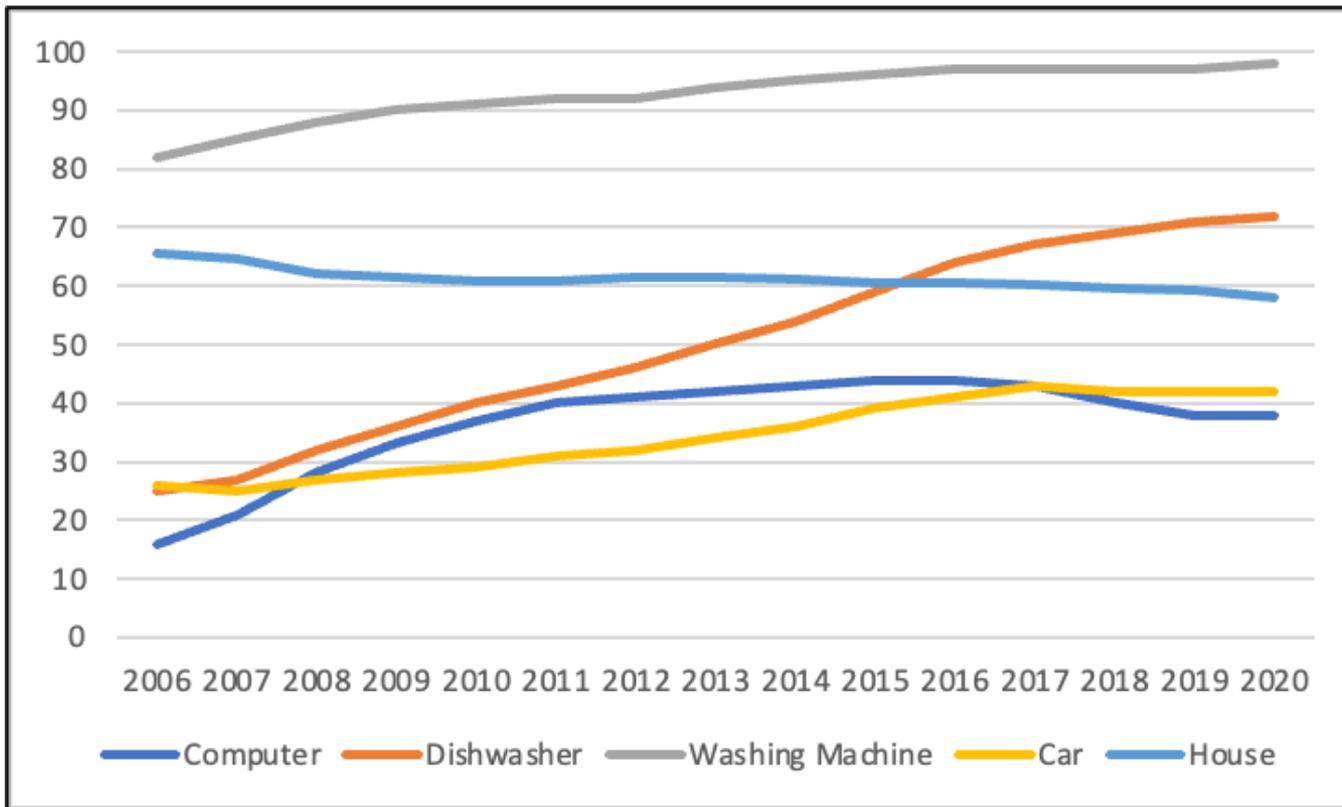
(Source: World Bank, Global Findex)

Household Debt Dynamics

- ▶ ***Gender:*** There is a significant *gender discrepancy* where males are more financially included through credit card ownership and more indebted.
- ▶ ***Age:*** The youth (ages 15-24) are less incorporated into the system than adults (ages 25+)
- ▶ ***Education:*** Debt and credit card ownership are more significant in those with secondary education or more compared to individuals with primary education or less
- ▶ ***Income:*** Low-income groups borrow as a substitute for weak welfare regime while wealthier groups use borrowing as an investment strategy
- ▶ ***Labour Force Participation:*** those in the labour force tend to have much more access to credit cards and debt than those outside.

