



EMERGING MARKETS JOURNAL

ISSN 2159-242X (print) ISSN 2158-8708 (online)

The Participation Banking As A Distinctive Method And The Its Growing In The Turkish Finance Market- Period: 2007-2013

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Volume 5 No 1 (2015) | ISSN 2158-8708 (online) | DOI 10.5195/emaj.2015.73 | <http://emaj.pitt.edu> |

Abstract

Financial systems and companies has become the most important reason in the weakness of world economic system. The formation and development process of the financial structure also constitutes the infrastructure of the world economic system. The path of the financial system and development has led to discuss with the financial crisis in 2008-2011. One of the argument topic in order to reduce problems caused by the conventional banking system is alternative financing systems. In Turkey, the corporations based on profit share system which are named participation based banking attention, if the alternative banking systems are considered. These banks which settle on different principles in the risk distribution of the portfolio acquired are analyzed more nowadays. Participation based banks are placed in almost every regulation related to banking terms and get their legal infrastructure more stable in the banking legislation of Turkey.

This study is a 2007-2013 part of research series. We try to find out the place and the importance of participation based banking with the various sub-headings especially in Turkey. We examine the comparative review 2007-2013 data of participation banks which Total Assets, Equity Net Profit, Collected Turkish Currency and Foreign Currency Funds and Bank Loan Funds, figures for the four participation banks in Turkey. We are comparing the total figures with deposit banks for the same period.

One of our primary aim in this essay, to study in the framework of the alternatives of the financial companies and options. These options could be stated as a vibrant and viable well established choice as a non-western model- different from the classical western interest based leading banking system in the globe. Moreover, that participation banking systems' grow and increase with its resourceful bulk of transactions and shares within the financial market. In addition, we intended to delineate the basic functioning structures, rules, norms, principles, procedures, operations of that alternate banking system in the financial market.

Keywords: Bank, Finance Market, Finance Sector, Participation Bank, Islamic Bank, Interest Free Banking, Alternative Banking System



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Ferhat Sayim

Introduction

The set of governing principles for interest free banking in Turkey is dated as the end of the year 1983. With the decree dated 16.12.1983 and numbered 83/7506, the foundation of Private Finance Institutions is laid.

In Turkish their former name Private Finance Institutions, or with the new name, Participation Banks haven't authorized or empowered to collect deposits but receive fund through special current accounts or profit and loss participation accounts, and utilize fund through methods such as production financially assist, community of profit and loss, financial leasing, buying and selling documents against payment. Even if these institutions are have been permitted in Turkey since 1984, they have been limited in terms of both quantity and scale (Central Bank of Republic of Turkey, 2005).

Participation Banks are banks operating in financial sector, supporting real economy and offering banking service. Participation banks gather funds from saving owners, use them in industrial and trade sectors according to the interest free financing ethics and shares the profit or loss with saving owners. The word "participation" in their name expresses that this type of banking is based on the opinion of participation to profit and loss (The Participation Banks Association of Turkey-FAQ, 2010).

Participation banks provide as a means of transformation of saving to capital. Proportional to their advantage of working with a greater number of branches, they also give standard banking services such as investment consulting, safe deposit box, money transfer service, giving check book, mediating cash proceeds etc (Battal, 2007, p. 57). At present, diversity of such services given by participation banks is equal or similar to the standards of other banks.

Currently, in this article, we are going to elaborate as the unit of analysis, the Participation Banks, new financial instruments. In the middle of the first quarter of 21th century, there has been occurred a new World Financial Crises. In fact, those crises mainly influenced the capitals of the financial centre in the West. For those countries which heavily affected by this economic crises, forced

them look for new financial instruments and systems. For that reason, it led to the quest for other models, opportunities or proposals.

The fiscal and financial-economic crises, especially in the European Union Member States, it may be due to of the rigidity of Maastricht Euro criteria, is deepening and deteriorates further. So we think that it proves the need for penetrating new sort of financial innovations, techniques and tools. It is also our modest propositions that might be recorded some theoretical and practical contributions, revisions and amendments to overcome these current troublesome critical financial problematic.

One of our main aim in this paper, to study in the framework of the alternatives of the financial institutions and other options. These options could be asserted as a vibrant and practicable well established choice as a non-western model- different from the classical western interest based dominant banking system in the world. Moreover, that participation banking systems' growth, progression and increase with its resourceful bulk of dealings and shares within the financial market. In addition, we intended to delineate the basic functioning structures, rules, norms, principles, procedures, operations of the Alternate banking system in the financial market.

After that, we have applied as a descriptive, explanatory, discursive and comparative analytic methodology to expound the matter in factor. Having provided literature reviews then we have concentrated on Turkey as a model state in that banking system practice; at which, what kind of instruments and tools used by referring basic indicators, data and information related to the development, flourish and share of that sector within the sum of banking and financial system in Turkey.

Furthermore, that participation banking system positions has been researched in the country. Thus, it has been explicated more concerns on how it can be investigated by mentioning its credits, deposits, financing formulation systems and commitments with the banks, customers and investors of the alternate banking system in the country's financial order. At last, we have attempted to make clear and summarize the concepts, definitions, expositions, demonstrations, rules, assets, liabilities, equities etc.. by giving special cultural internalizations about the organizational and operational activities of the participation banks both similarities and differences, too; so as to draw the attentions of the new researchers and studies in that situation.

I.Participation Banking in The Literature

Banking methods of this system generally called "Islamic Banking" in the international literature. These banking operations are methods such as various kinds of project partnership and others based on prohibition of interest (Moles & Tery, 1999, p. 304). As Islamic banking is part of the banking system of a country, its performance may affect the soundness and stability of the banking system (Mariani; 2008, p.4). Islamic banks in general referred to

the three types of. (1) Development banks, (2) Islamic banks in special purpose, (3) Islamic Commercial Banks. Participation banks may categorized in Islamic Commercial Banks groups (Canbaş & Doğanlı, 2007, p. 237).

Moreover, for conventional banks with Islamic banking windows, the performance of these windows has certain influence on the performance of conventional banks (Mariani; 2008, p.4). Islamic bank works as a trading concern and financial intermediary to perform interest-free activities purely according to principles of Shariah. It is a welfare organization that promotes business and trade activities by pooling the financial resources for the sake of profit and loss for mutual benefit (Ahmad, Humayoun, & Hassan, 2010, p. 8).

Participation or Islamic banks are not institutions peculiar to Turkey. All around the world, especially in Muslim countries, there are many financial bodies operating according to a similar system. Even if the system consisting of such kind of institutions operating on the basis of enterprise of profit and loss is known as "interest free banking" or "Islamic banking" in the world, it is taken first as "special finance house", and then as "participation banking" in the Turkish set of laws.

The first modern experiment with Islamic banking can be traced to the establishment of the Mit Ghamr Savings Bank in Egypt in 1963. During the past four decades, however, Islamic banking has grown rapidly in terms of size and the number of players. Islamic banking is currently practiced in more than 50 countries worldwide. In Iran, Pakistan, and Sudan, only Islamic banking is allowed. In other countries, such as Bangladesh, Egypt, Indonesia, Jordan and Malaysia, Islamic banking co-exists with conventional banking. Islamic banking, moreover, is not limited to Islamic countries (Chong & Liu, 2009, s. 125-126).

There is no standard way of grouping Islamic Financial Institutions, but in terms of services rendered, today Islamic Financial Institutions can be divided into the following broad categories:(Al-Baraka; 2015)

- | | |
|--------------------------------------|--------------------------------|
| 1- Islamic Banks. | 2- Islamic Windows. |
| 3- Islamic finance/Investment Banks. | 4- Islamic Mortgage companies. |
| 5- Takaful Companies. | 6- Mudarabah Companies. |
| 7- Islamic investment funds | |

But, when we look at the books of financial institutions generally we can't see these institutions among the financial institutions (Rose & Marquis, 2009). (Burton, Nasiba, & Brown, 2009) (Mishkin & Eakins, 2009) On the other hand Islamic banks ability to withstand the global downturn has fuelled an expansion of Islamic finance around the world. Islamic banks have learned that customer

loyalty and brand loyalty must be earned (Omar & Ali, 2010, p. 25).

