

The Effect of Financial Pressure on the Banking Lending Policy: A Review under the 2008 Global Crisis on the Turkey

Ekrem ERDEM*

M. Fatih İLGÜN**

Cüneyt DUMRUL***

Abstract

The global financial crisis in 2008 has affected economies in many aspects. Besides the devastating effects of the crisis on banks, expansionary policies have been revived in consequence of economic recession. On the other hand, the recovery packages for financial sector have imposed a burden on public finance and therefore have increased borrowing requirement. Consequently, the interaction between the balance of public finance and the changes in structure of banking system has become more important within the context of global crisis. This paper investigates the association between bank's lending strategies and financial instability in Turkish economy using ARDL approach to co-integration. The empirical results suggest that financial instability lead to change the lending structure of banking sector for public sector in Turkish economy.

Key Words: *Global Financial Crises, Financial Instability, Public Finance, Banking System, Bound Test.*

JEL Classification: *H63, E44*

- This paper is written in Turkish original

* Prof. Dr. Erciyes Üniversitesi, İktisadi ve İdari Bilimler Fakültesi, İktisat Bölümü

** Yrd. Doç. Dr. Erciyes Üniversitesi, İktisadi ve İdari Bilimler Fakültesi, Maliye Bölümü

**** Araş. Gör. Dr. Erciyes Üniversitesi, İktisadi ve İdari Bilimler Fakültesi, İktisat Bölümü