



**HACETTEPE UNIVERSITY**

Center for Market Economics and Entrepreneurship

# **6<sup>TH</sup> INTERNATIONAL ANNUAL MEETING**

OF SOSYOEKONOMI SOCIETY

**CONFERENCE BOOK**



**Sosyoekonomi**

**OCTOBER 24-25, 2019 WARSAW/POLAND**



Hacettepe University  
Centre for Market Economics  
and Entrepreneurship (CMEE)

Sosyoekonomi  
Journal



# *6<sup>th</sup> INTERNATIONAL ANNUAL MEETING*

***Sosyoekonomi Society***

*Editors*

*Ahmet Burcin YERELI*

*Altug Murat KOKTAS*

October 24-25, 2019  
Warsaw / POLAND

<b>ISBN</b>	:	978-605-031-737-4
<b>Publisher</b>	:	Sosyoekonomi Society Elif Sokak, 7/98 Zübeyde Hanım Mahallesi, İskitler 06070 Altındağ / ANKARA Tel: +90 312 229 49 11 Fax: +90 312 230 76 23
<b>Printing House</b>	:	Sonçağ Yayıncılık Matbaacılık Reklam San. Tic. Ltd. Şti. İstanbul Caddesi, İstanbul Çarşısı, 48/48, İskitler / ANKARA Tel: +90 312 341 36 67
<b>Place and Date of Print</b>	:	Ankara / Turkey, 20.10.2019

## President

Ahmet Burcin YERELI, Hacettepe University, Turkey

## International Organizing Board

Hale AKBULUT, Hacettepe University, Turkey  
Barış ALPASLAN, Social Sciences University of Ankara, Turkey  
Elshan BAGIRZADEH, Azerbaijan State University of Economics, Azerbaijan  
Basak DALGIÇ, Hacettepe University, Turkey  
Burcu FAZLIOĞLU, TOBB University of Economics and Technology, Turkey  
Ömer GÖKÇEKÜŞ, Seton Hall University, U.S.A.  
Aleksandra GÓRECKA, Warsaw University of Life Sciences, Poland  
Kamalbek KARYMSHAKOV, Kyrgyzstan-Turkey MANAS University, Kyrgyzstan  
Altuğ Murat KÖKTAŞ, Kırşehir Ahi Evran University, Turkey  
Mehmed MURIĆ, University for Peace, Serbia  
Işıl Şirin SELÇUK, Bolu Abant İzzet Baysal University, Turkey  
Ayşen SİVRİKAYA, Hacettepe University, Turkey

## International Scientific Board

Tekin AKDEMİR, Ankara Yıldırım Beyazıt University, Turkey  
Abdilahı ALI, University of Salford, United Kingdom  
Nunzio ANGIOLA, University of Foggia, Italy  
Emre ATSAN, Niğde Ömer Halisdemir University, Turkey  
Hakan AY, Dokuz Eylül University, Turkey  
Shafiul AZAM, Aberystwyth University, United Kingdom  
Necmiddin BAĞDADIÖĞLU, Hacettepe University, Turkey  
Serdal BAHÇE, Ankara University, Turkey  
Alparslan A. BAŞARAN, Hacettepe University, Turkey  
Caterina DE LUCIA, University of Foggia, Italy  
Matthias FINGER, Ecole Polytechnique Fédérale de Lausanne, Switzerland  
Anna GOLOVKO, Sosyoekonomi Society, Turkey  
Sevilay GÜMÜŞ-ÖZUYAR, Uşak University, Turkey  
Jafar HAGHIGHAT, University of Tabriz, Iran  
Mubariz HASANOV, Okan University, Turkey  
Katsushi IMAI, University of Manchester, United Kingdom  
Mustafa KIZILTAN, Hacettepe University, Turkey  
Maria Paola RANA, Northumbria University, United Kingdom  
Uğur SADIOĞLU, Hacettepe University, Turkey  
Bican ŞAHİN, Hacettepe University, Turkey  
Antonio SAVOIA, University of Manchester, United Kingdom  
M. Mahruf C. SHOHEL, Aberystwyth University, United Kingdom  
Biagio SIMONETTI, Università degli Studi del Sannio, Italy  
Joseph SZYLIOVICZ, University of Denver, U.S.A.  
Nevzat ŞİMŞEK, Dokuz Eylül University, Kazakhstan  
Mustafa Erdinç TELATAR, Okan University, Turkey  
Ayşe Yasemin YALTA, Hacettepe University, Turkey  
Kasırğa YILDIRAK, Hacettepe University, Turkey

## Themes & Topics

- Regional Economics and Regional Development
- Environmental Economics and Environmental Management
- Energy Economics and Energy Resource Management
- Economics of Industrial Research and Innovation
- International Economics and International Trade
- Tourism Economics and Tourism Management
- Labour Economics and Industrial Relations
- Market Economics and Entrepreneurship
- Fiscal Federalism and Decentralization
- Microeconomics and Macroeconomics
- Public Economics and Public Finance
- Gender, Diversity and Social Issues
- Local Governance and Subsidiarity
- Poverty and Income Distribution
- Rural Development Policies
- Business Administration
- Health and Education
- Finance and Banking
- Economics and Law
- Spatial Economics
- Law and Business

<b>DEADLINES</b>	
August 15, 2019	Abstract Submission
August 20, 2019	Author Notification
August 31, 2019	Registration Fee and Registration Form Submission
October 10, 2019	Announcement of Programme
October 20, 2019	Submission of Presentation Documents
October 24, 2019	Opening Ceremony and Sessions
October 25, 2019	Sessions

	<b>October 24, 2019 Thursday</b>	<b>October 25, 2019 Friday</b>
08.30 - 09.00	Registration	
09.00 - 09.30	Opening Ceremony / <i>Salon GASTON</i>	
09.30 - 11.00	Session IA / <i>Salon GASTON</i> Session IB / <i>Salon TIN TIN</i>	Session VA / <i>Salon GASTON</i> Session VB / <i>Salon TIN TIN</i>
11.00 - 11.30	Coffee Break	Coffee Break
11.30 - 13.00	Session IIA / <i>Salon GASTON</i> Session IIB / <i>Salon TIN TIN</i>	Session VIA / <i>Salon GASTON</i> Session VIB / <i>Salon TIN TIN</i>
13.00 - 14.00	Lunch	Lunch
14.00 - 15.30	Session IIIA / <i>Salon GASTON</i> Session IIIB / <i>Salon TIN TIN</i>	Session VIIA / <i>Salon GASTON</i> Session VIIB / <i>Salon TIN TIN</i>
15.30 - 16.00	Coffee Break	Coffee Break
16.00 - 17.30	Session IVA / <i>Salon GASTON</i> Session IVB / <i>Salon TIN TIN</i>	Session VIIIA / <i>Salon GASTON</i> Session VIIB / <i>Salon TIN TIN</i>



## Preface

Professor Ahmet Burcin Yereli and his colleagues in Hacettepe University, Turkey established Center for Market Economics and Entrepreneurship (CMEE) in 2003. CMEE, which is working in close cooperation with relevant institutions and organizations, makes researches on the structure of the market economy in Turkey and seeks to provide recommendations and solutions for the entrepreneurs who are the most important actors of the free market process.

Sosyoekonomi Journal, in accordance with the objectives of CMEE mentioned above, was started publication in 2005 by the same managerial staff of CMEE and since then continues its biannual publications for ten years. First ten years of the journal has been past under the conduct of CMEE. Professor Yereli who is the Director of CMEE and editor of Sosyoekonomi Journal, in the beginning of 2015 and taken charge of Sosyoekonomi Journal in its body has founded Sosyoekonomi Society.

Sosyoekonomi Journal is an international, scientific and refereed journal and became quarterly after its eleventh publication year. 42<sup>nd</sup> issue of the journal will be published in October 30<sup>th</sup>, 2019. Sosyoekonomi Journal has covered by several citation and abstracting/indexing databases like ESCI Emerging Sources Citation Index, TUBITAK Ulakbim Turkish Social Sciences Database, EconLit, Proquest, EBSCO, RePEc, IDEAS, EconPapers, I2OR, Global Impact Factor, Scientific Indexing Service, SOBIAD, Google Scholar, etc.

Based on a decade of its academical and publishing experience, the editorial board of Sosyoekonomi Journal has decided to hold scientific events and for this purpose, First International Annual Meeting of Sosyoekonomi Society had taken place on October 28-30, 2015 in Munich, Germany. Since 2015, five scientific events have been done in different countries. For this year's meeting, Warsaw had been chosen by editorial board members and made contract with ibis Warszawa Stare Miasto (Old Town) Hotel as Meeting Hotel.

The main purpose of this event is to contribute to social sciences by bringing together academics, professionals and decision makers from different countries. For this purpose, *Regional Economics and Regional Development; Environmental Economics and Environmental Management; Energy Economics and Energy Resource Management; Economics of Industrial Research and Innovation; International Economics and International Trade; Tourism Economics and Tourism Management; Labour Economics and Industrial Relations; Market Economics and Entrepreneurship; Fiscal Federalism and Decentralization; Microeconomics and Macroeconomics; Public Economics and Public Finance; Gender, Diversity and Social Issues; Local Governance and Subsidiarity; Poverty and Income Distribution; Rural Development Policies; Business Administration; Health and Education; Finance and Banking; Economics and Law; Spatial Economics; Law and Business* have been selected as sub-issues of the conference.

Members of the scientific committee have played a key role by evaluating the selection process of abstracts that had submitted for consideration and only the most relevant papers were selected from a large pool of applicants. This effort makes a significant contribution to academic qualifications of our meeting. We thank to all those who contributed this effort and special thanks to members of the Organizing Committee. We hope the Conference will have a very beneficial effect to the participants and the scientific world as well.

Sosyoekonomi Society



## Programme

1 <sup>st</sup> Day		
<b>Opening Ceremony 09.00-09.30</b>	<b>24 October 2019 Thursday</b>	<b>1<sup>st</sup> Day</b>
Room: <i>GASTON</i> <b>Ahmet Burcin YERELİ</b> President of <i>Sosyoekonomi Society</i>		
<b>Session: I-A / 09.30-11.00</b>	<b>24 October 2019 Thursday</b>	<b>1<sup>st</sup> Day</b>
Room: <i>GASTON</i> Chair: <b>Hakan DULKADIROĞLU</b> <i>How to increase the Internationalization Capacity of Science &amp; Technology Park Firms: Some Lessons for the Managers</i> <b>Sabahattin Tuğrul İMER &amp; Mustafa Kemal ÖKTEM &amp; Osman Tolga KASKATI</b>  <i>Differentiation of the Types of Services and Economic Results of Logistics Companies</i> <b>Bogdan KLEPACKI &amp; Aleksandra PERKOWSKA</b>  <i>Technology Start-Ups Integration into Educational Process as Effective Way to Promote Entrepreneurship</i> <b>Andrey VERSHITSKY</b>  <i>The Significance of Transport Service for EU International Trade</i> <b>Aleksandra GÓRECKA</b>		
<b>Session: I-B / 09.30-11.00</b>	<b>24 October 2019 Thursday</b>	<b>1<sup>st</sup> Day</b>
Room: <i>TIN TIN</i> Chair: <b>Mustafa SAKAL</b>  <i>Brand Personality in the Automotive Industry: Passat vs Superb</i> <b>İnci ERDOĞAN-TARAKÇI &amp; Mehmet BAŞ</b>  <i>Check with Data Matrix</i> <b>Özge KARAEGE</b>  <i>Tourism and Psychology: Tourism from a Positive Psychology Perspective</i> <b>Semra AKTAŞ-POLAT</b>  <i>An Evaluation of the Regulations for People with Disabilities in Accommodation Establishments in Turkey</i> <b>Serkan POLAT</b>  <i>Analysis of the Use of Exemption, Exclusions and Discounts in Income Taxes as a Tax Avoiding Tool</i> <b>Adnan GERÇEK &amp; Mehtap ERSÖZ-KURU</b>		
<b>Coffee Break 11.00-11.30</b>		