Therefore, the determination of the relative performance between Islamic banks, and between Islamic and conventional banks will assist policy makers in devising a strategy to improve the performance of a banking system in a country and help managers in the conventional banks that choose to have Islamic banking windows besides conventional banking to improve bank performance.(Mariani; 2008, p.4)

The Islamic banking and finance systems in West will continue to grow in areas like Sukuk, Takaful, hedging funds, mutual funds, equity & asset management, corporate finance, wealth and asset management. These high street banks are far more accessible and popular, and all offer similar services. The main reason for the struggle is that, the Islamic bank is introducing an entirely new banking model into a country that has been built around an existing banking system that has been around for a long time (Malik & Malik, 2011, p. 184).

The existence of differences in the operation of Islamic banking between countries is partly attributed to differences in the approach of regulating Islamic banks and differences in the interpretation of the Shariah related to financial transactions by different schools of Islamic jurisprudence. (Mariani; 2008, p.4)

Both mobilisation and investment of funds should be conducted in accordance with the principles of Islamic Shari'a".(Al-Baraka; 2015)

- Prohibition of Interest or Usury
- Ethical Standards
- Moral and Social Values
- Liability and Business Risk

Table-1: Comparison between Riba (Interest) and Profit

Riba(Interest)	Profit
1. When money is “charged”, its imposed positive and definite result is Riba	1. When money is used in productive activity (e.g., in trading), its uncertain result is profit.
2. By definition, Riba is the premium paid by borrower to the lender along with principal amount as the condition for the loan	2. By definition, profit is the difference between the revenue from production and the cost of production.
3. Riba is prefixed, and hence there is no uncertainty on the part of either the givers or the takers of loan	3. Even if a sharing ratio is agreed in advance, profit is still uncertain, as its amount is not known until the activity is completed.
4. Riba cannot be negative, it can at best be very low or zero	4. Profit can be positive, zero or even negative
5. From Islamic Shariah point of view, it is haram(prohibited)	5. From the Islamic Shariah point of view, it is halal(allowed)

Source: Jammeh.B.E.; 2010, 15

Participation Banks Founded in Turkey

The set of governing principles for interest free banking in Turkey is dated as the end of the year 1983. With the decree dated 16.12.1983 and numbered 83/7506, the foundation of Private Finance Institutions is laid.

Private Finance Institutions adopted by Turkish society in short time showed a rapid improvement in terms of collected funds, volume of work and project capacities. These finance institutions in Turkey are:

Albaraka Türk Special Finance Institution Inc.: The first finance institution of interest free banking in Turkey, Albaraka Türk Participation Bank, finished its foundation in 1984, and began its operations as of the beginning of 1985. Its name is still Albaraka Türk Participation Bank. (Albaraka Türk–About Us, 2010)

Kuveyt Türk Evkaf Finance Institution Inc.: Kuveyt Türk, founded in 1989 at the status of Special Finance Institution, changed its name in May 2006 as Kuveyt Türk Participation Bank Inc (The History of Kuveyt Türk, 2010).

Anadolu Finance Institution Inc.: It began its operations in 1991 in Ankara. It is founded with domestic capital.

Faisal Finance Institution Inc.: Founded in 1985. In 2001, Faisal Finance Institution Inc. It has been taken over by Ülker Group, its trade name was changed to Family Finance Institution Inc. In 2005, Anadolu Finance Institution Inc. and Family Finance Institution Inc. merged under the name of Türkiye Finance Participation Bank Inc.

İhlas Finance Institution Inc: Founded in 1995. As a result of the 2001 economic crisis, it went on bankrupt and its official authorization has been cancelled. That bank still

has been in liquidation, since 2001. We should underline the fact that the bankruptcy of this finance bank negatively influenced the other participation banks, too.

Asya Finance Institution Inc: Founded in 1996. After the Act no. 5411 came into effect, its name has been changed to Bank Asya Participation Bank.

After the Banking Act no. 5411 accepted on October 19, 2005 and published in the Official Journal on November 1, 2005, the name “Private Finance Institutions” has been changed to “Participation Banks”. And the name “Private Finance Institutions Association” has been changed to “Participation Banks Association of Turkey” which has also created their own insurance funds so as to prevent their depositors’ loss; because of any of its member’s probability of bankruptcy at which they could compensate similar to other banks. This insurance include some limits like deposit banks insurance.

Participation banks operating today among the institutions mentioned above are Albaraka Türk Participation Bank Inc., Kuveyt Türk Participation Bank Inc., Asya Participation Bank Inc. and Türkiye Finans Participation Bank Inc.

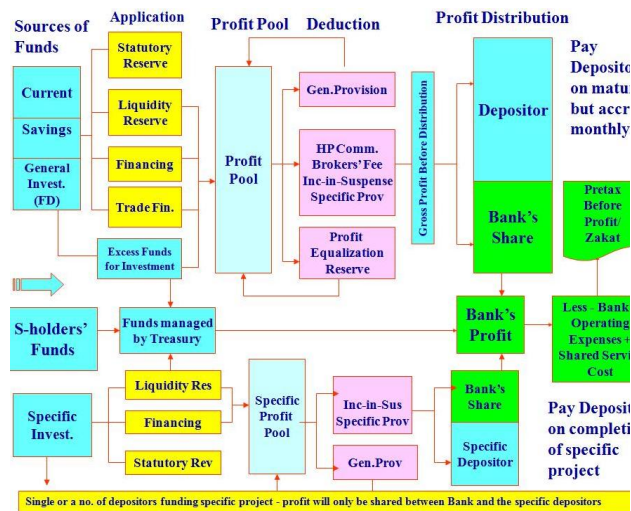
II. Methods of Fund Collection

These organizations gather funds in the type of sharing accounts or current accounts to operate separately within each maturity group (Parasız, 2009, p. 251). Main matter of liability side in the balance sheet of all firms consist of equity capital and loan capital. Equities are funds given by partners as capital or profit which is not distributed etc. These express resources belonging to the capital owners. However the share of equity item within the total capital is not so high in finance institutions and especially in banks in comparison to other businesses. It can be read as follows: An important part of resources of banks consist of loan capital. Because of the banking system is based on this. Bank or participation bank transforms funds collected from real or legal entities to loan. And the collected funds are naturally loan capital. Therefore, the growth of a bank depends on that it collects funds as much as possible in order to be able to give loan as much as possible. In deposit banks, fund collection is mostly realized through promise of interest. However participation banks cannot promise any future interest which would mean a predefined return.

The sources of funds for the banks are deposits, capital and equity. Deposits can be divided into transaction deposits or investment deposits which are respectively equivalent to current and fixed deposit accounts in conventional banking. In the former, banks act as the safe-keeper which promises the nominal value of the transaction deposits but does not guarantee returns on this liability and is known as wadiah. In the latter, depositors are not guaranteed nominal value nor paid with a fixed return. Instead, depositors are considered as shareholders, hence share profits or losses from the investment account with the bank. In addition, the

proportion of the profits or the loss to be distributed is predetermined and agreed by both parties. (Mariani; 2008, p.4)

Chart 1- Application of Funds (Islamic)



Source: (Aminuddin, I.2010)

Participation banks collect funds mainly through three ways below. In addition to them, there are also investment accounts based on gold or precious metals.

