
Fighting through Credit: Financial Strategies during the Pandemic in Turkey

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Since the end of the 1990s, Turkey has experienced a growing level of financialization. Financialization refers to the increasing impact of the financial tools on the everyday life (Epstein 2005: 3). Financial tools like loans, credit cards and deposit cards have become an indispensable part of everyday life. These tools have also turned many citizens into debtors. Debts are used as a strategy against extreme poverty and the crisis of neoliberal economies in the global context. I have been conducting research in the financial field since 2015, focusing on the relationship between state, banks and citizens in Turkey.

This short article aims to contribute to the discussions on the effects of the Covid-19 from a financial perspective. I share my early observations on the financial tools introduced by the Turkish government as a strategy to combat this pandemic. The Turkish government proposed two economic programmes, the first in mid-April and the second at the beginning of June. Contrary to other countries which have supported their citizens by providing cash, these economic programmes mainly involve consumer loans or the postponing of credit repayment. Many citizens who lost their regular income and even their jobs are in debt. Household debt has reached 14% of the Gross Domestic Product in Turkey.¹ While state-owned ones have no power to resist providing the listed tools, some private banks are reluctant to do so, which has created tension. We will probably witness various types of power games between the government and banks during this period. Given the current situation, I would like to analyse the relationship between the government, banks and citizens during the pandemic focusing on government regulations.

At the end of December 2019, news about an unknown and deadly disease that had emerged in China spread. The disease started as a ‘whistle’ in the social media specifically on Twitter, and then turned into a storm. Twitter users started to comment on, share and discuss what was coming and what would be the consequences. After the WHO (World Health Organization) declared that there was a pandemic on 11 March 2020, COVID-19 has become an inseparable part of the everyday life of each individual across the globe. As a researcher and a lecturer, I was following the news and sometimes shared my personal knowledge about the pandemic with my students, who did not take the news seriously and sometimes criticised me for focusing on a virus that had emerged in China, which is far away from Turkey. Turkey declared her first COVID-19-related death on 11 March, and all the schools and universities

¹ <https://www.gazeteduvar.com.tr/ekonomi/2020/03/30/hanehalki-borcu-rekor-seviyelere-ulasti/>. Accessed 23 June 2020.

closed and started online education programs. In the following weeks, various obligations were imposed to restore daily life.

Turkey had been going through an economic crisis that had not been officially acknowledged when the public authorities declared Covid-19 related measures. This may be the reason why they chose partial lockdown. Students at all levels have continued their education from their homes; some employees started work from home; most shops, including cafes, restaurants, shopping malls and so on were closed and sent their employees home. The size of the informal work in Turkey is estimated to be around 30% (Uysal 2020). Those working informally have had no options compared to the formally employed. Many civil servants started to work in shifts. Like in many cases across the globe, home has turned into the centre of everyday life for the Turks who can afford to stay at home. Total lockdown was applied to the whole population only at weekends. For more than three months, a curfew was applied to certain sections of the population; specifically, to people under the age of 20 and those over 65. Later, these regulations were relaxed and these groups were allowed to be in streets only for a limited time. Lockdown was applied only in some cities.

The first economic programme was called ‘Shield for Economic Stability’ and covered citizens and firms. Public banks (Ziraat Bank, Halkbank and Vakıfbank) with their Islamic-based banking branches provide consumer loans from 5,000 TL (Turkish Lira) up to 10,000 TL² which can be paid back in 36 instalments with no payment for the first six months. This means that those who receive this loan will be in debt for the next four years. The government has arranged different packages for entrepreneurs who are eligible to receive cheap loans based on their firm’s budget and on condition that they will not fire their employees during the pandemic. The waiting time for the delayed credit repayment was extended from 90 days to 180 days. A separate measure increased the lowest retirement payment to 1,500 TL per month. The government also provided short-term employment benefits for both employers and workers who became unemployed because of the Covid-19 related reasons.

The package also provided 1,000 TL cash support from the Ministry of Family, Labour and Social Services for poor families, who are identified as the most vulnerable part of society. Furthermore, options for the postponement of the existing loans from both public and private banks are strongly suggested. Although the main actors in this package are the public banks, private banks are also invited to provide accessible loans for citizens and the delay of the repayment. President Recep Tayyip Erdoğan issued a warning to banks unwilling to abide by the laws regulating the provision of new loans.³ The BDDK (The Banking Regulation and Supervision Agency) launched an investigation into the banks that have not provided easy access to loans and have resisted delaying the loans.⁴

² One American Dollar was 6.93 TL on 17 April 2020 when the economic programme was declared. The minimum wage is 2324 TL, which equals to 336 American Dollars.

³ <https://www.haberler.com/cumhurbaskani-erdogan-dan-ozel-bankalara-tepki-13119847-haberi/>. Accessed 19 June 2020.

⁴ https://www.bddk.org.tr/ContentBddk/dokuman/duyuru_0822_01.pdf. Accessed 19 June 2020.

The second package was announced at the beginning of June following the Minister of Finance, Berat Albayrak's announcement of the figures on the people covered by the first package: 6,000,617 people used more than 30 billion TL of loans and 4,5 million employees received 6 billion TL as short-term employment benefit. However, we have no information on the number of applicants who did not receive support, and the public is generally critical about these figures. One opposition MP asked to know the number of people who were rejected by the public banks.⁵ The criticism regarding people who applied and were either rejected or are still waiting to receive the loan has become public through social media and a few dissident newspapers.⁶ The second package involves four different credit packages, including mortgage, vehicle, consumption and holiday loans. All these means of support provided by the public banks are low-interest which aim to boost the economy under the 'new normal'. Considering that the price of both houses and cars started to increase as a result of the low-interest loans, the full effects of the second package are likely to become apparent in the coming months.

As in other countries, people's shopping habits have drastically changed. As many shops were closed, people tended to do their shopping online. Both the payment method and the shopping preferences have changed. On 18 March 2020, the daily maximum limit for contactless payment was increased from 150 TL to 250 TL; the use of this payment was officially encouraged. The Interbank Card Center (BKM) indicated that, during March, 2020 2,5 million contactless cards were used for the first time and 3 million cards were used for the first time for online shopping.

In addition to these packages mainly consisting of options for loans, the government also started a fund-raising campaign and asked people to contribute 10 TL. The President published the bank accounts where the contributions could be sent. This campaign became another issue in the polarization politics.

The sudden and unexpected impact of the Covid-19 has altered people's lives and made structural inequalities more observable. The position of people who are economically insecure has become more fragile and the only option offered by the Turkish government is new loans. A limited number of families have been supported by cash transfers, while most others have been directed to apply for new loans. This has created discontent among the people. Meanwhile, those who have access to social media can follow the response of other countries to the pandemic.

The coalition between the state and the banks has entered a new era. Private banks are forced to follow the new rules set by the state which controls public banks; a control that is gradually getting stricter, compared to the earlier phase of financialization that I discussed in an earlier work (Atalay 2019). This situation might change the rules of the game in the relationship between the private banks and the state.

⁵ <https://twitter.com/ikoncuk/status/1261363771601108993>. Accessed 1 June 2020.

⁶ The replies under the tweet of that MP could be viewed at <https://www.birgun.net/haber/6-ay-odemesiz-10-bin-tl-destek-kredisi-yilan-hikayesine-dondu-300484>. Accessed 23 June 2020.

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