<b>Session: II-A / 11.30-13.00</b>	<b>24 October 2019 Thursday</b>	<b>1<sup>st</sup> Day</b>
Room: <i>GASTON</i> Chair: <b>Dorota KMIEĆ</b>  <i>A Critical Review of Public-Private Partnership in Health Care Services: The Case of Turkey</i> <b>Gülbiye YENİMAHALLELİ-YAŞAR &amp; Aylin TOPAL</b>  <i>Healthcare Policies Based on Contract Mechanisms for Socio-Economic Improvement</i> <b>Onur KAYA &amp; Aydın TEYMOURIFAR</b>  <i>Socioeconomic Determinants of Drug Consumption in Afghanistan</i> <b>Mohamad Dayyan AYOUBI &amp; Sayed Khusrow KHUSROWI</b>  <i>Socio-Economic Factors and Adaptation to Climate Change: The Case of Adoption of Crop Rotation</i> <b>Haluk GEDİKOĞLU &amp; Hasan Kürşat GÜLEŞ &amp; Nisa Şansel TANDOĞAN</b>		
<b>Session: II-B / 11.30-13.00</b>	<b>24 October 2019 Thursday</b>	<b>1<sup>st</sup> Day</b>
Room: <i>TIN TIN</i> Chair: <b>Adnan GERÇEK</b>  <i>European Union's Youth Policy in the Post-Crisis Europe</i> <b>Sedef EYLEMER</b>  <i>Mediation in International Disputes</i> <b>Büşra ÖGÜTÇÜ</b>  <i>Is Eu's New Central Asia Strategy Really New?</i> <b>Çiğdem ŞAHİN</b>  <i>Citizen Participation in the Auditing Process of Supreme Audit Institutions: Potentials and Challenges</i> <b>Tolga DEMİRBAŞ &amp; Vuslat GÜNEŞ</b>		
<b>Lunch Time 13.00 - 14.00</b> <b>ibis kitchen Restaurant</b>		
<b>Session: III-A / 14.00-15.30</b>	<b>24 October 2019 Thursday</b>	<b>1<sup>st</sup> Day</b>
Room: <i>GASTON</i> Chair: <b>Sabahattin Tuğrul İMER</b>  <i>Can We Use Composite Leading Indicators in Forecasting Stock Exchange Index? Evidence from Turkey</i> <b>Esra Nazmiye KILCI</b>  <i>Is Turkey Successful in Diversification of the Tourism Market by Geographical Regions?</i> <b>Serkan POLAT</b>  <i>The Divided States of America</i> <b>Sharaf REHMAN</b>  <i>Professional Activity of Parents Receiving A Child-Support Benefit 500+ in Poland</i> <b>Dorota KMIEĆ &amp; Gintarė EDINTAITĖ</b>		

<b>Session: III-B / 14.00-15.30</b>	<b>24 October 2019 Thursday</b>	<b>1<sup>st</sup> Day</b>
Room: <i>TIN TIN</i> Chair: <b>Altuğ Murat KÖKTAŞ</b>  <i>Behavioral Sciences and Organizational Behavior Courses at Turkish Universities: The Case of Health Management Departments</i> <b>Serol KARALAR</b>  <i>The Causes of Academic Procrastination Behaviour in the Context of Pygmalion Effect</i> <b>Nuran ÖZTÜRK-BAŞPINAR &amp; Orkun ŞEN</b>  <i>The Effect of University Students' Internet Addiction on Family Communication</i> <b>Doğuş KAYA &amp; Zeynep ÇOPUR</b>  <i>The Impact of Education on Economic Growth: Evidence from Turkey</i> <b>Ayşen SİVRİKAYA &amp; Hatice Nihan ERDAL</b>		
<b>Coffee Break 15.30-16.00</b>		
<b>Session: IV-A / 16.00-17.30</b>	<b>24 October 2019 Thursday</b>	<b>1<sup>st</sup> Day</b>
Room: <i>GASTON</i> Chair: <b>Sharaf REHMAN</b>  <i>ART of Management: Authority, Responsibility, and Task and the Reflections at Public Finance Management and Control Law Numbered 5018</i> <b>Hakan DULKADİROĞLU</b>  <i>Factors Affecting the Consumer Preferences on Sugar Beet Sugar and High Fructose Corn Syrup</i> <b>Hasan Kürşat GÜLEŞ &amp; Haluk GEDİKOĞLU &amp; Mustafa ÖZSARI</b>  <i>Importance of Employee Engagement and A Global Engagement Model: Engage and Grow Employee Engagement System</i> <b>Esma Görkem ERSOY</b>  <i>On the Relationship between Age, Tenure and Gender Diversity of the Board and Corporate Performance</i> <b>Ashhan ERSOY-BOZCUK &amp; Fatma ÖZTAŞ</b>		
<b>Session: IV-B / 16.00-17.30</b>	<b>24 October 2019 Thursday</b>	<b>1<sup>st</sup> Day</b>
Room: <i>TIN TIN</i> Chair: <b>Serkan ERKAM</b>  <i>WEB Sites as Marketing Tool - "A Content Analysis of Turkish Wine Companies' Websites"</i> <b>Hilmi Rafet YÜNCÜ &amp; Selda UCA</b>  <i>Investigation of the Effects of Professional Sports on Employees' Work and Life</i> <b>İşıl USTA-KARA</b>  <i>Determinants of Second-Hand Car Prices: Empirical Evidence from Istanbul</i> <b>Ebru ÇAĞLAYAN-AKAY &amp; Hoşeng BÜLBÜL &amp; Derya TOPDAĞ</b>  <i>Holiday, Tourism and Tourist in Primary School Textbooks</i> <b>Semra AKTAŞ-POLAT</b>		

2 <sup>nd</sup> Day		
<b>Session: V-A / 09.30-11.00</b>	<b>25 October 2019 Friday</b>	<b>2<sup>nd</sup> Day</b>
<p>Room: <i>GASTON</i>  Chair: <b>Aleksandra GÓRECKA</b></p> <p><i>The Effect of Financial Development on Income Inequality: Which Governance Institutions Make A Difference?</i>  <b>Cristiano PERUGINI &amp; İpek TEKİN</b></p> <p><i>New Indicators Developed for Assessing Reserve Adequacy in Emerging Market Economies: Analysis on Turkey and Brazil</i>  <b>Esra Nazmiye KILCI</b></p> <p><i>How Does Education Affect Income Inequality?</i>  <b>Hande KUL-GELAL</b></p> <p><i>Conjectural Evaluation of Public Expenditures in the European Union</i>  <b>Tuğay GÜNEL &amp; Mehmet Fatih ÇAPANOĞLU</b></p>		
<b>Session: V-B / 09.30-11.00</b>	<b>25 October 2019 Friday</b>	<b>2<sup>nd</sup> Day</b>
<p>Room: <i>TIN TIN</i>  Chair: <b>Zeynep ÇOPUR</b></p> <p><i>Level of Health Spending: A Conceptual Framework</i>  <b>Cevat TOSUN</b></p> <p><i>Global Public Good: Food Safety</i>  <b>Melek AKDOĞAN-GEDİK</b></p> <p><i>Investigation of the Relationship Between Selected Primary Health Indicators and Per capita GDP and Health Expenditures: OECD and Turkey</i>  <b>Erdinç ÜNAL &amp; Eda Özlem ÜNAL</b></p> <p><i>National Wealth Fund Applications in the World and Turkey</i>  <b>Mustafa SAKAL &amp; Burcu DURAK-OLDAÇ</b></p>		
<b>Coffee Break 11.00-11.30</b>		
<b>Session: VI-A / 11.30-13.00</b>	<b>25 October 2019 Friday</b>	<b>2<sup>nd</sup> Day</b>
<p>Room: <i>GASTON</i>  Chair: <b>Ayşen SİVRİKAYA</b></p> <p><i>Interaction between Taxation Power and the Right of Property</i>  <b>Özge MUTLU-KAYA</b></p> <p><i>An Evaluation of Tax Burden on Salaries in the Context of Direct and Indirect Taxes: Turkish Case</i>  <b>Oğuzhan DEMİRHAN</b></p> <p><i>Changes in Calculating the Excise Tax Relief for Beer and Benefits for Polish Micro and Small Breweries</i>  <b>Wiktor MASZKOWSKI</b></p> <p><i>The Effects of Public Expenditure on Income Distribution in Turkey</i>  <b>Tuba DEMİRÜREK-ÜLKER &amp; Serkan ERKAM</b></p>		

<b>Session: VI-B / 11.30-13.00</b>	<b>25 October 2019 Friday</b>	<b>2<sup>nd</sup> Day</b>
<p>Room: <i>TIN TIN</i>  Chair: <b>İsmail GÜNEŞ</b></p> <p><i>Performance Ranking of the Commercial Banks Which Operating in Turkey with Multi Criteria Decision Making METHODS</i>  <b>Yiğit Han GAZEL &amp; Serpil ALTINIRMAK</b></p> <p><i>Analysis of Competitiveness in Turkish Banking Sector by Indicative Rate</i>  <b>Nuray İSLATİNCE</b></p> <p><i>Evaluation of Individual and Corporate Customers Regarding the Use of Deposit Bank Internet Services: Eskisehir Sample</i>  <b>Nuray İSLATİNCE</b></p> <p><i>Debate Between the Currency School and the Banking School</i>  <b>Hasan İSLATİNCE</b></p>		
<p><b>Lunch Time 13.00 - 14.00</b>  <b>ibis kitchen Restaurant</b></p>		
<b>Session: VII-A / 14.00-15.30</b>	<b>25 October 2019 Friday</b>	<b>2<sup>nd</sup> Day</b>
<p>Room: <i>GASTON</i>  Chair: <b>Melek AKDOĞAN-GEDİK</b></p> <p><i>Success Factors of Participative Budgeting: Case of New York</i>  <b>İsmail GÜNEŞ</b></p> <p><i>Fiscal Policies in Resolving Transportation Problems in Turkey: Tax Methods</i>  <b>Mehmet Fatih ÇAPANOĞLU &amp; Ahmet Burçin YERELİ</b></p> <p><i>Regional Economics and State Programs in the Regional Development</i>  <b>Murtaza HASANOĞLU</b></p> <p><i>Export Led Growth Strategy: A Case of Malaysia</i>  <b>Harun BAL &amp; Koray YILDIRIM &amp; Esmâ ERDOĞAN</b></p>		
<b>Session: VII-B / 14.00-15.30</b>	<b>25 October 2019 Friday</b>	<b>2<sup>nd</sup> Day</b>
<p>Room: <i>TIN TIN</i>  Chair: <b>İşıl Şirin SELÇUK</b></p> <p><i>Research on the Relation of the Indicators Related to the Fertility with Socio-Economical Variables in Turkey, 1963-2013</i>  <b>Deniz ACUNER &amp; Mithat KIYAK</b></p> <p><i>The Socio-Economic Characteristics of Turks in Germany</i>  <b>Şenol YAPRAK</b></p> <p><i>The Role of Gender in the Cycle of Militarism, Security and War</i>  <b>Şeyda GÜDEK-GÖLÇEK</b></p> <p><i>Criticism of Feminism on the Basic Concepts and Theories of International Relations: The Representation Problem of Women</i>  <b>Şeyda GÜDEK-GÖLÇEK</b></p>		
<p><b>Coffee Break 15.30-16.00</b></p>		

Session: VIII-A / 16.00-17.30	25 October 2019 Friday	2 <sup>nd</sup> Day
<p>Room: <i>GASTON</i>  Chair: <b>Bogdan KLEPACKI</b></p> <p><i>Determination of the Safety Stock Level and Reorder Point in Hospitals with Probabilistic Inventory Model: A Public Hospital Implementation</i>  <b>Çağdaş Erkan AKYÜREK &amp; Orhan PARILDAR</b></p> <p><i>An Analysis on the Structural Change of Intertemporal Production in the Real Estate Sector in Turkey</i>  <b>İlkay GÜLER &amp; Aziz KONUKMAN</b></p> <p><i>Developing Country MNEs' Contribution to Regional Economic Development: A Preliminary Study and Proposed Model on ASELSAN Inc.</i>  <b>Nazlı Gönül KOCAMAN</b></p> <p><i>Determinants of Economic Growth: The Case of Turkey (1975-2017)</i>  <b>Ahmet KAMACI &amp; Oya KURT</b></p>		
Session: VIII-B / 16.00-17.30	25 October 2019 Friday	2 <sup>nd</sup> Day
<p>Room: <i>TIN TIN</i>  Chair: <b>Aleksandra PERKOWSKA</b></p> <p><i>Tax Audit in Azerbaijan</i>  <b>Konul AZİZOVA &amp; Hakan AY</b></p> <p><i>Aggressive Tax Planning: Structure, Practise Samples and Discussion</i>  <b>Ahmet Burçin YERELİ &amp; Gökhan ÇOBANOĞULLARI</b></p> <p><i>Global Transformation in Taxation: Wealth Taxes in the World and Turkey</i>  <b>Ahmet Burçin YERELİ &amp; Ali Gökhan GÖLÇEK &amp; Altuğ Murat KÖKTAŞ</b></p> <p><i>Tax Liabilities on The Workforce: A Comparison Between Turkey and OECD Countries</i>  <b>Ali Gökhan GÖLÇEK &amp; Işıl Şirin SELÇUK &amp; Altuğ Murat KÖKTAŞ</b></p>		