Household Debt / Asset Accumulation

Figure 3 | TurkStat Survey on Income & Living Conditions 2006-2020



(Source: Turkstat)

Destructive Consequences of Household Debt

- ▶ *“Our people are promoted going into more and more debt. They sell their assets, their wife’s bracelet, or borrowing from relatives to pay back. They take out loans from a bank to cover another debt. They end up in the hands of loan sharks while trying to escape from banks. Some choose illegal and unethical ways like robbery, murder, selling their kidneys. Bankruptcies, suicides, divorces increase. Some of them go crazy and kill their family and then commit suicide. Two years ago, a policemen in TBMM committed suicide because of debt... Dear MP friends, are we not responsible for these suicides? The government? The banks?”*
- ▶ Osman Kaptan, Republican Peoples Party, February 20, 2008, TBMM Minutes, 23rd Term, 2nd Legislative Year, 67th Session

Who is Responsible?

Opposition Perspective

- ▶ *“This business is so lucrative that they are distributing credit cards on the streets. Moreover, while marketing, they say that ‘we won't charge fees.’ Somebody has to say ‘stop’ to this robbery, this profiteering, in other words, this wild capitalism of the banks. Grand National Assembly of Türkiye is the place to say ‘stop,’ dear members of the parliament”*
- ▶ Mehmet Serdaroğlu, MHP, January 6, 2009, TBMM Minutes, 23rd Term, 3rd Legislative Year, 40th Session

Who is Responsible?

Government Perspective

- ▶ *“Dear friends, credit cards are loans from a contract between banks and citizens. Previously, we made regulations on this. But we cannot force banks in any way. When they want to, banks could sit down with the indebted party and restructure interest and maturity without requiring a law. Look, there is no legal barrier to this now. Why? Ultimately, it is a private contract, a contract between the bank and the consumer”*
- ▶ Mehmet Şimşek, AKP, December 22, 2010, TBMM Minutes, 23rd Term, 5th Legislative Year, 39th Session

Election Promises

- Nationalist Action Party's → 'Exit from Debt Spiral Project'
- Peoples Democratic Party's → 'Debt-Free Life Program'
- Republican Peoples Party → 'build an economic structure based on high income, saving, and production instead of forced indebtedness and consumption through debt'

Towards 2023 General Elections

- ▶ Student Debt

“I am addressing the youth: Do not pay your interest incurred KYK debt! We will arrive at government within a year. As I promised, you will be only asked to pay the principal, and only after you find employment” (Kılıçdaroğlu, July 19, 2023)

- ▶ Registry Amnesty

- ▶ Credit Card Promise

“Dear citizen, I know that you are trying to make ends meet through debt. Once I arrive at government, I will create a definitive solution for individual credit card debts. Our country’s treasury will take over your credit card debts -accumulated due to the economic crisis caused by Erdoğan- from banks. Interest incurred on credit card debt will be completely deleted and the principal will be paid in 36 installments” (Kılıçdaroğlu, May 25, 2024)

Conclusion

- ▶ *Financialization* of Türkiye's economy has introduced consumers to consumer credit, credit cards, and mortgages throughout the 2000s
- ▶ While most debtors are low-income and wage labourers using credit as a *substitute for the weak welfare regime*, debt is also utilized by *wealthier groups as an investment strategy* to build assets
- ▶ Household indebtedness also made the incumbent government *vulnerable*, due to numerous debt-fuelled societal problems like bankruptcies, suicides, and divorces
- ▶ The opposition not only narrates these problems but also identifies the *government's ultimate responsibility* and devises policy solutions to alleviate the economic conditions of indebted groups

Acknowledgement

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- ▶ Please follow our research findings at:
- ▶ <https://household-debt.com/>
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