Current Account or Al-Wadiah Account

Islamic banks receive deposits in their Al-Wadiah account. This account is similar to the demand deposit account of interest-based banks. Conventional interest-based banks do not pay interest on this type of deposit account. In addition, depositors may withdraw all or a part of the funds deposited in this account without restriction. The term Al-Wadiah means deposit of money allowing somebody to claim the funds in the account. The bank as trustee preserves and safe keeps the funds deposited. Thus, depositors feel safe keeping their money with the bank because the bank provides assurance of returning their money on demand. When an individual opens an Al-Wadiah account, he agrees to allow the bank to lend these funds to entrepreneurs seeking financing for their products or activities. In addition, the depositor understands that the bank may earn a profit from its lending activity. However, any losses incurred from this investment activity are totally borne by the bank. The depositor is not liable for any losses incurred from this lending activity. (Islamibank, 2015)

These accounts are similar to checking accounts in interest banks. Account holders open current account to be free of trouble to protect their money against theft, loss etc., and have opportunity to keep their money in a safe place. They also use services provided by their bank such as use of commercial check book, Money transfer, collection of check and bills. With the help of these accounts, services are provided such as payment and so on, parallel to needs of commercial and daily life. Therefore, these accounts

which are mostly dynamic are not proper to bring return and to promise interest. However banks can use these capitals as equity capital after determining average amounts held in these accounts and keeping the needed reserves.

Participation Accounts or Saving Account or General Mudaraba Account:

Interest-based banks receive deposits from clients in return for being paid a fixed interest rate. These deposits are considered to be a loan from the depositors and, thus banks must pay a predetermined rate of interest based upon the daily average balance. So, under the interest-based banking system, the relationship between the bank and its depositors is essentially that of a debtor and creditor. In the case of checking deposits, depositors are provided with a check book. In most cases, a depositor may withdraw all or part of the funds on deposit at any time. In some instances, depending on the type of account, notice may need to be provided to the bank for a withdrawal of money exceeding a specified amount. The Mudaraba account of Islamic banks is different from the checking account of an interest-based bank. Mudaraba is a form of business contract where one party supplies money and the other manages the business by investing labor and time. Profits generated from the venture are shared by both in a proportion agreed upon at the time of contract. However, in this arrangement, the financier is solely responsible for any loss that may be incurred. The financier of the business is known as Sahib al Mal, Rabbul Mal or owner of the capital and the manager of the business is called Mudarib or entrepreneur. (Islamibank, 2015)

Participation accounts are funds of interest free banks which belong to physical or legal entities, money in which is deposited as Turkish Lira or foreign currency against contract of profit/loss participation account, and which result in profit/loss participation. Interest free banks pay amount of balance equivalent to unit account value to the account holder according to the state of profit/loss. Payees of interest free banks have no right to demand anything from funds accumulated in these funds (Akin, 1986, pp. 288-299). Returns remaining back from the funds deposited by participation account holders are distributed to account holders after deduction of losses stemming from returns obtained from funds utilized in pools constituted after certain criteria are handled such as their fixed terms and deposit date. When these returns are distributed, certain shares of these returns are held by participation banks as management share.

Special Fund Pools or Investment Account or Special Mudaraba Account:

When an Islamic bank receives a Mudaraba deposit for investment in some specific business, sector, or project, the deposit is called a "Special Mudaraba Deposit". In this case, an Islamic bank, while receiving deposits, comes to an agreement with the depositors that the money to be

received will be invested in some specific business such as the fertilizer or salt business; or in some specific sector like the industrial sector, textile sector, export-import sector; or in some specific investment sector of the bank such as real estate, shipping or a special project. Profits earned from these types of specific projects are distributed between the bank and the Special Mudaraba depositors based a previously agreed to percentage. As before, in the event of a loss, the depositors share the loss in an amount proportional to their deposits in the account (Islamibank, 2015).

In Turkey Participation Banks, according to the 60th article 7th paragraph of the Banking Act, can create special fund account pools for 3 or more months by collecting funds in private accounts in order to be utilized for financing planned projects or other investments, without the necessity of adhering time or types determined by the Central Bank of the Republic of Turkey. Participation accounts belonging to funds collected in this manner are operated in different accounts independent from other accounts and with different time. No transfer is allowed from the collected funds to other period groups. The related authority or institution has to be informed in 15 days after opening or closing dates, regarding special fund pools. At the end of the period of funding, special fund pools get closed**.

Table-2: Islamic Banking Accounts at a Retail Level

Account Type	Purpose of Deposit	Use of Funds
Current Account	Safety and Trust	Qard al-Hassan
Saving Account	Readily available, small investment return	Finance small or medium size investments
Investment Account	Large investment return or partial (up to total) loss	Finance large-scale or long term investment

Source:Jammeh.B.E.; 2010, 19

III. Fund Utilization Methods

This sector is a service sector. With its operations, it is a sector aiming to utilize fund surplus – collected from entities which have no opportunity or ability to use funds in their hands – for paving the way for operations based on commercial activities, and to take a share from the added value created. Therefore funds collected in order to create added value have to be used for production of goods and service. Otherwise, it is clear that money etc. held in lockboxes would not increase where they stay, and not create added value. The most important difference of participation banks is that they prohibit for themselves

definite methods of fund utilization and certain sectors used by other banks when utilizing collected funds.

Fund Utilization Methods based on Commerce.

The main fund utilization methods of participation banks can be listed under two titles: The first of them is Fund Utilization Methods based on Commerce. Also deposit banks can use these types of financing. However there are some points in certain procedures such as handover of money which participation banks pay more attention. The important points here are that it has to be an operation necessarily based on trade of goods or service, and that payment to be made has to be delivered to the firm which sells the goods.

Private Funding Support

Participation bank pays the price of goods or services – bought by real entities directly from sellers for personal needs such as vehicle and apartment – in the name of the customer to the seller, with the condition of not to be used in funding of commercial activities, and in return the buyer is charged with a debt (The Participation Banks Association of Turkey, 2008).

Maybe this method called as Bai-Muajjal. It means credit sale of goods by the bank to the customer. Such contracts provide for a margin of profit or mark-up to the bank as mutually agreed upon by the buyer (client) and the seller (bank). Goods are kept at the disposal of the customer/buyer and the sale price can be paid either in lump sum or in instalments. It can also be used for both internal and external trade operations. Like Murabaha, Bai-Muajjal is also a short-term commercial investment and therefore, the concept of discounting technique is not really applicable here (Islamibank Limited, 2015).

Financial Rent

Lease is defined as “an agreement in which one party gains a long-term rental agreement, and the other party receives a form of secured long-term debt” (www.investopedia.com). The lessee gains a long-term contract for the use of an asset, and the lessor is assured of regular payments for a specified number of years. Under the conventional leasing system, the lessee pays the specified rentals and a fixed interest rate over specified period of time for the use of specific assets. The conventional bank takes the risk of interest rate changes (Addave,2012, p.26).

In the operation which is called “leasing” today, the person who wants to buy a good demands that this good is bought by the participation bank and rent to this person after the agreement between this person and the participation bank. However it is decided the customer of the participation bank will be the owner of that good after a certain period of rent and of paying rents. In this way, the good with financial renting is used by the customer demanding financial renting, and is owned by the bank. At the end of rent period, the ownership is handed over. As investment banks, also participation banks can realize financial renting operations without founding a separate company.