**24 October 2019 Thursday**

**Session: I-A / 09.30-11.00**

## **TECHNOLOGY & INTERNATIONALIZATION**

Room: *GASTON*

Chair: **Hakan DULKADİROĞLU**

- How to increase the Internationalization Capacity of Science & Technology Park Firms:  
Some Lessons for the Managers

**Sabahattin Tuğrul İMER & Mustafa Kemal ÖKTEM & Osman Tolga KASKATI**

- Differentiation of the Types of Services and Economic Results of Logistics Companies

**Bogdan KLEPACKI & Aleksandra PERKOWSKA**

- Technology Start-Ups Integration into Educational Process as Effective Way to Promote  
Entrepreneurship

**Andrey VERSHITSKY**

- The Significance of Transport Service for EU International Trade

**Aleksandra GÓRECKA**





## Technology Start-Ups Integration into Educational Process as Effective Way to Promote Entrepreneurship

**Andrey VERSHITSKY** (<https://orcid.org/0000-0001-6271-0321>), Vernadsky Crimean Federal University of State, Republic of Crimea; e-mail: [vershitsky@hotmail.com](mailto:vershitsky@hotmail.com)

### Abstract

A survey of 650 students from four Russian universities (RUDN University, High School of Economics, Moscow State Institute of International Relations, and Moscow State University) that have connections with various enterprises showed that, despite the high awareness of the importance of business - university cooperation, students are not sufficiently involved in the joint research activities of universities and enterprises.

**Keywords** : Universities, Business, Entrepreneur Education, Cooperation.

**JEL Classification Codes** : M13, M15.

### Introduction

Effective interaction between enterprises and universities, cooperative scientific activity ensures an increase in the region's or even a state education level. It also affects the status of an educational institution and contributes to a better employment of its students. Entrepreneurship education in the education system is one of the most effective ways to promote entrepreneurship (Azizi & Mahmoudi, 2018). However, involvement in this cooperation may not be sufficient. Non-traditional learning methods, such as extra-curricular activities, outdoor activities, practical feasibility studies, internships and small business consultations, can develop important skills and familiarize students with entrepreneurial behavior that is needed to develop the potential of start-ups in the future (Botha & Ras, 2016).

### Materials and Methods

To collect information, an empirical study was conducted, which consisted of a survey of students. Among the respondents were representatives of both humanitarian and technical specialties. The methodology of quantitative research to collect and analyze interpretations and values of the survey was used in the study. But before the survey, a study was organized of the websites of several large Russian universities for cooperation with various enterprises.

The respondents were asked questions:

1. Do you know that your university cooperates with various enterprises?
2. Do you think that cooperation between universities and enterprises is necessary for the better development of an educational institution?

3. Do you think that the cooperation of universities and enterprises is necessary for a higher level of education of students?
4. Do you have projects in your university that are based on its cooperation with enterprises?
5. Did you have to participate in a project based on cooperation with enterprises?
6. Are you interested in scientific activities related to cooperation with enterprises?
7. Do you think that it is easier for university students cooperating with enterprises to find an internship?
8. Do you consider it possible to get a job in a university-friendly enterprise?
9. Do you think the level of research activities of your university would decrease without cooperation with any organizations?
10. Do you think that such cooperation is useful not only for universities, but also for the enterprises themselves?
11. Is financial support by enterprises for interesting student projects possible?

### Results

The survey was organized for students of the universities, affecting the sphere of cooperation with enterprises and involving an assessment of its effectiveness for students. In total, the survey contained eleven questions that were asked to answer “yes” or “no”.

Having collected the answers, the analysis of the research data was carried out using STATISTICA which allows visualizing data in a statistical analysis.

Question Number	Positive Answer, %
1.	94
2.	87
3.	88
4.	62
5.	48
6.	72
7.	58
8.	54
9.	72
10.	47
11.	67

### Discussion

Entrepreneurship education should raise students' awareness of entrepreneurship as possible career options, as well as provide specific business skills and knowledge about starting and running a business (Demin & Lukyanova & Vershitsky, 2019). Entrepreneurship should improve graduates' attitudes towards selfemployment, risk taking, creative thinking, as well as the skills necessary to manage and manage newly created sustainable business projects, and not just to train students in the functions and roles of entrepreneurship. In addition, universities should expand their collaboration with relevant organizations, such as diverse businesses (Mason, 2011).

In 2019, a study was conducted aimed at examining the exchange of experience between universities and enterprises. In order to achieve the goals, a set of survey was conducted through a phone survey of 500 companies distributed in intensive knowledge services (65.6%, 328) and distributed technologies (34.4%, 172). 84.6% Most of them were private (84%) and were located in

urban areas of Portugal (north - 24.6%, center - 31.6%, Lisbon - 20.6%, Alentejo - 4%, 407) (Teixeira et al., 2019).

Cooperation between companies and universities plays a particularly important role in the activities of companies both financially and at the level of organizations. Thus, cooperation between universities and companies is an important method, because it allows to explore and test innovative knowledge transfer. If enterprises increase their innovative capabilities, they will help improve financial performance and, consequently, increase their competitiveness (Aristei et al., 2016). There will also be a positive effect on the part of educational establishments, since such cooperation will allow students, at the educational level, to become more familiar with work at enterprises or to see their functioning from the inside, which in the future can help them to start their own business. Therefore, it is extremely important to create programs that promote cooperation with higher education establishments, and at the same time to thoroughly encourage companies for their innovative potential (Gomezelj Omerzel & Smolčić Jurdana, 2016).

### Conclusion

Even though the conducted study showed a fairly high level of cooperation between universities and enterprises, in this area there is still room to grow. In order to provide wider research activities, as well as to provide internships abroad, it is possible to ensure cooperation with international or foreign companies.

The study showed that students are aware and understand the importance and usefulness of cooperation between universities and various companies.

It is necessary to increase the popularization of such activity among students. To do this, you can hold meetings with employees of friendly companies, where they would talk about their activities, as well as develop a system of incentives for students participating in scientific activities. It is also necessary to work in expanding cooperation with international and foreign companies. This will allow not only the exchange of experience between countries, but also provide students with the opportunity to undergo an internship abroad. Educational establishments and organizations cooperating with them can create a special financial fund aimed at supporting their own scientific developments of gifted students. In addition, employees of friendly organizations can provide didactic and technical support for such students.

Basing on the results of the study, it is possible to explore the opinion and experience of citizens of other countries to the issue of technology start-ups integration into educational process in Universities as effective way to promote entrepreneurship, since the level of cooperation between companies and universities can vary depending on the university and a country.

### References

- Aristei, D. & M. Vecchi & F. Venturini (2016), "University and inter-firm R&D collaborations: propensity and intensity of cooperation in Europe", *The Journal of Technology Transfer*, 41(4), 841-871.
- Azizi, M. & R. Mahmoudi (2019), "Learning outcomes of entrepreneurship education: Entrepreneurship education for knowing, doing, being, and living together", *Journal of Education for Business*, 94(3), 148-156.
- Botha, M. & R. Ras (2016), "Entrepreneurship education: Enhancing or discouraging graduate start-up at the University of Pretoria", *Africa Education Review*, 13(2), 96-114.

- Demin, S.S. & A.V. Lukyanova & A.V. Vershitsky (2019), "Trends in the technology start-ups integration in the educational process of future entrepreneurs", *Journal of Entrepreneurship Education*, 22(4).
- Gomezelj-Omerzel, D. & D. Smolčić-Jurdana (2016), "The influence of intellectual capital on innovativeness and growth in tourism SMEs: Empirical evidence from Slovenia and Croatia", *Economic Research - Ekonomska Istraživanja*, 29(1), 1075-1090.
- Mason, C. (2011), "Entrepreneurship education and research: emerging trends and concerns", *Journal of Global Entrepreneurship*, 1(1), 13-25.
- Teixeira, S.J. & P.M. Veiga & C.A. Fernandes (2018), "The knowledge transfer and cooperation between universities and enterprises", *Knowledge Management Research & Practice*, 1-12.

**24 October 2019 Thursday**

**Session: I-B / 09.30-11.00**

## **BUSINESS ECONOMICS AND RELATED STUDIES**

Room: *TIN TIN*

Chair: **Mustafa SAKAL**

- Brand Personality in the Automotive Industry: Passat vs Superb  
**İnci ERDOĞAN-TARAKÇI & Mehmet BAŞ**
- Check with Data Matrix  
**Özge KARAEĞE**
- Tourism and Psychology: Tourism from a Positive Psychology Perspective  
**Semra AKTAŞ-POLAT**
- An Evaluation of the Regulations for People with Disabilities in Accommodation Establishments in Turkey  
**Serkan POLAT**
- Analysis of the Use of Exemption, Exclusions and Discounts in Income Taxes as a Tax Avoiding Tool  
**Adnan GERÇEK & Mehtap ERSÖZ-KURU**



## Brand Personality in the Automotive Industry: Passat vs Superb

**İnci ERDOĞAN-TARAKCI** (<https://orcid.org/0000-0002-4101-7111>), Bilecik  
Şeyh Edebali University, Turkey; e-mail: [incierdogan@gazi.edu.tr](mailto:incierdogan@gazi.edu.tr)

**Mehmet BAŞ** (<https://orcid.org/0000-0002-5443-7617>), Ankara Hacı Bayram  
Veli University, Turkey; e-mail: [mbas@gazi.edu.tr](mailto:mbas@gazi.edu.tr)

### Abstract

Brand is the sign that used to promote the right holder as a symbol of quality, honest work and work volume. It is possible to define the Brand as name, term, word, symbol, design, sign, shape, color or various combinations of them that create the goods or services of one or a group of manufacturers or sellers and differentiate them from those of competitors (Kotler & Keller, 2006, Submitted by: Baş, 2015). The concept of brand personality is very old. The answer to the question of how a person would be if the brand was a person expresses the brand personality. In this context, brand personality emerges by transferring his/her own personality characteristics to brands that enable consumers to distinguish different brands from each other. Therefore, brand personality is the transfer of personality characteristics and character traits of consumers to a brand. Brand personality is a collection of harmonious human personality traits that can be applied to brands. The benefits of creating a brand personality are; to differentiate from competitors, to affect the emotional decisions of customers and other marketing activities positively (Baş, 2015). Thus, brand personality, as a guide in the marketing communication efforts of the brand, enables the consumers to develop a positive attitude towards the brand and add value to the brand. In this study, brand personality sub-dimensions which is; sincerity, enthusiasm, mastery, exclusivity and hardness are accepted as competence, excitement, traditionalism and androgens that is reduced to 4 dimensions to adapt to Turkey by Aksoy and Özsoyer (2007). Brand personality dimensions were analyzed by comparing the Volkswagen and Skoda brands with Passat and Superb models which have quite similar features. In this context, a focus group study was conducted between December 2018 and January 2019 with the consumers living in the province of Ankara and the brand personality perceptions on the consumers were presented with the findings.

**Keywords** : Brand, Brand Management, Brand Personality, Brand Personality Dimensions.

**JEL Classification Codes** : M310, M370, M160.

### Introduction

In a constantly evolving and changing world, increasing competition conditions force businesses. Continuous development of technology and social trends make it increasingly difficult for businesses to achieve customer satisfaction and loyalty. In this competitive environment, businesses are developing new strategies focused on customer satisfaction. The decrease in the differences between the products due to technological developments and intense competition increased the importance of the brand concept. In this context, the brand has gained vital importance for the enterprises to differentiate from their competitors.



The brand offers businesses a promise of value. A strong brand, creating a differentiating value, promises more confidence, quality and comfort than its competitors. (Kotler, 2007). It is clear that the brand is an important factor in establishing customer loyalty.

