

The Effect of Interest Rates on Consumer Credit in Turkey.

Mustafa IBICIOĞLU*
Mehmet Baha KARAN**

Abstract

This paper investigates the effect of the variation in the interest rates on consumer credit. The interest rate plays the central role in the regression model as the main independent variable affecting consumer credit demand. The relationship between consumer credit and Istanbul Stock Exchange (ISE) national index as well as consumer confidence index is also investigated as these variables are considered to reflect the economic expectations.

It is concluded that consumer credit demand is sensitive to the variations in the interest rates based on the regression model using monthly data covering the 2004:4-2009:2 period. On the contrary, consumer confidence index and ISE national index are found not to have a statistically significant effect in explaining the variation in consumer credit.

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† *This paper is written in Turkish original.*

* *Expert, Central Bank of the Republic of Turkey
The views expressed in this paper are solely of the authors and do not necessarily reflect the views of Central Bank of the Republic of Turkey.*

** *Professor, Hacettepe University*