**Published in Official Journal no. 26333. Banking Regulation and Supervision Agency (BRSA) / Bankacılık Düzenleme ve Denetleme Kurumu (BDDK), article 7, 2006

Murabaha: (Instalment Sale)

Murabaha is another participating form used by the Islamic bank. In a murabaha contract, the seller informs the buyer the cost of the goods, services or producing a specified product. Parties negotiate a mark-up or profit margin and total cost is usually paid in installment. The murabaha is usually short-term contract. This mode of participation enables the Islamic bank to enter the trading cycle as a buyer of goods, raw materials and equipment or any assets. For example with murabaha contract, a client requests the bank to buy a certain asset at a specific price, and promises to buy it from the bank at agreed higher price at a set of time (Addave, 2012, p.25). Murabaha used in banking is sale of goods with an order of sale in which payment is made some time after delivery of the goods transacted. A customer and a bank sign a pre-contract which proposes that the customer buys a good from the bank. After the contract, upon the customer's written demand, the bank buys the mentioned good in cash from the seller, and sells it to its customer in accordance with the conditions agreed upon before (Akin, 1986, p. 159). So, participation bank mediates trade, buys the good from the seller in cash, and sells to its customer for the account.

Fund Utilization through Profit and Loss Partnership Method

Mudaraba: (Venture Capital)

Mudaraba is a other method of fund utilization used by interest free banks very commonly. One party gives its labor, know-how and experience (entrepreneur), and the other party gives capital (interest free bank). In this method, real and legal entities present their applicable projects to the bank. The manager accepted and funded by the bank is called "mudarib", and the person or institution funding or supporting the project is called "Rabbul-mal". After signing a contract with the mudarib, Rabbul-mal (interest free bank) has to keep ready the amount of capital mentioned in the contract, in accordance with mudarib's demand. Other than conditions mentioned in the contract, bank has no authority to interfere in transactions realized by the project owner. However in case of emergence of danger of loss because of unplanned and irregular work, the bank can make some initiatives in order to prevent loss. Normally, it can control accounts every time, and demand all formal and informal bookings. Profit obtained at the end of mudaraba operation is shared among Rabbul-Mal guaranteeing funding and mudarib using fund according to the proportion determined before. In case of any loss, this loss is met by Rabbul-mal (Küçükocaoğlu, 2010, p. 8).

An Islamic bank for example lends money to a client to finance a factory. In return the bank receives pre-specified percentage of the factory's net profit every year. This share of the profits obtained from the entrepreneur provides for repayment of the principal and profit to pass to the

depositors by the bank. However, there is some confusion about the issue. Those literatures that I have obtained mostly agreed that the capital provider bears the entire capital losses; however, according to Aramco World magazine (May-June 1987), profits and losses are to be shared by the bank and the entrepreneur. This Aramco writing is a minor issue because all these other academic literatures are in consensus about the issue and they agreed that the provider of capital has to bear any financial losses (Addave, 2012, p.24).

Under this Islamic mode of financing, the bank provides all of the capital for the project while the Mudarib(client) only puts contributes his efforts and skills. Under this arrangement, the bank and the client share profits in a predetermined ratio, but any loss is solely the responsibility of the bank unless the loss has been caused by the negligence or willful act of the client. The discounting techniques are applicable to Mudaraba in the same manner as that of Musharaka (Islamibank Limited, 2015).

Muşareke: (Joint Capital Partnership or Capital Investment)

In the musharaka participation, the bank is not the only who provides the funds but at least one or more partners contribute to the joint capital of investment. For example the bank enters into a partnership with a client and both contribute the equity capital. Both the bank and the client invest in varying proportion and they both have the rights to participate in the management of the project or the enterprise. From the perspective of corporate governance, the bank has the rights to exercise its voting rights and both the bank and partner also have their representatives in the board of directors. This kind of mode is different from the conventional banks' participation as it is based on profit/loss sharing arrangement. In this mode of participation, the bank and partner share the profit or losses according to their equity shareholdings (Addave, 2012, p.22).

Selem Sale: (Current Sale of Future Delivery Goods or Future Markets and Sales)

"Selem sale" means buying a good on account with another good bought or sold in cash. The bank buys a good by paying its price in cash which is going to be delivered to the bank in a future date agreed upon in the contract between the bank and the seller. A different style of *selem* sale, as in funding purchase of building, machinery and equipment, can be used also in purchase of consumer durables in case of that conditions are proper in terms of economy. In other words, this finance technique can be used in order to fund industry, trade and agriculture (Akin, 1986, p. 163).

According to another definition Bai-Salam means forward purchase of the potential product. Under this arrangement, the bank enters into a contract to purchase a certain quantity of the product or commodity that is to be delivered to the bank at a future date. However, the payment for the aforesaid goods is made in advance. The price of the goods must be reasonable and the bank is free to sell the goods in the open market to earn a good profit (Islamibank Limited, 2015).

According to another definition, selem is the sale activity which is made with money in cash and goods on account. In selem, type, quality, amount, price, delivery place and date of the product have to be determined in the contract. With the help of selem, goods which will be produced in a future date are sold, and the needed money is obtained. On the other hand, customer buys a good which it will need in a future date. So, both parties meet their needs without using interest (Yılmaz, 2010, p. 14). For example, a farmer which needs money is supported by the bank in terms of capital, and the bank sells the yield in the market.

Documents Against Payment

Shortly, It means that a participation bank buys goods abroad in the name of its customer who gave him order, and sells them to its customer.

This type of fund use operation method is used for funding of foreign buy and sell. According to the agreement signed between participation bank and the party using fund, the participation banks buy documents touching payment in cash, and sells to one using fund on account with a higher price. This type of finance technique is mainly based on the method of *murabaha* (forward sale) (Akın, 1986, p. 290).

However, methods and documents used in foreign trade gain importance at that point. Documents are used in foreign trade especially in operations of documented credit. They are documents which assure importer's custom clearance of goods sent by exporter. Therefore, these documents which make possible that goods entering in customs in the country of exporter are delivered by customs authorities are undertake the ownership of goods as documents with status of valuable papers.

IV. Personnel and Branch Structure of Participation Banks

Growth of Branch Numbers

The number of deposit banks founded in Turkey is 32 in the end of 2013. Their 3 of them are based on public capital, 11 of them are based on domestic private capital, and 17 of them are based on foreign private capital, 1 of them belongs to SIDF. Additionally, there are 13 development and investment banks founded in Turkey. If we take also 4 participation banks into consideration, it is seen that the number of banks in Turkey reaches to 49. The branches number of deposit banks was 7.570 in 2007, and reached to 10.981 with an increase of **45%** as of the end of 2013. The number of branches of participation banks was 422 in 2007, and reached to 966 with an increase of **129%** as of the end of 2013.

Currently 32 private deposit banks have 343 branches on an average, each of 4 participation banks has 242 branches on an average in the end of 2013. However in terms of the increase rate of branches from 2007 to 2013, it is seen that participation banks reached almost three times bigger increase rate of branch numbers than deposit banks. The table below shows the position of participation banks within themselves.

Table-3/a: Growth of Branch Numbers, 2007-2013

END OF YEAR	ALBARAKA TÜRK	BANK ASYA	KUVEYT TÜRK	TÜRKİYE FİNANS	TOTAL SUM
Average 2007-2013	117	189	162	189	657
2013	167	281	268	250	966
2012	137	250	221	220	828
2011	123	200	180	182	685
2010	109	175	141	182	607
2009	101	158	121	180	560
2008	100	143	113	174	530
2007	80	118	87	137	422

Table-3/b: Increase Rate from Previous Year at Branch Numbers, 2007-2013

END OF YEAR	ALBARAKA TÜRK	BANK ASYA	KUVEYT TÜRK	TÜRKİYE FİNANS	Increase Rate From Prev. Year Total Sum
Average 2007-2013	15%	18%	19%	11%	16%
2013	22%	12%	21%	14%	17%
2012	11%	25%	23%	21%	21%
2011	13%	14%	28%	0%	13%
2010	8%	11%	17%	1%	8%
2009	1%	10%	7%	3%	6%
2008	25%	21%	30%	27%	26%
2007	27%	30%	10%	12%	19%

Source: Composed from data provided by (BAT: The Bank Association of Turkey, 2011) (BAT, The Bank Association of Turkey, 2012-13) (PBAT, The Participation Banks Association of Turkey, 2012-13).