Brand personality is an important research topic in brand management and marketing. A product's brand-related studies also include the brand personality. Brand personality is a unique element that creates competitive advantage. The brand personality is created by attributing the personality traits that enable consumers to distinguish brands from each other. The meaning of a brand in the consumer's mind stems from the positioning and image of the brand. And also, the brand's image on the consumer depends on the brand personality. Therefore, the creation of brand personality is very important.

In this study, brand personality dimensions were analyzed by comparing the Volkswagen and Skoda brands with Passat and Superb models which have quite similar features.

### **Brand**

Brand concept is very important in today's marketing approach. Consumers no longer prefer products because of their concrete benefits but also because of their abstract meaning and benefits. Therefore, the brand concept and the meaning created by the brand in the minds of the consumers gradually increase their importance and the brand is a very effective factor on consumer purchasing decisions (Yılmaz, 2007).

Brand is a collection of perceptions that envision in people's minds about products, services or the establishment itself (Eray, 1999: 114). According to Aaker (1996); is a distinctive name or symbol that identifies the products or services of a vendor or vendor group and differentiates these products and services from its competitors. Mucuk (2001) defined the brand as the name, symbol, term, shape or a combination of them that introduces the goods and services of manufacturers and sellers and separates them from the goods and services of others. According to the definition of the American Marketing Association, the brand is a name, term, sign, symbol or design that serves to identify and distinguish the goods or services of a group of vendors or sellers. In general, Brand is a name, term, word, symbol, design, sign, shape, color or various combinations of them that create the goods or services of one or a group of manufacturers or sellers and differentiate them from those of competitors (Kotler & Keller, 2006, Submitted by: Baş, 2015).

The brand is an element that reflects the source of the product to the customers, and constitutes the mission, product, goals, value, promises and most importantly the truth of the institution that creates the brand. Therefore, it protects both the customer and the business (Elitok, 2003).

Brands are associated with different benefits. Functional benefits relate to the problem-solving of brands; experimental benefits imply the association of the brand with sensory or cognitive pleasure. The third type of benefit is symbolic benefit. These benefits are due to certain effects of brand use. When brands are associated with special utilitarian user stereotypes, consumers acquire a social class belonging to these brands. In addition, brand use in this way has a positive effect on the user's self-perception. Symbolic benefits derive from the personality of brands such as the association of personality characteristics with the brand.

## **Brand Identity**

Brand identity is a fundamental concept in the integrated structure of the brand. With brand identity, the meaning, orientation and purpose of the brand is expressed. Brand identity refers to the whole with its all aspects rather than the parts of the brand. As Gelder (2003) puts out, the concept of brand identity, which began to gain importance in the early 1990s, is a key element in maintaining the brand's development in a competitive environment and achieving profitable growth. In this context, an effective brand identity design is required to create a strong brand (Uztuğ, 2005).

Brand identity is the heart and soul of the brand. It is about how the brand owner defines the brand. And also, there is a mutual relationship between business values and brand identity (Eymen, 2007). Brand identity is the expression of a product's shape, ad, sign, color, packaging and message. This message establishes the communication between the consumer and the manufacturer. Brand identity is the association of words, images, ideas and components that make up consumers' perspective on that brand.

Aaker (1996) defines the brand identity as a set of "unique" brand connotations. Creating brand identity involves a more dimensional framework than what customers say they want or perceive. Brand identity reflects the brand's vision and what it hopes to achieve. In this respect, brand identity is a strategic structure rather than a tactical understanding.

## **Brand Personality**

Personality is a set of features that differentiates a person from the other (Zel, 2000). Personality can be defined as; individuals' way of acting consistently under various environmental circumstances. Personality is a consistent and structured form of relation that a person establishes with his/her internal and external environment and which distinguishes him/her from other people (Yelboğa, 2006: 198; Submitted by: Gümüş, 2016).

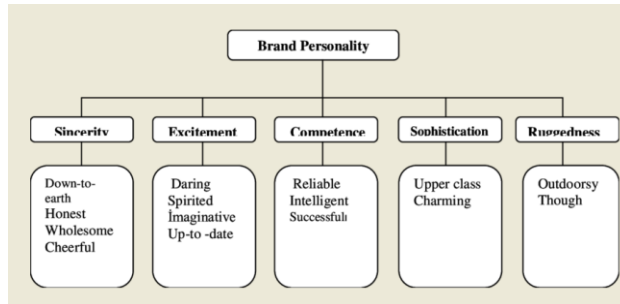
Brand personality is similar to the concept of personality. Like a human, brands also have personality traits and have been the subject of many researches. It was first introduced by Gardner and Levy in 1955 and was adopted in 1997 by Jennifer Aaker in the literature (Baş, 2015). According to the widely accepted recognition made by Jennifer Aaker, brand personality is all the human character traits that are cited with the brand (Aaker, 1997: 347). Similar to Aaker, Keller also defined the brand personality as attributing the human characteristics to the brand (Keller, 1993: 5). Each brand has a personality, character. A strong personality is a common feature of successful brands. In order to determine whether the brand has character, it is necessary to personalize the brand and to attribute various adjectives. Brands are also evaluated in terms of gender, age, socio-economic status, and are also associated with typical personality traits such as sensuality, interest and warmth.

Moser stated that in order to create purposeful personal characteristics for the brand, the following questions should be answered (Güllülü et al., 2013):

- Is the brand male, female or sexless?
- Is the brand young, middle-aged, or 7 to 70?
- Is the brand targeted to higher or lower income group?
- Is the brand local, regional, national or global?

According to Jennifer Aaker (1997), the brand personality has five basic dimensions. The variables below these dimensions and dimensions are briefly as follows:

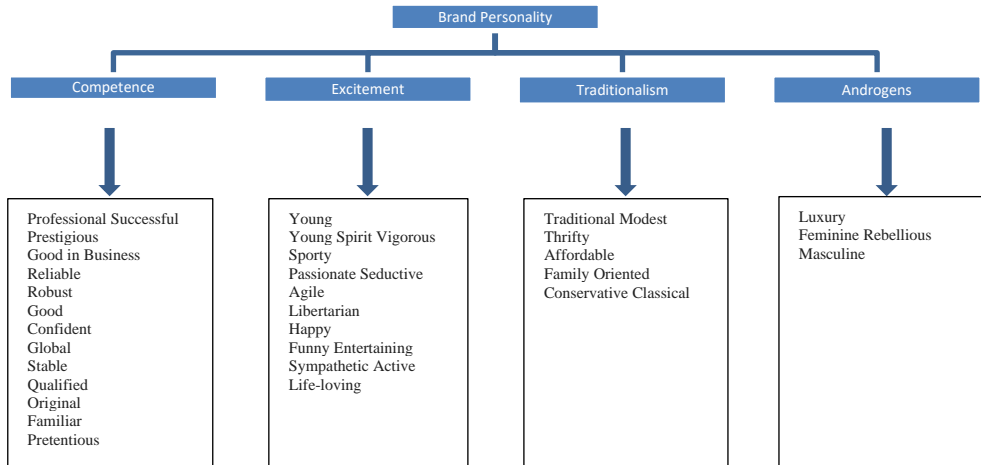
**Table: 1 - Dimension of Brand Personality**



Source: Aaker, 1997: 351; submitted by: Baş ve Merter, 2014.

As a result of the research of Aksoy and Özsomer (2007) that has conducted with a sample of 1200 people from Turkey, it is suggested that the brand personality can be defined as a total of 39 adjectives under 4 dimensions in Turkey and they are; competence, excitement, traditionalism and androgens. This study reduced the brand personality dimensions of Aaker into 4 dimensions to adapt to Turkey. But also in the light of the researches in the literature, it is stated that the brand personality of Aaker should be added to the demographics such as gender, social class and age. In the same way, it is stated that Aaker has positive brand characteristics such as strong, attractive, and branded features within the dimensions of brand personality, but that all brands have such positive features, and that they can be positioned with negative features such as arrogant, cold, shy (Özçelik & Torlak, 2011).

The brand personality dimensions adapted to Turkey are as follows:

**Table: 2 - The Brand Personality Dimensions Adapted to Turkey**

Source: Aksoy and Özsoyer, 2007:13.

### **A Focus Group Study: Passat vs Superb**

#### **Purpose, Scope and Constraints of Research**

The main purpose of this research is to analyze brand personality dimensions by comparing the Volkswagen and Skoda brands with Passat and Superb models which have quite similar features to present the brand personality perceptions of the consumers. In this context, a focus group study was conducted between December 2018 and January 2019 with the consumers living in the province of Ankara.

The most important limitation of this study, which is an exploratory research model, is that one of the qualitative research methods, focus group interviews were selected and the study was carried out with participants having certain characteristics. Focus group studies are preferred because of the detailed opinions of consumers. Another limitation is that the purposive sampling method has been selected. It was also assumed that the participants gave sincere and correct answers to open-ended questions.

#### **Fundamental Methods of Sampling and Research**

In the study, maximum diversity sampling which is one of the purposive sampling methods has been used. In this context, a total of 40 people (20 female and 20 male) participated in the focus group meetings.

The data obtained as a result of the interviews were analyzed by “descriptive analysis” method. Firstly, headings were determined in order to organize and classify focus group findings in a systematic

way. Then, depending on these titles, the data were arranged in a meaningful and logical manner. These data were defined and supported by the citations and literature.

All the data used in the research were examined in detail and coded with the appropriate headings and explained in the most appropriate terms. In this way, the similarities and differences between the thoughts of the participants were tried to be revealed.

### **Findings and Discussions**

In this part of the study, the analysis of the data obtained as a result of the field study and the comments of these analyzes are included.

#### **Demographic Findings**

The mean age of the female participants was 27. The youngest of the female participants is 21 and the oldest is 36 years old. The average age of male participants is 32. The youngest of the male participants is 18 and the oldest is 45 years old.

75% of women are university graduates and 25% are high school graduates. Half of the women are married, and half are single. 60% of men are university graduates and 40% are high school graduates. 80% of male participants are married and 20% are single.

#### **Analysis of Findings**

All the 40 people who participated in the study said that they used any of the Volkswagen Passat or Skoda Superb and 32 of them used both. Two of the participants stated that they had Volkswagen Passat and 3 of them had the Skoda Superb.

Participants stated that 25% of women and 80% of men knew that two cars belonged to the same group and were similar in terms of technical characteristics, while the other participants said they were not aware of this situation.

As a result of the question asked to determine whether there is a difference between Volkswagen Passat and Skoda Superb's perceived brand personalities, it was determined that the participants perceived the personalities of the two brands differently.

The Volkswagen Passat is perceived as more competent than the Skoda Superb. 90% of respondents perceive the Volkswagen Passat as a higher quality professional, prestigious, reliable and robust than the Skoda Superb. While all women had this perception, 10% of the male participants stated that there was no difference between the Volkswagen Passat and Skoda Superb in terms of their competence dimension characteristics.

In terms of the personality characteristics of the excitement, perceptions are similar to the competence dimension. 90% of the participants perceive the Volkswagen Passat as a more exciting personality. They stated that they perceived the Volkswagen Passat as young, passionate, seductive, active and agile.

In the dimension of traditionalness, the personality characteristics perceived by the participants differ. In contrast to other dimensions, 80% of the participants in this dimension consider the Skoda

Superb to be more affordable, modest, traditional, conservative, and thrifty and family oriented than the Volkswagen Passat.

In the androgenic dimension, there is no difference in the perceived personality for women, whereas in men the Skoda Superb is perceived as more masculine than the Volkswagen Passat. When the reason for this is asked, the most basic answer is the “Skoda Leg” ascribe.

### **Conclusion and Recommendations**

As a result of this study conducted in order to determine whether there are differences in the perceived personality traits of the two car brands, both of which are connected to the same group, it was determined that the consumers perceive their personality characteristics differently.

Although Volkswagen Passat and Skoda Superb are very similar in terms of class and technical features, it has been determined that they have a different personality perception.

The Volkswagen Passat and Skoda Superb are also perceived differently in all four dimensions. The Volkswagen Passat stands out in the dimensions of competence and excitement, while in the traditional dimension the Skoda Superb is more dominant. In the androgenic dimension, the Skoda Superb is perceived as more masculine.

Managers of these brands should manage their brands by determining whether there is a difference between their positioning and their personality characteristics.

Although the car’s technical specifications are similar, the Volkswagen Passat is perceived as more competent than the Skoda Superb. The high-quality professional, prestigious, reliable and robust perception of competence-sized features is higher for the Volkswagen Passat. In this case, it shows us once again that perceived quality is more important than real quality.

In the following studies, if the comparison of personality traits for more than one brand of the same groups or for different brands is made, the above-mentioned perceived quality and real quality relationship will be tested.

### **References**

- Aaker, D. (1996), *Building Strong Brands*, New York: The Free Press.
- Aaker, J.L. (1997), “Dimensions of Brand Personality”, *Journal of Marketing Research*, 34(3), 347-356.
- Aksoy, L. & A. Özsoyer (2007), “Türkiye’de Marka Kişiliği Oluşturan Boyutlar”, *12<sup>th</sup> National Marketing Congress Proceedings Book*, Sakarya University, 1-14.
- Baş, M. & G. Merter (2014), “Marka Cinsiyeti ve Bir Uygulama”, *Gazi University Journal of Economics and Administrative Sciences*, 16(3), 47-70.
- Baş, M. (2015), *Marka Yönetimi*, Ankara: Detay Publishing.
- Elitok, B. (2003), *Hadi Markalaşalım*, İstanbul: Sistem Publishing.
- Eray, F. (1999), “Hazır Giyim Sanayinde Marka-Reklam ve Tüketici İlişkileri”, *Mesleki Eğitim Dergisi*, (2), 109-115.
- Eymen, E. (2007), *Marka Nedir?*, İstanbul: Kalite Ofisi Publishing.
- Gelder, S.V. (2003), *Global Brand Strategy: Unlocking Brand Potential across Countries*, Cultures, London: Kogan Page Publishing.

- Güllülü, U. & B. Bilgili & B. Candan & G. Tayfur (2013), “Tüketicilerin Yerli ve Yabancı Markalara Yönelik Marka Kişiliği Algısı ve Marka Bağlılığı İlişkileri Üzerine Bir Araştırma (Beyaz Eşya Sektöründe Bir Araştırma)”, *18<sup>th</sup> National Marketing Congress Proceedings Book*, Kars: Kafkas University, 285-300.
- Gümüş, İ. (2016), “Brand Gender, Brand Personality and Brand Loyalty Relationship”, *Communication in Mathematical Modeling and Applications*, 2(1), 8-41.
- Keller, K.L. (1993), “Conceptualizing Measuring and Managing Customer Based Equity”, *Journal of Marketing*, 57(1), 1-22.
- Kotler, P. (2007), *Soru ve Cevaplarla Günümüzde Pazarlamanın Temelleri*, İstanbul: Optimist Publishing.
- Mucuk, İ. (2001), *Pazarlama İlkeleri*, İstanbul: Türkmen Kitapevi.
- Özçelik, D.G. & Ö. Torlak (2011), “Marka Kişiliği Algısı ile Etnosentrik Eğilimler Arasındaki İlişki: LEVIS ve MAVİ JEANS Üzerine Bir Uygulama”, *Ege Academic Review*, 11(3), 361-377.
- Uztuğ, F. (2003), *Markan Kadar Konuş*, İstanbul: Media Cat Publishing.
- Yelboğa, A. (2006), “Kişilik Özellikleri ve İş Performansı Arasındaki İlişkinin İncelenmesi”, *İş, Güç, Endüstri İlişkileri ve İnsan Kaynakları Dergisi*, 8(2), 196-211.
- Yılmaz, M. (2007), “Marka Kişiliğinin Boyutları ve IKEA Uygulaması”, *Unpublished Master Thesis*, İstanbul: Yıldız Technical University Institute of Social Sciences.

## Check with Data Matrix

**Özge KARAEGE** (<https://orcid.org/0000-0003-3701-2569>), İzmir Kâtip Çelebi University, Turkey; e-mail: [ozge.karaege@ikc.edu.tr](mailto:ozge.karaege@ikc.edu.tr)

### Abstract

An amendment has been made in 780th article of Turkish Commercial Code (TCC) and the law numbered 6728 determining the elements of check. With the amendment, the serial number and data matrix given by the bank were added to the form elements that the check should bear. In this way, the use of a check matrix with data matrix, which started as an optional application, became mandatory. The data matrix was added to the elements that should be in the check. Data matrix is included in the TCC as one of the compulsory elements in the check. Through the data matrix application, the check will be easier to circulate in the market, and the trust of the check received by the beneficiary and later holders will increase. Through the legal regulation, this application has been made compulsory as of 01.01.2017. Thus, if there is no data matrix on the check page to be issued as of 01.01.2017, the check will be deemed invalid.

**Keywords** : Check, Data Matrix, Valuable Paper, Exchange Bill.

**JEL Classification Codes** : K220.

### Introduction

Check is a valuable document in the qualification of bill of exchange issued with regulations and communiqués issued pursuant to the law and Check Law no: 5941 and third book of the Turkish Commercial Code. Among these, “Regulation on Check Clearing Activities” (Official Gazette, 09.06.2018: 30446), “Communiqué on Printing of Check Books and Determination of the Amount that Banks are Obligated to Pay the Bearer” (Official Gazette, 20.01.2010: 27468; 19.11.2016: 2016/6), “Communiqué on Application of Data Matrix on Checks” (Official Gazzete, 31.12.2016: 29935) (multiple 3), “Communiqué on the Notification and Announcement of Decisions to Prohibit Check Regulation and Check Account Opening” (Official Gazzette, 13.04.2017: 30037) should be considered (Kendigelen, 2019: 41).

Bill of exchange is issued with the 645th article in TCC and the provisions of the check are referred to, and for the remaining issues, reference is made to the policy provisions (Poroy & Tekinalp, 2018: 313).

### Legal Nature of the Check

#### Valuable Paper

A check is a value paper. For this reason, the right to issue checks shall be integrated with check. Thus, in order to demand payment of the check, it is necessary to present the deed and the transfer of



the right of possession will be required for the transfer of this right and the interlocutor will be able to pay only against the delivery of the deed to him (Öztan, 2016: 13; Kendigelen, 2019: 41-42).

### **Being Money Transfer**

There is a transfer relationship based on the check as in the policy (Bilgili & Demirkapı, 2012: 135; Öztan: 2016: 219; Ülgen & Helvacı & Kendigelen & Kaya, 2015: 233; Kendigelen, 2019: 45; Poroy & Tekinalp, 2018: 309; Bülow, 2013: 399). For this reason, there is a triple relationship in the check draw and the issuer of the check gives a bank that has an account with the check (interlocutor) the right to pay a certain price to his account and at the same time to collect the bearer check fee to the beneficiary or the person who took over the check (bearer), (Kendigelen, 2019: 45).

The check is a wire transfer. As per the Code of Obligations (COO) Article 560/2, the provisions of the check are reserved. In addition, there are situations in which the operation of the check differs from the classical wire transfer relationship (for these differences see Kendigelen, 2019: 45-46; Türk, 2007: 72). Therefore, the provisions of the COO for the transfer can only be applied to the check if there is no specific regulation and it is compatible with its nature (Öztan, 2016: 221; Kendigelen, 2019: 46).

### **Being Payment Means**

Compared to policies and bonds, check is not a loan but a means of payment. It is accepted as presumption that the check is given for the payment of the debt. The claimant is obliged to prove that this situation is given for a reason other than the execution of the debt, that is, the contrary (Kendigelen, 2019: 47; Çetiner, 2002: 176; Poroy & Tekinalp, 2018: 310; Bülow, 2013: 399).

### **Being Exchange Bill**

Check is also a bill of exchange like policy and bills. Common features of foreign exchange bills are to include a right of receivable, to be bills containing a double-sided submission requirement; to be a circulating instrument and while exchange bills, except checks, are also a means of payment, checks are means of payment; they are strictly subject to form requirements, the mandatory form requirements for the check are regulated in Article 780 of the Turkish Commercial Code and in the Check Law No. 5941; if the principle of joint liability is valid, in case of non-payment of the debt, the holder of the deed and those who have signature on check (endorser-avalist) may apply for the whole debt; it must be abstract, it must not have relationship between the original deed and the actual debt relationship; it must not invalidate the exchange bills even the original debt is invalid and it must count them as legally written notes. Checks may be issued in name, in order and bearer, while bills and policies may be issued as promissory and nominative. In addition, the principle of independence of signatures is valid in foreign exchange bills, that is, the signature of the person who does not have the ability to borrow in the foreign exchange bills or the existence of fake signatures, the fact that these commitments are invalid due to the existence of fictitious persons (TCC 677); that every good third person obtains the right by relying on individual rights in the deed and is international in nature are the common features in the exchange bills. In this direction, they can be transferred quickly, and they do not recognize national borders, thus La Haye and Geneva agreements have been signed to prevent any disputes that may arise (Öztan, 2016: 68; Kendigelen, 2019: 44; Pulaşlı, 2017: 116).

The fact that the check is a foreign exchange bill shall bear the above-mentioned features. In addition, the provisions of the bills of exchange will apply to checks.

### **Promissory Note by Law**

As per TCC 824/1; “Promissory notes are the valuable papers which include order registration or are deemed to be such by law”. Check is also a bill of exchange and is a promissory valuable paper (Kendigelen, 2019: 44; Poroy & Tekinalp, 2013: 240; Bülow, 2013: 400). However, it is also possible to issue the check to bearer or to the name. Accordingly, even if there is no explicit “promissory” record on the check, the check issued in the name of the particular person shall be accepted as promissory even if it does not contain the promissory registration.

### **Elements of Check**

#### **Generally**

Strict form requirements are also envisaged for the check to ensure the security of the check during the period of heavy responsibility and the burden of the check on the circulation (Kendigelen, 2019: 91; Poroy & Tekinalp, 2018: 313). The regulation is made in the Turkish Commercial Code No. 6102 in terms of the elements to be included in the check and these form conditions are regulated in articles 780 and 781. For us to mention the validity of a check, the form requirements in the relevant provisions must be fulfilled and must not carry the elements that will invalidate the check (Pulaşlı, 2017: 277; Öztan, 2016: 226). In addition, amendment is made by Article 67 of the Law No. 6728 “Amending Certain Laws for the Improvement of the Investment Environment” (Official Gazette, 09.08.2016: 29796) in Article 780 of the Turkish Commercial Code, which determines the elements of the check. Through this amendment, the serial number and data matrix given by the bank were added to the form elements that the check should bear.

The elements to be deemed as a check in order to qualify as a check are listed in article 780 of the Turkish Commercial Code; but in TCC. 781, an alternative arrangement was made for some of these elements. In this context, the bill, which does not contain one of the elements envisaged in Article 780, shall be deemed null and void, except as provided for in paragraphs 2, 3 and 4 of Article 781 of the TCC.

In Article 2 of the Check Law No. 5941, the issues to be included in each page of the check book are listed one by one. These issues in the Check Law do not form the obligatory elements of the check and the lack of them does not cause the invalidity of the check. This matter is clearly stated in Article 2/IV of the Check Law *“With the condition to have the elements in the Turkish Commercial Code, the fact that the issued check is contrary to the conditions stated in this article, does not affect the validity of the check”*.

### **Elements That Must Be in a Check According to Turkish Commercial Code**

Through the latest amendments, the elements that should be included in the check according to the article no.780 of TCC are listed; and it is regulated that

- The word “check” or the word used as the correspondent of “check” must be found in the deed if the deed is written in a language other than Turkish,

- It must include the transfer for the payment of certain amount unconditionally,
- That the person who will pay must include the trade name,
- The payment place must be included,
- The date and location of the deed should be included,
- The signature of the issuer of the deed should be present,
- The serial number given by the addressee bank should be available,
- The data matrix should be contained.

In Article 780/II of the TCC, it is stated; “Check creditors can access the data of the check account holder and the issuer of the check through the data matrix. With Data matrix, without the consent of the check account holder or endorser, third persons can access.

- Name, surname or trade name of the check account holder,
- Name, surname or trade name of the authorities registered in the trade registry, if the check account holder is a merchant,
- The total number of banks with a check account,
- Number and amount of checks not submitted to the banks of the checking account holder,
- Number and amount of checks delivered to banks,
- Number and amount of checks paid in the last five years,
- Submission date of the first check submitted,
- Submission date of the last check submitted,
- Submission date of the last check paid,
- The number and amounts of checks that have been unpaid in the last five years and are still outstanding,
- Number and amount of checks that have been processed and paid in the last five years,
- Submission date of the last check, which has been unpaid in the last five years,
- Whether the check account holder has a ban on opening a check account, if any, the date of the prohibition decision,
- Whether there is a precautionary record for each check sheet,
- If the check account holder is merchant, whether the bankruptcy decision is given and the date of the bankruptcy decision.