Growth of Personnel Number

As of the end of 2013, totally, 214.177 employees are employed in the banking sector in Turkey. Personnel number of deposit banks was 153.212 in 2007, and reached to 192.219 with an increase of 25 % as of the end of 2013. The number of personnel of participation banks was 9.215 in 2007, and reached to 16.712 with an increase of 81% as of the end of 2013. Looking at the growth rates of the number of their personnel from 2007 to 2013, it is seen that the growth rate of personnel of participation banks is almost 3,2 times more than deposit banks

Table-4/a: Employment in the Banking Sector, 2007-2013

	2007	2008	2009	2010	2011	2012	2013
Participation Banks	9.215	11.032	11.802	12.703	13.857	15.356	16.712
Deposit banks	153.212	166.325	167.063	173.133	176.576	181.197	192.219
>Public banks	41.056	43.333	44.856	47.235	50.239	51.587	54.466
>Private banks	75.124	82.158	82.270	83.633	89.047	90.612	93.365
>Fund banks	325	267	261	252	243	226	229
>Foreign banks	36.707	40.567	39.676	42.013	37.047	38.772	44.159
Development and investment banks	5.322	5.273	5.339	5.370	4.842	4.901	5.246
Total	172.391	182.630	184.204	191.206	195.275	201.454	214.177

Source: Composed from data provided by (BAT, The Bank Association of Turkey, 2011) (BAT, The Bank Association of Turkey, 2012-13) (PBAT: The Participation Banks Association of Turkey, 2012-13).

As of the end of 2013, the average personnel number for branch in participation banks is as follows:

Table-4/b: The Average Personnel Number For Branch In Participation and Deposit Banks, 2007-2013

Bank	Total Personnel No./Branch No.	Average Pers.N. for Branch 2011	Average Personnel No. for Branch 2012	Average Personnel No. for Branch 2013
Albaraka Türk	2013(3.057/167)	21,1	20,1	18,3
Bank Asya	2013(5.074/281)	22,7	20,3	18,1
Kuveyt Türk	2013(4.642/268)	18,5	17,8	17,3
Türkiye Finans	2013(3.990/250)	18,6	16,3	16,0
Total Sum	2013(16.763/966)	20,2	18,5	17,4
Deposit Banks	2013(192.219/10.981)	18,0	17,8	17,5

Actually, Bank Asya Participation Bank has the biggest personnel number and it has biggest average personnel number with Albaraka. In deposit banks, average personnel number reached by dividing the total personnel number to the branch number is 18 in the end of 2011. The same average is 20,2 in participation banks. This means that participation banks employ 12 % more employees for branch than deposit banks for 2011. But both of them is equal almost in the end of 2013. The average personnel decreased in the end 2012 and 2013 for participation banks. Rapidly increase in the branch number seems the cause of the decrease for average branch personnel number.

Table- 5/a: Growth of Personnel Number (Participation Banks), 2007-2013

END OF YEAR	ALBARAKA TÜRK	BANK ASYA	KUVEYT TÜRK	TÜRKİYE FİNANS	TOTAL SUM
Average 2007-2013	2.258	4.309	3.035	3.359	12.960
2013	3.057	5.074	4.642	3.990	16.763
2012	2.758	5.064	3.939	3.595	15.356
2011	2.601	4.548	3.326	3.382	13.857
2010	2.175	4.266	2.850	3.403	12.694
2009	1.935	4.074	2.447	3.346	11.802
2008	1.796	3.806	2.245	3.185	11.032
2007	1.481	3.329	1.794	2.611	9.215

Source: Composed from data provided by (BAT: The Bank Association of Turkey, 2011) (BAT: The Bank Association of Turkey, 2012-13) (PBAT: The Participation Banks Association of Turkey, 2012-13).

Table-5/b: Increase Rate from Previous Year at Personnel Number (Participation Banks), 2007-2013

END OF YEAR	ALBARAKA TÜRK	BANK ASYA	KUVEYT TÜRK	TÜRKİYE FİNANS	Increase Rate From Prev. Year Total Sum
Average 2007-2013	15%	12%	19%	9%	13%
2013	11%	0%	18%	11%	9%
2012	6%	11%	18%	6%	11%
2011	20%	7%	17%	-1%	9%
2010	12%	5%	16%	2%	8%
2009	8%	7%	9%	5%	7%
2008	21%	14%	25%	22%	20%
2007	28%	40%	29%	19%	30%

V. Evaluation of Sectoral Quantitative Data Turkish Currency Funds

In the table, Participation banks showed a quite better performance as of the end of 2013 compared to 2007 in funds of Turkish currency. As of the end of 2013, deposits of Turkish currency reached to approximately 37 billion Turkish Lira after an increase of **366 %**. Among participation banks, Bank Asya has the biggest fund of Turkish currency. But highest average grown rate owner is Kuveyt Turk. The second high performance belongs to the Albaraka Türk.

Table-6/a: Collected Turkish Currency Funds in Participation Banks, 2007-2013 (1000TL)

END OF YEAR	ALBARAKA TÜRK	BANK ASYA	KUVEYT TÜRK	TÜRKİYE FİNANS	TOTAL SUM
Average 2007-2013	4.148.378	6.765.577	4.606.554	5.646.769	21.167.277
2013	7.518.851	10.496.222	9.327.032	9.641.978	36.984.083
2012	5.535.572	9.241.391	6.768.530	7.444.772	28.990.265
2011	4.797.751	7.813.463	5.215.357	6.233.354	24.059.925
2010	4.358.934	7.662.288	4.496.126	5.712.662	22.230.010
2009	3.290.809	5.979.825	2.987.415	4.660.035	16.918.084
2008	2.029.617	3.603.487	2.111.414	3.300.252	11.044.770
2007	1.507.109	2.562.363	1.340.003	2.534.330	7.943.805

Table-6/b: Increase Rate from Previous Year at Collected Turkish Currency Funds in Participation Banks, 2007-2013 (1000TL)

END OF YEAR	ALBARAKA TÜRK	BANK ASYA	KUVEYT TÜRK	TÜRKİYE FİNANS	Increase Rate From Prev.Year Total Sum
Average 2007-2013	36%	32%	40%	28%	33%
2013	36%	14%	38%	30%	28%
2012	15%	18%	30%	19%	20%
2011	10%	2%	16%	9%	8%
2010	32%	28%	51%	23%	31%
2009	62%	66%	41%	41%	53%
2008	35%	41%	58%	30%	39%
2007	60%	56%	48%	44%	51%

Source: Composed from data provided by (BAT, The Bank Association of Turkey, 2011) (BAT, The Bank Association of Turkey, 2012-13) (PBAT, The Participation Banks Association of Turkey, 2012-13).