According to Article 780/III; The data matrix and information sharing system that allows access to the specified data mentioned in second paragraph are established by Turkish Banks Union Risk Center established as per 1st article of Banking Law dated 19/10/2005 and numbered 5411. Risk Center is authorized to share the data in the system with the company which it exchanges information in accordance with the eleventh paragraph of the additional article 1 of the Law No. 5411. If this authorization is used, the system can be installed at the company where the information is shared.

According to Article 780/IV; The definition and contents of data matrix and MERSIS number to be included in the check and the procedures and principles regarding the implementation of this article shall be determined by the communiqué issued by the Ministry of Customs and Trade and the Undersecretariat of Treasury.

According to TCC Article 781; “(1) A promissory note that does not include one of the elements referred to in Article 780 shall not be considered as a check, except as provided in the second, third and fourth paragraphs”. According to this;

- If there is no clarity in the check, the place shown next to the trade name of the payer is considered as the place of payment. If more than one place is shown next to the business name of the payer, the check is paid at the first place shown. In the absence of such an opening and any other records, the check is paid at the location of the addressee.
- The check, which its place of issue is not shown, is deemed to have been issued at the place written next to the name of the issuer.
- In checks issued by a foreign bank, the absence of the serial number given by the bank specified in paragraph (g) of the first paragraph of Article 780 and/or the data matrix specified in paragraph (h) does not affect the validity of the bill as a check.

### **Elements of the Check According to the Check Law**

In Article 2/VII of the Check Law, each leaf of the check book as other elements of the check shall have;

- Check account number,
- The name of the bank branch where the check account is located,
- Name and surname of the real person holding the check account, name of the legal entity,
- Tax identification number of the real or legal person holding the check account,
- Check the date of printing,
- Identity number of Republic of Turkey in case the check account owner is a real person; if it is a legal person, the Central Registry System (MERSİS) number, if any,
- In the case the owner of the check account is different from the person issuing the check, the identity number of Republic of Turkey shall be written.

### **Check Serial Number and Data Matrix as Mandatory Element**

By the Law No. 6728 two new obligatory elements are added to TCC 780. Accordingly, serial number and data matrix were added to the mandatory elements of the check (m. 780 / 1- (g) and (h)).

With the provisional article added to the TCC, as of 31.12.2016, the check sheets without the data matrix and serial number will not be given to the check account holders of banks. However, the check number printed before 31.12.2016 shall not be subject to the presence of serial number and data matrix. There is one exception to this rule, the exception is the checks issued by foreign banks. According to the explicit provision of 780 of TCC, if the check is issued by the foreign bank, the lack of serial number and the data matrix will not have any effect on the check qualification (for discussion related with foreign bank concepts see Kendigelen, 2019: 138, footnote 350; Bozer & Göle, 2018: 257-258).

The compulsory serial number is intended to facilitate payments by check and prevent possible fraud (Kendigelen, 2019: 139). The reason for the presence of the data matrix in the check on the grounds of the article is to increase the confidence in the check in the market and to prevent unreturned checks. Checks with data matrix are the checks issued by the banks for the purpose of revealing the

previous payment performance of the check issuer, the accuracy of the issued check sheet and whether the check is in circulation (Köle & Görgülü, 2016: 97; Bozer & Göle, 2018: 261-262).

According to the Turkish Commercial Code 780/II; Check creditors can have access to the data on the check holder and check issuer with the check in hand. Changes made in the representatives of the legal entity issuing checks as of the date on which the check with the data matrix are registered in the system shall not remove the responsibility of the legal entity holding the check account (Kendigelen, 2019: 139; Pulaşlı, 2017: 359).

Check Law article 3/10 regulates that the check with data matrix delivered by beneficiary shall be recorded to the system. When we look at the justification of this article, it is stated that the bank will not be liable for the amount that the bank is obliged to pay in terms of checks not entered into the system. However, such an arrangement is not found in the Check Law. Therefore, it can be said that there are no legal or penal sanctions for checks that have not been registered in the system.

According to the provision of 2/3 of Check Law, the banks are obliged to check whether the real or legal persons or company officials holding check accounts are prohibited from opening a check account. It is obliged to register the transaction authorities to the system organized for reading the data matrix and sharing information.

With the QR code application, check creditors will be able to easily access the data of the check account holder and the issuers of the check with their checks. This access shall be made without the consent of the account holder or the endorsement. However, since the information here belongs to the account holder, seeking the consent of the endorser has been an improbable approach (Kendigelen, 2019: 140).

### **Conclusion**

In 780/1-h clause of TCC, data matrix has been added to the mandatory elements of the check, so that the issuer's past payment performance, check leaf accuracy, whether the check is still in circulation is made questionable. For this purpose, TCC m. 780/3 arrangement with "data matrix, swipe and information sharing system" provided for the establishment of the Banks Association of Turkey and this issue is entrusted to the Risk Center. The Risk Center has also issued the "Communiqué on the Implementation of Data Matrix in Checks" regarding the establishment and operation of this system.

It is aimed to increase the confidence in the check in the market and to prevent unrequited checks with the QR code application.

Within the framework of the current legal regulations, it will be possible to say that the bonds that do not carry the code matrix will no longer carry the quality of checks and may be considered as ordinary written remittances.

### **References**

- Bilgili, F. & E. Demirkapı (2012), *Kıymetli Evrak Hukuku*, Bursa.  
Bozer, A. & C. Göle (2018), *Kıymetli Evrak Hukuku*, Ankara.  
Bülow, P. (2013), *Wechselgesetz - Scheckgesetz Kommentar von Peter Bülow*, München.

- Çetiner, U. (2002), “Anayasanın 38. Maddesi Değişmesi Sebebiyle Karşılıksız Çek Keşide Etme Suçu ve İcra İflas Suçları Bakımından Ortaya Çıkan Hukuksal Durumlar”, *Ankara Barosu Dergisi*, 1,173-181.
- Kendigelen, A. (2019), *Çek Hukuku*, İstanbul.
- Köle, M. & F. Görgülü (2017), “Son Düzenlemeler Işığında Çekin Şekil Şartları ve Çeke Dayalı Kambyo Senetlerine Özgü Takip Yolları”, *Dicle Üniversitesi Hukuk Fakültesi Dergisi*, 21(35), 79-157.
- Öztan, F. (2016), *Kıymetli Evrak Hukuku*, İstanbul.
- Poroy, R. & Ü. Tekinalp (2018), *Kıymetli Evrak Hukuku Esasları Çek Kanunu Yorumu ile*, İstanbul.
- Pulaşlı, H. (2017), *Kıymetli Evrak Hukukunun Esasları*, Ankara.
- Türk, A. (2007), *Hukuki Yönden Banka Havalesi*, Ankara.
- Ülgen, H. & M. Helvacı & A. Kendigelen & A. Kaya (2015), *Kıymetli Evrak Hukuku*, İstanbul.



## Tourism and Psychology: Tourism from a Positive Psychology Perspective

**Semra AKTAŞ-POLAT** (<https://orcid.org/0000-0002-2324-2200>), *İstanbul Medeniyet University, Turkey; e-mail: saktaspolat@gmail.com*

### Abstract

This study focuses on positive psychology, which is the intersection of tourism and psychology. For this purpose, this study draws the framework of the topics focused on tourism and positive psychology. In the study, 15 articles were analyzed in terms of purpose, method, and results by the systematic review method. The articles conducted in the field of positive psychology and tourism between 2015 and 2019 were accessed via Science Direct. As a result, the studies were classified into three groups according to their purposes; (i) identifying tourism experience, (ii) determining psychological effects of participation in tourism activities, and (iii) identifying advantages of positive effects of tourism in terms of management. In terms of methods used in the articles it was determined that the mixed approach was adopted in 46.6% of the selected articles and the data were mostly obtained by survey and interview methods. Finally, it was determined that the results of the studies mostly focused on tourism experience and well-being.

**Keywords** : Tourist, Tourism Experience, Well-Being, Positive Psychology, Tourism.

**JEL Classification Codes** : Z00, I310.

### Introduction and Background

Positive psychology is a new psychological approach in the 1990s (Scorsolini-Comin & Fontaine & Koller & Santos, 2013). The concept of positive psychology that is used for the elements such as positive emotions and traits (Filep, 2007), is about achieving happiness (Hefferon & Boniwell, 2014). According to Seligman and Csikszentmihalyi (2000: 5) “The aim of positive psychology is to begin to catalyze a change in the focus of psychology from preoccupation only with repairing the worst things in life to also building positive qualities”. Positive psychology is a new field seeking answers to the question of what happiness is (Compton, 2005). Happiness can also be associated with psychological well-being. Tourism is defined as an economic and socio-cultural phenomenon that people perform for various purposes outside the environment in which they live their usual lives (UNWTO, 2019). For this reason, tourism especially for tourists means non-routine. Some factors such as the intensity of daily life and stress lead to deterioration in the individual’s homeostatic balance. Tourism comes into play at this point for the individual and plays a role in ensuring the individual’s homeostatic balance. As Jafari’s (1987) words, tourism as a kind of illusive opiate provides transformation and renewal in the inner world of the individual. In recent years, studies on tourism and well-being have been increasing (Kay Smith & Diekmann, 2017). The studies linking tourism and positive psychology are not yet sufficient (Pearce, 2009). The happiness effect of tourism on individuals is the focus of the relationship between tourism and positive psychology (Panchal, 2012). Considering this effect of



tourism on the individual, the importance of tourism in micro-scale for individual health and in macro-scale for public health cannot be underestimated. Therefore, this study focuses on positive psychology, which is the intersection of tourism and psychology.

### **Materials and Method**

This study focuses on positive psychology, which is the intersection of tourism and psychology. For this purpose, this study draws the framework of the topics focused on tourism and positive psychology by making a systematic review of the studies on tourism and positive psychology.

In this context, the following research questions were identified in this research;

- (i) What are the aims of the studies within the framework of positive psychology and tourism?
- (ii) Which methods were used in the studies?
- (iii) What are the results of the studies?

The studies conducted in the field of positive psychology and tourism between 2015 and 2019 were analyzed in terms of purpose, method, and results by the systematic review method. According to Littell, Corcoran and Pillai (2008: 1) "A systematic review aims to comprehensively locate and synthesize research that bears on a particular question, using organized, transparent, and replicable procedures at each step in the process". The characteristics of a systematic review are (Dixon-Woods, 2012: 194);

- to explicit study protocol,
- to address a formal, pre-specified, highly focused question,
- to define the eligibility criteria for studies to be included in the review in advance,
- to explicit about the methods used for searching for studies, including any efforts to track down unpublished work or studies published in foreign languages,
- to screen publications for inclusion in the review against a prior criteria,
- to conduct formalized appraisals to assess their scientific quality and otherwise limit the risk of bias,
- to use explicit methods to combine the findings of studies.

The studies involving a systematic search of the literature on positive psychology and tourism were re-analyzed through the systematic review process. In order to determine the studies, searching was performed through ScienceDirect.com. The database was searched using the tourism and positive psychology keyword. The following types of studies were not included in this study review articles, conference abstracts, book reviews, discussions, editorials, short communications and other.

In this study, which adopts systematic review method, four criteria are determined. These criteria are (i) it must be published in a tourism journal indexed and accessible in Science Direct, (ii) it must be published between 2015 and 2019, (iii) it must be based on the relationship between positive psychology and tourism and (iv) it must be a research article.

In the context of the systematic review process, 2,649 studies were initially identified after searching for "positive psychology" keyword in the database between 1992 and 2019. In the second stage, the studies published in 2014 and previous years and review articles, conference abstracts, book reviews, discussions, editorials, short communications and other publications were excluded, and 947

research articles were reached. In the third stage, a new search was made by narrowing the search field with title, abstract or author-specified keywords such as tourism. After the third stage, the number of studies was 47 in the research article category on tourism and positive psychology. In the fourth stage, the journal area was narrowed by excluding the journals but tourism journals. After the fourth stage, the number of studies was 33 in the research article category. In the fifth stage, 33 studies were examined by excluding the studies without field research. As a result of the determined criteria, 15 articles on tourism and positive psychology were evaluated.

According to this research, the selected articles were published in five journals. The distribution of these articles by journals was as follows: Tourism Management (40%), Annals of Tourism Research (33.3%), Tourism Management Perspective (6.7%), International Journal of Hospitality Management (6.7%), and Journal of Destination Marketing & Management (13.3%). The selected articles were below grouped according to the purpose, method, and results of the researches.

### **The Purposes of the Selected Articles**

According to the results, the distribution of these articles by year was as follows: 2015 (6.7%), 2017 (53.3%), 2018 (13.3%), and 2019 (26.7%). The studies examined were classified into three groups according to their purposes; (i) identifying tourism experience (Lee & Oh, 2017; Sedgley & Pritchard & Morgan & Hanna, 2017; Lehto & Luo & Miao & Ghiselli, 2018; Jepson & Stadler & Spencer, 2019), (ii) determining psychological effects of participation in tourism activities (Filep & Macnaughton & Glover, 2017; Kakoudakis & McCabe & Story, 2017; Wu & Pearce, 2017; Chen & Li, 2018; Gill & Packer & Ballantyne, 2019; Wang & Lyu, 2019), and (iii) identifying advantages of positive effects of tourism in terms of management (Pabel & Pearce, 2015; Page et al., 2017; Ahn & Back & Choe, 2019).

Sedgley et al., (2017: 14) aimed "...to understand the lived experiences of mothers holidaying with a child diagnosed with autism spectrum disorder-ASD" in their article. Kakoudakis et al., (2017: 109) aimed "to investigate linkages between potential psychological benefits of social tourism participation and socioeconomic benefits". Filep et al., (2017: 26) aimed "...to explore acts of kindness from strangers towards tourists and to understand how these acts are valued". Wang and Lyu (2019: 106) aimed to investigate "...the experience of awe accessed through tourism and its influence on environmentally responsible behaviour (ERB)". Chen and Li (2018: 256) aimed "...to explain tourist happiness by examining a specific destination in which happiness is generated for tourists via their travel behavior at the destination". Lehto et al., (2018) aimed "...to delineate shared tourism experiences of people who need assistance when traveling and their caregivers". Gill et al., (2019, p. 1) aimed "...to explore the specific environmental attributes, activities and experiences of spiritual retreats that lead to restorative outcomes".

### **The Methods of the Selected Articles**

In the research, it was found that 46.6% of the selected articles used mixed approach, 26.7% used qualitative approach, and 26.7% used quantitative approach. For example, Pabel and Pearce (2015: 357) used mixed approach to explore "both the perceived benefits of humour for the tourists themselves and advantages for the businesses they visit". Page et al., (2017: 467) also used mixed approach data "...to stimulate local businesses to take fuller advantage of the well-being tourism market and so is of value for the wider development of this theme globally, drawing upon the lessons and management implications for destinations". On the other hand, Chen and Li (2018: 256) used

quantitative approach “to explain tourist happiness by examining a specific destination in which happiness is generated for tourists via their travel behavior at the destination”. Laing and Frost (2017) used qualitative approach to investigate whether wellbeing dimensions are present in narratives of women writing about travel in Italy.

According to results, it was determined that the data were obtained mostly by survey (Pabel & Pearce, 2015; Kakoudakis et al., 2017; Page et al., 2017; Prebensen & Xie, 2017; Wu & Pearce, 2017; Chen & Li, 2018; Ahn et al., 2019; Gill et al., 2019; Jepson et al., 2019; Wang & Lyu, 2019) and interviews (Pabel & Pearce, 2015; Filep et al., 2017; Kakoudakis et al., 2017; Page et al., 2017; Sedgley et al., 2017; Lehto et al., 2018; Gill et al., 2019; Jepson et al., 2019).

### **The Results of the Selected Articles**

According to results, it was determined that the results of selected studies can be gathered under two dimensions as tourism experience (Pabel & Pearce, 2015; Lee & Oh, 2017; Prebensen & Xie, 2017; Sedgley et al., 2017; Lehto et al., 2018; Ahn et al., 2019; Gill et al., 2019; Jepson et al., 2019) and well-being (Page et al., 2017; Laing & Frost, 2017; Filep et al., 2017; Chen & Li, 2018; Lehto et al., 2018; Ahn et al., 2019; Gill et al., 2019).

Lehto et al., (2018) defined joint tourism experience of people with disabilities and their caregivers in four dimensions. These are (i) mastery of activities, (ii) emotions evoked from the experience, (iii) eudemonic outcomes, and (iv) social parameters of the experience. Also, positive emotions related to experience such as overjoyed, happy, proud, and in awe and negative emotions such as distressed, frustrated, angry, and humiliated negative emotions were identified in the research. They expressed that the sense of eudaimonic well-being is an important feeling for disabled individuals and their caregivers.

Chen and Li (2018) concluded that the destination image has a positive relationship with life satisfaction and eudaimonia in their research. Jepson et al., (2019) concluded that experiences with family had a positive effect on quality of life in their research. Lee and Oh (2017) concluded that sharing touristic experiences had a positive effect on post-purchase happiness, self enhancement, and intention to revisit. Prebensen and Xie (2017) observed that psychological and physiological participation in tourism activities creates value by creating satisfaction and perceived value plays a mediating role between participation and satisfaction.

Laing and Frost (2017) defined well-being in six dimensions. (i) Detachment-recovery: It refers of the break from the house, the escape. The sub-themes of this dimension are escape and identity. (ii) Autonomy: It refers breaking the rules, to enjoy in places where no one knows him. The sub-themes of this dimension are freedom, control and identity. (iii) Mastery: It describes the development of individual knowledge and skills as a result of participation in activities. The sub-themes of this dimension are achievement and identity. (iv) Meaning: It is about the purpose of life, its value and communication with others. The sub-themes of this dimension are searching for meaning and searching for purpose. (v) Affiliation: It refers the relationship. The sub-themes of this dimension are relationships and authenticity (vi) Positive emotions: It refers hedonic pleasure and eudaimonic experiences. The sub-theme of this dimension is pleasure.

Kakoudakis et al., (2017: 119) concluded that “short holiday-breaks for unemployed people can facilitate increases in their self efficacy and bring about positive changes in their job-search and job-search related behaviours”.

Gill et al., (2019: 11) concluded that “being mentally away, engaging in spiritual activities and disconnecting from technology contributed to both immediate and continuing restorative outcomes”. Also “this research has identified work stressors as a major contributor to the fade-out of restorative effects after the retreat” (Gill et al., 2019: 11).

### Discussion and Conclusion

Positive psychology is of great importance in the relationship between psychology and tourism. Tourism aims to increase the well-being of people (Garcês & Pocinho & Jesus & Rieber, 2019). In these studies, which focus on the relationship between positive psychology and tourism, it can be expressed that the intersection point of positive psychology and tourism is the concept of well-being. Well-being is interpreted with the psychological effect of tourism experience on the individual in tourism studies.

Although holiday increases the physical well-being and overall happiness of tourists, these effects disappear quickly when they turn into the tourist routine (Kirillova & Lehto, 2015). Ryan and Deci (2001) stated that the studies on well-being were explained by two different approaches: hedonic approach and eudaimonic approach. According to Ryan and Deci (2001: 141); “the hedonic approach, which focuses on happiness and defines well-being in terms of pleasure attainment and pain avoidance; and the eudaimonic approach, which focuses on meaning and self-realization and defines well-being in terms of the degree to which a person is fully functioning”. In this study, it is seen that the studies that associate the results with well-being and tourism interpret tourism with general well-being and eudaimonic well-being.

In conclusion, it was determined that the studies conducted within the framework of tourism and positive psychology between 2015 and 2019 were directed towards especially the tourists and the effect of tourist experiences on well-being. With this study, it is made an effort to draw a road map for future studies on positive psychology in the field of tourism. The findings showed that tourism plays an important role for well-being of individuals (tourists) participating in tourism activities. However, it can be stated that further studies are needed on the positive psychological effects of tourism.

### References

- Ahn, J. & K-J. Back & Y. Choe (2019), “Customers’ needs satisfaction: A scale validation with refinement in the integrated resort setting”, *International Journal of Hospitality Management*, 82, 39-47.
- Chen, Y. & X. Li (2018), “Does a happy destination bring you happiness? Evidence from Swiss inbound tourism”, *Tourism Management*, 65, 256-266.
- Compton, C. (2005), *Introduction to Positive Psychology*, Belmont, CA, US: Thomson Wadsworth.
- Dixon-Woods, M. (2012), “Systematic Review”, in: S. Becker & A.H. Ferguson (eds.), *Understanding Research for Social Policy and Social Work: Themes, Methods and Approaches*, Bristol: Policy Press, 194-198.
- Filep, S. & J. Macnaughton & T. Glover (2017), “Tourism and gratitude: Valuing acts of kindness”, *Annals of Tourism Research*, 66, 26-36.
- Filep, S. (2007), “‘Flow’, sightseeing, satisfaction and personal development: Exploring relationships via positive psychology”, *Proceedings of the 17th Annual CAUTHE Conference In: CAUTHE 2007: Tourism-Past Achievements, Future Challenges*, 11-14 Feb, Sydney, NSW, Australia.
- Garcês, S. & M. Pocinho & S.N. Jesus & M.S. Rieber (2019), “Positive psychology and tourism: A systematic literature review”, *Tourism & Management Studies*, 14(3), 2018, 41-51.

- Gill, C. & J. Packer & R. Ballantyne (2019), "Spiritual retreats as a restorative destination: Design factors facilitating restorative outcomes", *Annals of Tourism Research*, 79, 102761.
- Hefferon, K. & I. Boniwell (2014), "Pozitif psikolojiye giriş", (çev. C. Topuz), in: T. Doğan (ed.), *Pozitif Psikoloji Kuram, Araştırma ve Uygulamalar*, Ankara: Nobel Yayınları, 1-21.
- Jafari, J. (1987), "Tourism models: The sociocultural aspects", *Tourism Management*, 8(2), 151-159.
- Jepson, A. & R. Stadler & N. Spencer (2019), "Making positive family memories together and improving quality-of-life through thick sociality and bonding at local community festivals and events", *Tourism Management*, 75, 34-50.
- Kakoudakis, K.I. & S. McCabe & V. Story (2017), "Social tourism and self-efficacy", *Annals of Tourism Research*, 65, 108-121.
- Kay Smith, M. & A. Diekmann (2017), "Tourism and wellbeing", *Annals of Tourism Research*, 66, 1-13.
- Kirillova, K. & X. Lehto (2015), "An existential conceptualization of the vacation cycle", *Annals of Tourism Research*, 55, 110-123.
- Laing, J.H. & W. Frost (2017), "Journeys of well-being: Women's travel narratives of transformation and self-discovery in Italy", *Tourism Management*, 62, 110-119.
- Lee, S.A. & H. Oh (2017), "Sharing travel stories and behavioral outcomes: A case of travel", *Tourism Management*, 62, 147-158.
- Lehto, X. & W. Luo & L. Miao & R.F. Ghiselli (2018), "Shared tourism experience of individuals with disabilities and their caregivers", *Journal of Destination Marketing & Management*, 8, 185-193.
- Littell, J.H. & J. Corcoran & V. Pillai (2008), *Systematic Reviews and Meta-Analysis*, Oxford University Press.
- Pabel, A. & P.L. Pearce (2015), "Highlighting the benefits of tourism humour: The views of tourists", *Tourism Management Perspectives*, 16, 357-364.
- Page, S.J. & H. Hartwell & N. Johns & A. Fyall & A. Ladkin & A. Hemingway (2017), "Case study: Wellness, tourism and small business development in a UK coastal resort: Public engagement in practice", *Tourism Management*, 60, 466-477.
- Panchal, J.H. (2012), "The Asian SPA: A Study of Tourist Motivations, Flow and Benefits of SPA Experiences", *Unpublished PhD Thesis*, James Cook University, Australia.
- Pearce, P.L. (2009), "The relationship between positive psychology and tourist behavior studies", *Tourism Analysis*, 14(1), 37-48.
- Prebensen, N.K. & J. Xie (2017), "Efficacy of co-creation and mastering on perceived value and satisfaction in tourists' consumption", *Tourism Management*, 60, 166-176.
- Ryan, R.M. & E.L. Deci (2001), "On happiness and human potential: A review of research on hedonic and eudaimonic well-being", *Annual Review of Psychology*, 52, 141-166.
- Scorsolini-Comin, F. & A.M.G.V. Fontaine & S.H. Koller & M.A. Santos (2013), "From authentic happiness to well-being: The flourishing of positive psychology", *Psicologia: Reflexão e Crítica*, 26(4), 663-670.
- Sedgley, D. & A. Pritchard & N. Morgan & P. Hanna (2017), "Tourism and autism: Journeys of mixed emotions", *Annals of Tourism Research*, 66, 14-25.
- Seligman, M.E. & M. Csikszentmihalyi (2000), "Positive psychology: An introduction", *American Psychologist*, 55(1), 5-14.
- United Nations World Tourism Organization (2019), *Understanding Tourism: Basic Glossary*, <<http://cf.cdn.unwto.org/sites/all/files/docpdf/glossaryenrev.pdf>>, 27.08.2019.
- Wang, L. & J. Lyu (2019), "Inspiring awe through tourism and its consequence", *Annals of Tourism Research*, 77, 106-116.
- Wu, M.Y. & P.L. Pearce (2017), "The rally experience: Exploring motivation patterns of Australian Grey Nomads", *Journal of Destination Marketing & Management*, 6(4), 407-415.