**Foreign Currency Funds, 2007-2013
Table- 7/a: Foreign Currency Funds, 2007-2013 (1.000TL)**

END OF YEAR	ALBARAKA TÜRK	BANK ASYA	KUVEYT TÜRK	TÜRKİYE FİNANS	TOTAL SUM
Average 2007-2013	2.869.541	4.305.022	3.885.086	3.066.411	14.126.060
2013	5.007.361	8.015.341	7.703.670	5.499.740	26.226.112
2012	3.689.446	6.500.467	5.986.513	3.984.764	20.161.190
2011	3.246.996	4.583.580	4.702.970	3.275.811	15.809.357
2010	2.522.656	3.504.294	2.885.347	2.685.234	11.597.531

2009	2.173.836	3.156.753	2.370.842	2.222.455	9.923.886
2008	1.955.493	2.239.334	1.957.958	2.012.296	8.165.081
2007	1.490.999	2.135.387	1.588.305	1.784.575	6.999.266

Table-7/b: Increase Rate from Previous Year at Foreign Currency Funds, 2007-2013 (1.000TL)

END OF YEAR	ALBARAKA TÜRK	BANK ASYA	KUVEYT TÜRK	TÜRKİYE FİNANS	Increase Rate From Prev.Year Total Sum
Average 2007-2013	23%	27%	28%	18%	24%
2013	36%	23%	29%	38%	30%
2012	14%	42%	27%	22%	28%
2011	29%	31%	63%	22%	36%
2010	16%	11%	22%	21%	17%
2009	11%	41%	21%	10%	22%
2008	31%	5%	23%	13%	17%
2007	23%	37%	9%	2%	17%

Source: Composed from data provided by (BAT: The Bank Association of Turkey, 2011) (BAT: The Bank Association of Turkey, 2012-13) (PBAT: The Participation Banks Association of Turkey, 2012-13).

The case in foreign currency funds is some different. Among participation banks, Bank Asya has the biggest fund and Türkiye Finans has the highest increase of performance of foreign currency in 2013. Kuveyt Türk has the highest average growing rate in the foreign funds. The second participant bank is Kuveyt Türk in the total foreign funds. As of the end of 2013, Foreign currency deposits of participation banks reached to approximately 26 billion Turkish Liras after an increase of 275 % compared to the end of 2007.

Total Funds Collected, 2007-2013

Bank Asya is the leading participation bank with an amount of 18.5 billion Turkish Lira; In terms of total funds collected as the end of 2013. Kuveyt Türk, Türkiye Finans and Albaraka Türk follow Bank Asya respectively. As of the end of 2013, total funds collected by participation banks reached to approximately 63 billion Turkish Lira, after an increase of 323% compared to the end of 2007. Figures of participation banks and deposit banks are shown below which facilitates to make a relative analysis between them.

Table-8/a: Total Funds Collected, 2007-2013 (1000TL)

END OF YEAR	ALBARAKA TÜRK	BANK ASYA	KUVEYT TÜRK	TÜRKİYE FİNANS	TOTAL SUM
Average 2007-2013	7.017.919	11.070.599	8.491.640	8.713.180	35.293.338
2013	12.526.212	18.511.563	17.030.702	15.141.718	63.210.195
2012	9.225.018	15.741.858	12.755.043	11.429.536	49.151.455
2011	8.044.747	12.397.043	9.918.327	9.509.165	39.869.282
2010	6.881.590	11.166.582	7.381.473	8.397.896	33.827.541
2009	5.464.645	9.136.578	5.358.257	6.882.490	26.841.970
2008	3.985.110	5.842.821	4.069.372	5.312.548	19.209.851
2007	2.998.108	4.697.750	2.928.308	4.318.905	14.943.071

Table-8/b: Increase Rate from Previous Year at Total Funds Collected, 2007-2013 (1000TL)

END OF YEAR	ALBARAKA TÜRK	BANK ASYA	KUVEYT TÜRK	TÜRKİYE FİNANS	Increase Rate From Prev.Year Total Sum
Average 2007-2013	29%	29%	33%	23%	28%
2013	36%	18%	34%	32%	29%

2012	15%	27%	29%	20%	23%
2011	17%	11%	34%	13%	18%
2010	26%	22%	38%	22%	26%
2009	37%	56%	32%	30%	40%
2008	33%	24%	39%	23%	29%
2007	39%	47%	24%	23%	33%

Source: Composed from data provided by (BAT: The Bank Association of Turkey, 2011) (BAT: The Bank Association of Turkey, 2012-13) (PBAT: The Participation Banks Association of Turkey, 2012-13).

Among participation banks, Albaraka has the highest increase rate for total funds in 2013, but Kuveyt Türk has the highest increase rate in 2012, 2011 and 2010. The second bank is Kuveyt Türk in the same 2013. Kuveyt Türk also has the highest average growing rate in the foreign funds.

Table-9: Fund Distribution of Participation and Deposit Banks, 2007-2013 (Million TL)

	2007	2008	2009	2010	2011	2012	2013	2007-2013 Inc. Rate
Deposit Banks	356.984	453.485	507.258	614.681	656.276	770.016	943.313	164%
Participation Banks	14.943	19.210	26.842	33.828	39.869	49.151	63.210	323%
Deposit+ Participation B.	371.927	472.695	534.100	648.509	696.145	757.230	1.006.523	171%

Source: Composed from data provided by (BAT: The Bank Association of Turkey, 2011) (BAT: The Bank Association of Turkey, 2012-13) (PBAT: The Participation Banks Association of Turkey, 2012-13).

Table-10: Total Deposits in Deposit Banks, 2007-2013 (Million TL)

Year	2007	2008	2009	2010	2011	2012	2013
1.000.000 TL	356.984	453.485	507.258	614.681	656.276	770.016	943.313
Inc. Rate		27	12	21	7	8	23

When figures are compared as of the end of 2007 and 2013, it is seen that participation banks have two times bigger percentage of increase than deposit banks on the percentage basis in terms of rate of increase. Participation banks taken into account, total fund + deposit in Turkey reaches 1.007 billion TL as of the end of 2013.

Funds Utilized, 2007-2013

Table-11/a: Funds Utilized-Participation Banks and Deposit Banks In Turkey 2007-2013 (1000TL)

	2007	2013	Inc.Rate
Deposit Banks Total Loans	262.572	939.772	258%
Participation Banks Total Loans	14.072	62.029	341%

Source: Composed from data provided by (BAT: The Bank Association of Turkey, 2014) (<http://ebulten.bddk.org.tr/ABMVC/#>)

Increase rate of loan-fund utilization from the end of 2007 to the end of 2013 of participation banks higher than deposit bank's rate. **They are 341% and 258% in that order.**

Bank Asya is the leading participation bank with an amount of 20,6 billion Turkish Lira; In terms of funds utilized as the end of 2013. Türkiye Finans, Kuveyt Türk and Albaraka Türk follow Bank Asya respectively. It is seen that Kuveyt Türk and Bank Asya have the highest average increase rate for last seven years.

Table-11/b: Funds Utilized by Participation Banks 2007-2013 (1000TL)

END OF YEAR	ALBARAKA TÜRK	BANK ASYA	KUVEYT TÜRK	TÜRKİYE FİNANS	TOTAL SUM
Average 2007-2013	6.557.097	11.405.948	8.298.940	9.532.569	35.794.555
2013	12.033.661	20.614.105	16.595.845	18.172.359	67.415.970
2012	9.075.183	16.085.168	11.848.419	12.971.058	49.979.828
2011	7.273.906	13.141.380	10.360.917	10.327.232	41.103.435
2010	6.269.485	10.916.732	6.984.989	7.913.437	32.084.643
2009	4.675.617	8.221.427	4.904.932	7.109.233	24.911.209
2008	3.716.977	6.253.160	4.237.341	5.526.380	19.733.858
2007	2.854.852	4.609.665	3.160.138	4.708.285	15.332.940

Table-11/c: Increase Rate From Previous Year at Funds Utilized by Participation Banks 2007-2013

END OF YEAR	ALBARAKA TÜRK	BANK ASYA	KUVEYT TÜRK	TÜRKİYE FİNANS	Increase Rate From Prev.Year Total Sum
Average 2007-2013	28%	35%	36%	29%	31%
2013	33%	28%	40%	40%	35%
2012	16%	48%	28%	26%	22%
2011	16%	20%	48%	31%	28%
2010	34%	33%	42%	11%	29%
2009	26%	31%	16%	29%	26%
2008	30%	36%	34%	17%	29%
2007	44%	51%	47%	49%	46%

Source: Composed from data provided by (BAT: The Bank Association of Turkey, 2011) (BAT: The Bank Association of Turkey, 2012-2013) (PBAT: The Participation Banks Association of Turkey, 2012-2013).

Growth of Net Profit

Table-12/a: Growth of Net Profit, 2007-2013 (1000TL)

END OF YEAR	ALBARAKA TÜRK	BANK ASYA	KUVEYT TÜRK	TÜRKİYE FİNANS	TOTAL SUM
Average 2007-2013	150.763	230.885	172.933	218.419	772.999
2013	241.409	180.604	300.343	329.277	1.051.633
2012	191.835	190.392	250.156	283.573	915.956
2011	160.870	216.090	195.042	231.587	803.589
2010	134.379	259.962	159.648	205.529	759.518
2009	105.626	301.281	127.133	171.388	705.428
2008	136.242	246.529	104.086	160.633	647.490
2007	84.979	221.337	74.123	146.943	527.382

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Table-12/b: Increase Rate from Previous Year at Net Profit, 2007-2013 (1000TL)

END OF YEAR	ALBARAKA TÜRK	BANK ASYA	KUVEYT TÜRK	TÜRKİYE FİNANS	Increase Rate From Prev.Year Total Sum
Average 2007-2013	22%	5%	38%	13%	16%
2013	26%	-5%	20%	16%	15%
2012	19%	-12%	28%	22%	14%
2011	20%	-17%	22%	13%	6%
2010	27%	-14%	26%	20%	8%
2009	-22%	22%	22%	7%	9%
2008	60%	11%	40%	9%	23%
2007	22%	51%	105%	5%	35%

Source: Composed from data provided by (BAT: The Bank Association of Turkey, 2011) (BAT: The Bank Association of Turkey, 2012-14) (PBAT: The Participation Banks Association of Turkey, 2012-14).

Looking at deposit banks for the 2007-2013 period, their profit increased by %67 from 2007 to 2013, and reached to 22,5 billion TL in 2013. Increase rate of participant banks total net profit is %99 from the end of 2007 to the end of 2013. The rate of participation bank's is 1,5 times higher than deposit banks. In terms of average profit per bank, deposit banks have too high figures compared to participation banks naturally. However it is also obvious that average scales, branch numbers and history of deposit banks are above participation banks.

Türkiye Finans has the biggest share in total profitability of total participating banks at the end of 2013. Kuveyt Türk, Al Baraka and Bank Asya follow it respectively. Furthermore, Kuveyt Türk has the highest average net profit increase rate among the others. Kuveyt Türk has more stable rates at the last seven years.

Table-13: Net Profit/Loss of Deposit Banks for the Year, 2007-2013(1.000.000)

Year	2007	2008	2009	2010	2011	2012	2013
Total	13.468	11.852	18.490	20.518	19.849	21.539	22.473
Inc.Rate		-12	56	11	-3	9	9

Source: Composed from data provided by (BAT: The Bank Association of Turkey, 2011-2014) (BAT: The Bank Association of Turkey, 2012) (PBAT: The Participation Banks Association of Turkey, 2012-2014).

Growth of Asset (Equity Capital)

Looking at the table regarding the equity capital growth, it is seen that participation banks increased their equity in 2013 274% according to the 2007. Looking at deposit banks for the 2007-2013 period, their equity capital increased by 157 % from 2007 to 2013.

Table-14/a: Growth of Equity Capital, 2007-2013 (1000TL)

END OF YEAR	ALBARAKA TÜRK	BANK ASYA	KUVEYT TÜRK	TÜRKİYE FİNANS	TOTAL SUM
Average 2007-2013	922.148	1.843.536	1.223.189	1.492.863	5.481.736
2013	1.497.268	2.510.946	2.302.049	2.522.381	8.832.644
2012	1.218.333	2.349.273	1.684.037	2.125.162	7.376.805
2011	1.004.251	2.137.426	1.437.978	1.613.659	6.193.314
2010	852.635	1.941.667	1.256.685	1.406.096	5.457.083
2009	710.666	1.707.894	807.312	1.193.692	4.419.564
2008	638.102	1.403.692	685.679	1.001.456	3.728.929
2007	533.780	853.856	388.583	587.592	2.363.811

Table-14/b: Increase Rate from Previous Year at Equity Capital, 2007-2013 (1.000TL)

END OF YEAR	ALBARAKA TÜRK	BANK ASYA	KUVEYT TÜRK	TÜRKİYE FİNANS	Increase Rate From Prev.Year Total Sum
Average 2007-2013	33%	23%	39%	30%	29%
2013	23%	7%	37%	19%	20%
2012	21%	10%	17%	32%	19%
2011	18%	10%	14%	15%	13%
2010	20%	14%	56%	18%	23%

2009	11%	22%	18%	19%	19%
2008	20%	64%	76%	70%	58%
2007	117%	35%	55%	35%	52%

Source: Composed from data provided by (BAT: The Bank Association of Turkey, 2011) (BAT: The Bank Association of Turkey, 2012-14) (PBAT: The Participation Banks Association of Turkey, 2012-14).

Türkiye Finans has the biggest share in total equity capital of total participating banks at the end of 2013, although, Bank Asya has the biggest share in total equity for six years before 2013. Bank Asya, Kuveyt Türk and Al Baraka follow it respectively for 2013. Furthermore, Kuveyt Türk has the highest average equity capital increase rate among the others. Kuveyt Türk has biggest equity growing rate at the last seven years.

Table-15:Equity Growth of Deposit Banks,2007-2013(1.000.000 TL)

Year	2007	2008	2009	2010	2011	2012	2013
Total	64.53 3	72.06 1	93.83 3	114.97 9	123.00 7	157.55 3	165.95 4
Inc.Rate		12	30	23	7	28	5

Source: Composed from data provided by (BAT: The Bank Association of Turkey, 2011) (BAT: The Bank Association of Turkey, 2012-2014) (PBAT: The Participation Banks Association of Turkey, 2012-2014) (BAT: The Bank Association of Turkey, 2013)

Growth of Total Assets

Table-16/a: Growth of Total Assets in Participation Banks, 2007- 2013 (1000TL)

END OF YEAR	ALBARAKA TÜRK	BANK ASYA	KUVEYT TÜRK	TÜRKİYE FİNANS	TOTAL SUM
Average 2007-2013	9.043.635	15.265.089	12.281.377	12.626.262	49.216.363
2013	17.216.553	27.784.947	25.893.542	25.126.629	96.021.671
2012	12.327.654	21.390.024	18.910.513	17.616.504	70.244.695
2011	10.460.885	17.190.099	14.897.592	13.528.353	56.076.929

2010	8.406.301	14.513.419	9.727.117	10.691.860	43.338.697
2009	6.414.914	11.608.955	6.904.526	8.699.643	33.628.038
2008	4.789.108	8.108.129	5.768.034	7.104.156	25.769.427
2007	3.690.029	6.260.048	3.868.318	5.616.687	19.435.082

Table-16/b: Increase Rate from Previous Year at Total Assets in Participation Banks,2007-13(1000TL)

END OF YEAR	ALBARAKA TÜRK	BANK ASYA	KUVEYT TÜRK	TÜRKİYE FİNANS	Increase Rate From Prev.Year Total Sum
Average 2007-2013	29%	31%	37%	30%	32%
2013	40%	30%	37%	43%	37%
2012	18%	24%	27%	30%	25%
2011	3%	18%	53%	27%	29%
2010	31%	25%	41%	23%	29%
2009	34%	43%	20%	22%	30%
2008	30%	30%	49%	26%	33%
2007	48%	50%	32%	36%	42%

Source: Composed from data provided by (BAT: The Bank Association of Turkey, 2011-2014) (BAT: The Bank Association of Turkey, 2012-2014) (PBAT: The Participation Banks Association of Turkey, 2012).

When we look at the table of growth of assets, it is seen that participation banks provide in the 2007-2013 period according to deposit banks. Participation banks increased their total assets **394%** owing to deposit banks increased their total assets **189%**.

Bank Asya has the biggest asset among participation banks, which is followed by Kuveyt Türk at the end of 2013.

Similarly in this case, Kuveyt Türk has the highest average increase rate for 2007-2013 period. Bank Asya, Türkiye Finans and Al Baraka follow it respectively

Table-17: Growth of Total Assets in Deposit Banks, 2007- 2013

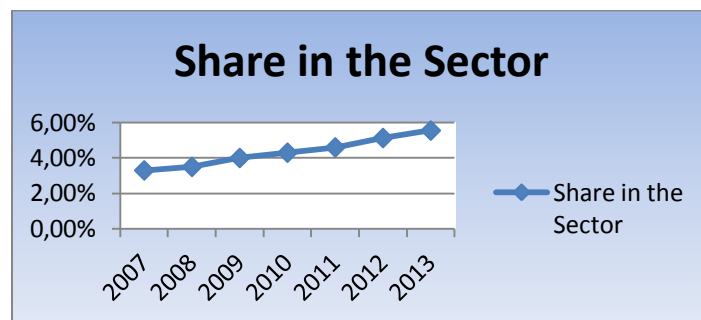
Year	2007	2008	2009	2010	2011	2012	2013
Total	542.293	682.937	771.512	930.947	1.119.911	1.245.416	1.565.258
Inc.Rate		26	13	21	20	11	26

Source: Composed from data provided by (BAT, The Bank Association of Turkey, 2011-2014) (BAT, The Bank Association of Turkey, 2012-2014) (PBAT, The Participation Banks Association of Turkey, 2012-2014).

Table-18: The Shares of Participation Banks within the Sector

Year	(1.000.000)	Deposit Banks		Dev. and Inv. Banks		Participation Banks	
		Total Assets	Ratio in the Sector	Total Assets	Ratio in the Sector	Total Assets	Ratio in the Sector
2013	1.731.392	1.565.258	90,40%	70.112	4,05%	96.022	5,55%
2012	1.368.387	1.245.416	91,01%	52.726	3,85%	70.245	5,13%
2011	1.217.695	1.119.911	92,00%	41.636	3,40%	56.148	4,60%
2010	1.006.667	932.371	92,60%	30.958	3,10%	43.339	4,30%
2009	834.014	773.357	92,70%	27.029	3,20%	33.628	4,00%
2008	732.536	683.823	93,40%	22.943	3,10%	25.770	3,50%
2007	581.606	543.272	93,40%	18.888	3,20%	19.445	3,30%

Source: Composed from data provided by (BAT, The Bank Association of Turkey, 2011-2014) (BAT, The Bank Association of Turkey, 2012-14) (PBAT, The Participation Banks Association of Turkey, 2012-14).

Chart-2:Share of Participation Banks in the Sector

The table clearly shows that The Participation banks have increased the their shares in the sector. While the share of Participation banks is %3,3 in 2007, the share reaches to %5,6 in the end of 2013. The increasing rate of sector share is %68 as a number.

VI. Conclusions

The old name “Special Finance Houses” the new name “Participation banks” are companies collecting funds similar to deposit through private current accounts and accounts giving right to profit/loss participation, and utilizing funds through methods such as production support, leasing, document against payment, partnership of profit and loss,. In Turkey, the foundation of these companies has been permitted since 1984. Their number which has increased to 6 decreased to 4 finally similar to the consolidation of deposit banks. However growth of volume and branch number in the finance sector particularly in the last years is also extremely valid for these companies. Their share is relatively small today in total sector but it grows in a steady way with their higher development rate than other banks. In 2001, participation banks had total asset amount of 2,4 billion TL which meant a share of 1,08 % in the total assets of the sector. These amounts and shares were 7,3 billion TL and 2,33 % in 2004, 13.730 billion TL and 2,75 % in 2006, 25.769 billion TL and % 3,50 in 2008, and 96.022 billion TL and 5,6 % as of the end of 2013.

➤ These companies which are subject to most limitations of general arrangements and loan limitations in the Banking Act no. 5411 differ from deposit banks at most in terms of that they don't undertake the risk of interest. **Because these kinds of banks don't undertake the risk of interest which is one of the greatest risks which have to be managed in banking sector, we can talk about an asset-liability balance which is less sensitive to financial**

crisis. However not to undertake the risk of interest, in these kinds of banks, **differently from deposit banks, eliminates the opportunity to obtain sudden and high institutional profit based on interest rate difference.**

➤ **While 32 private deposit banks have 343 branches on an average, each of 4 participation banks has 242 branches on an average in the end of 2013.** However in terms of the increase rate of branches from 2007 to 2013, it is seen that participation banks reached approximately three times bigger raise rate of branch numbers than deposit banks.

➤ **Increase rate of loan-fund use** operation from the end of 2007 to the end of 2013 of participation banks higher than deposit bank's rate. They are **341% and 258 %** in that order.

➤ **Total net profits** increasing rate of participant is **%99** from the end of 2007 to the end of 2013 and reached to 1,05 billion TL in 2013. Looking at **deposit banks** for the 2007-2013 period, their profit **increased by %67** from 2007 to 2013, and reached to 22,5 billion TL in 2013. The rate of participation bank's is a little higher than deposit bank's. In terms of average profit per bank, deposit banks have too high figures compared to participation banks naturally. However it is also clear that average branch numbers, scales and history of deposit banks are above participation banks

➤ It is seen that **participation banks greater than before their equity in 2013 274% according to the 2007.** Looking at deposit banks for the 2007-2013 period, their equity capital increased by **157 %** from 2007 to 2013. **The differences between them are significant.**

➤ Thus those given results also all support our thesis in this paper.

➤ **Meanwhile,** the participation banks also have some problems for instance they have needed such as the Interbank system which provides urgent proper credits for the depository banks in the short run. Whereas, this situation negatively hinders the participation banks performance. Because they are sharing nearly all of their funds for the creditors or investors who uses them for leasing, sales, trade, production, , export and imports which composed the real sector in the economy.

➤ For that reason it is very important interest for the participation banks forming the similar interbank organization which would increase their customers and operational transactions, too. For instance, the establishment of guaranty insurance system among the participation banks optimistically influenced their growth in the market.

➤ Nevertheless, the depository banks they are the corporations so their rulers and executive bodies are responsible fully form their operations and in any case, the state quarantined their possible bankruptcy situations, but in the Participation Banking systems there was no such kind of full responsibility or

insurance system in their financial credit operations because of joint losses or gains. In both theory and practice there is a legal gap that is why it led to some corruptions and abuses, the participation banks and companies in Turkey and European countries, too. This problem has been partially solved for Turkey. Those banks and companies forced to adopt the status and the legal structural establishment of banks and companies. Some of them applied to be part of the Capital Stock Exchange Market. That is why they could be checked and controlled by the state audit system.

➤ This study examines the case of each participation bank among each other for 2007-2013. The tables and figures show the each participation bank ordering at 9 different criteria. In conclusion, Bank Asya is the leader among the four banks in the seven criteria; Türkiye Finans is the leader in two criteria (Net Profit and Total Assets).

➤ This study examines the more important thing for these banks. The average increasing rate for last seven years has been calculated in this study. This figures show that Kuveyt Türk Participation Bank has the highest average in the all of criteria.

➤ This study shows that The Participation banks have increased the theirs shares in the sector also. While the share of Participation banks is %3,3 in 2007, the share reaches to %5,6 in the end of 2013. The increasing rate of sector share is %68 as a number.

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