## **An Evaluation of the Regulations for People with Disabilities in Accommodation Establishments in Turkey**

**Serkan POLAT** (<https://orcid.org/0000-0002-9128-7443>), *İstanbul Medeniyet University, Turkey; e-mail: spolatt@gmail.com*

### **Abstract**

The aim of this study is to determine whether there are any legal obligatory requirements for people with disabilities in the legal regulations specifying the qualifications of accommodation establishments which have an important place among tourism facilities. Accommodation establishments are tourism enterprises that provide rooms to stay, restaurants for food and beverages, entertainment and recreation facilities to enjoy for those who leave their homes and countries and travel to a different destination. In the accommodation facilities where the necessary arrangements are not made, people with disabilities face many problems and the quality of their holiday experiences deteriorates. Therefore, it is considered that legal regulations are important tools for making arrangements for people with disabilities in accommodation establishments. Accommodations in Turkey is certified by two units. The facilities, which are also known as ministry-certified, are certified by the Ministry of Culture and Tourism, while facilities known as municipal-certified are certified by municipalities, which are local administration units. In this descriptive study, two regulations that the Ministry of Culture and Tourism and municipalities take into consideration during the certification process are examined by document analysis, the first of these regulations is the Regulation on Qualifications of Tourism Establishments prepared by the Tourism Promotion Law No. 2634, which is used by the Ministry of Culture and Tourism. The second one is the Regulation on Opening and Working Licenses used by municipalities. As a result of the examination of the related documents, it was concluded that there are more compulsory regulations for people with disabilities in the ministry-certified accommodation facilities compared to the municipal-certified accommodation facilities.

**Keywords** : People with Disabilities, Accommodation Establishments, Tourism Law, Tourism.

**JEL Classification Codes** : K400, Z310.

### **Introduction and Background**

According to the World Health Organization that defines disabilities “as an umbrella term, covering impairments, activity limitations, and participation restrictions” approximately one billion people in the world have some form of disability. Moreover, more than two billion people with spouses, children and caregivers of people with disabilities are directly affected by disability (WHO, 2019). For this reason, the World Tourism Organization considers access for all to tourism facilities, tourism products and services as an important part of a sustainable tourism policy (UNWTO, 2019).

According to the European Commission, which defines accessible tourism as making it easier for everyone to enjoy the experiences of tourism; basic adjustments to the facilities, providing the right information and understanding the needs of people with disabilities will increase the number of

visitors. In addition, improvements in the quality of access to tourism services will be welcomed not only by people with disabilities, but also by all people and will improve the quality of life of the local community (European Commission, 2019).

According to the United Nations (UN, 2019) the challenges for people with disabilities include:

- Untrained professional staff capable of informing and advising about accessibility issues,
- Inaccessible booking services and related websites,
- Lack of accessible airports and transfer facilities and services,
- Unavailability of adapted and accessible hotel rooms, restaurants, shops, toilets and public places,
- Inaccessible streets and transport services,
- Unavailable information on accessible facilities, services, equipment rentals and tourist attractions.

Poria, Reichel and Brandt (2011) conducted a study on the difficulties faced by blind people, wheelchair users and persons using crutches in the accommodation enterprises. According to the results of the research, people with disabilities experience difficulties due to the physical environment regulations as well as employee behaviors.

Kim, Stonesifer and Han (2012) investigated perceptions of people with disabilities about hotel experiences. According to the results of the study, people with disabilities expect the hotel staff to be more sensitive.

Tutuncu (2017) conducted a research to reveal the factors that affect the accommodation satisfaction of people with physical disabilities. As a result of the research, public areas, rooms, recreation and other areas, baths in rooms, food and beverage areas were determined as five factors affecting the satisfaction of people with disabilities. Among people with disabilities, wheelchair users were identified as the most disadvantaged group in terms of hotel satisfaction.

Table 1 provides basic information about the license type and the capacity of accommodation establishments in Turkey.

**Table: 1 - Accommodation Establishments in Turkey**

License Type	The number of establishments	The number of rooms	The number of beds
Ministry of Culture and Tourism	3,967	467,498	979,934
Municipality	7,898	231,283	511,027
Total	11,865	698,781	1,490,961

*Source: Ministry of Culture and Tourism, 2019.*

According to Table 1, number of the establishments licensed by Ministry of Culture and Tourism is smaller than the establishments licensed by municipalities. Accommodation establishments are tourism enterprises that provide rooms to stay, restaurants for food and beverages, entertainment and recreation facilities to enjoy for those who leave their homes and countries and travel to a different destination. In the accommodation facilities where the necessary arrangements are not made, people with disabilities face many problems and the quality of their holiday experiences deteriorates. Therefore, it is considered that legal regulations are important tools for making arrangements for people with disabilities in accommodation establishments. Accommodation establishments in Turkey is certified by two units. The facilities, which are also known as ministry-certified, are certified by the

Ministry of Culture and Tourism, while facilities known as municipal-certified are certified by municipalities, which are local administration units.

### **Materials and Methods**

The aim of this study is to determine whether there are any legal obligatory requirements for people with disabilities in the legal regulations specifying the qualifications of accommodation establishments which have an important place among tourism facilities.

Within the scope of the study, the research questions are the following:

Research Question 1: Are there any legal obligatory requirements for people with disabilities in accommodation establishments licensed by the Ministry of Culture and Tourism?

Research Question 2: Are there any legal obligatory requirements for people with disabilities in accommodation establishments licensed by the municipalities?

The qualifications of accommodation establishments licensed by the municipalities and the Ministry of Culture and Tourism are stated and explained in the following legal documents used as secondary data in this study:

- The Regulation on Qualifications of Tourism Establishments dated 01 June 2019,
- The Communiqué on the Implementation of the Regulation on Licenses and Qualifications of Tourism Establishments dated 26 June 2011,
- The Regulation on Opening and Working Licenses of Businesses dated 10 August 2005.

The aforementioned regulations were examined through documentary and descriptive analyses. The documentary analysis can be defined as the collection and examination of various written and visual materials, documents, etc. prepared by other individuals or institutions (Seyidoğlu, 2009, 46). On the other hand, the descriptive analysis is used in the processing and evaluation of qualitative data that do not require in-depth analysis (Yıldırım & Şimşek, 2008, 89).

The findings obtained from the documents examined with descriptive analysis were given in this section for accommodation establishments licensed by the Ministry of Culture and Tourism and the municipalities respectively.

#### **The legal obligatory requirements for people with disabilities in accommodation establishments licensed by the Ministry of Culture and Tourism**

The Regulation on Qualifications of Tourism Establishments consists of three sections, fourteen chapter and forty-seven articles. In the third chapter of the first section; there is no statement or explanation regarding the people with disabilities under the general minimum qualifications of tourism establishments. In the eighteenth article of the first chapter of the second section; under the general minimum qualifications of accommodation establishments, the following explanation for people with disabilities is stated in point (b):

The establishments with a total capacity of more than eighty rooms are obliged to have one-percent of the total room capacity for people with disabilities. Four-star and five-star hotels are obliged to have at least one room for people with disabilities. Moreover, facility entries, elevators, public toilets (at least one in restaurants), daily facilities, stopovers, and entertainment places are obliged to make



accessibility arrangements as specified in the minimum qualifications of their types. These arrangements are indicated by special signs.

The first chapter of the second section includes the articles describing the minimum qualifications of accommodation establishments. Whether or not there are any statements or explanations concerning people with disabilities were listed below.

- In Article 19, for star hotels (i.e. one-star, two-star, three-star, four-star, five-star), there are no statements regarding the arrangements for people with disabilities.
- In Article 20, which describes the qualifications for holiday villages, there are no statements regarding the arrangements for people with disabilities.
- In Article 21, which describes the qualifications for boutique hotels, there are no statements regarding the arrangements for people with disabilities.
- In Article 22, which describes the qualifications for special accommodation establishments, there are no statements regarding the arrangements for people with disabilities.
- In Article 23, which describes the qualifications for motels, there are no statements regarding the arrangements for people with disabilities.
- In Article 24, which describes the qualifications for hostels, there are no statements regarding the arrangements for people with disabilities.
- In Article 25, which describes the qualifications for apart hotels, there are no statements regarding the arrangements for people with disabilities.
- In Article 35, which describes the qualifications for rural tourism establishments, there are no statements regarding the arrangements for people with disabilities.
- In Article 36, which describes the qualifications for camps, there are no statements regarding the arrangements for people with disabilities.

As a result of the analysis of the regulation, it has been determined that the obligatory requirements for people with disabilities are explained in general qualifications instead of the type of accommodation establishment. On the other hand, in the Communiqué on the Implementation of the Regulation on Licenses and Qualifications of Tourism Establishments, which was revised in June 2019, the regulations regarding people with disabilities are listed under Article 20 as follows:

**a) Garden and entrance of the facility;**

- 1) Places at different levels are organized in accordance with the mobility of people with walking disabilities.
- 2) The width of the facility entrance door must be clean and at least ninety centimeters.

**b) At the reception, a desk arrangement of maximum 90 cm height is designed to allow wheelchair access.**

**c) Public toilets;**

- 1) Clean and the door width should be at least 85 cm. Although it is recommended not to make a threshold, it should be made with a maximum height of 1.5 cm and chamfered.

- 2) Equipment such as toilet bowl, sink, siphon and faucet should be arranged in a way that people with disabilities can use it. Hold bars should be placed around the toilet at a height of 85-95 cm from the finished floor.
- 3) The mirrors must be adjusted at eye level or raised or tilted forwards by 10-15 degrees. The lower edge of the mirrors must not exceed 100 cm from the finished floor.
- 4) A space of 150 cm in diameter should be provided to allow the wheelchair to make a complete rotation and the floor should be covered with non-slippery material.
- 5) Accessories such as soap dish, towel holder and paper holder should be mounted at a height of 50-120 cm from the finished floor.

**d) Bedrooms;**

- 1) Rooms are furnished and decorated with suitable size and position so that people with physical disabilities can move and use the room comfortably.
- 2) The width of the room entrance door should be at least 85 cm.
- 3) Floor should not be slippery, and thick, soft, holding carpet should not be used.
- 4) Cabinet doors should be arranged with sliding and hanging height up to 140 cm.
- 5) Electrical switches and sockets should be arranged at a maximum height of 120 cm and at least 40 cm from the floor covering.
- 6) The bedside should be equipped with a central lighting switch.
- 7) Room bathrooms; in addition to the arrangements made in public toilets, bathtub or shower arrangements are made in accordance with the use of people with physical disabilities. In these sections, the seat and grip bands are provided in the appropriate places. The opening of the bathroom door is arranged in such a way as to allow easy movement. It is recommended not to make a threshold, but if it is done, it is made as a maximum of 1.5 cm height and chamfered. There is an alarm system or telephone providing the reception connection.
- 8) The odds are not taken into consideration in the evaluation of the 1% rate envisaged for room arrangements.

**e) In case the room or the food and beverage unit allocated for the use of people with physical disabilities is on a different floor than the ground floor, the transportation between the units must be provided with appropriate equipment. In this case, the following arrangements are made in the elevator;**

- 1) Door must have photocell. The opening and closing interval of the door must not be shorter than 5 seconds.
- 2) The control knobs should be at a height of 90 cm-120 cm from the floor covering and, in a position, to allow wheelchair access.
- 3) Continuous holding bars are provided in the cabin approximately 85 cm high from the floor covering.
- 4) The interior of the cabin must not be carpeted.

**f) Food and beverages units;**

- 1) Unobstructed access to food and beverage units must be provided from the entrance.

2) There must be 70 cm height and at least 50 cm width of knee space under tables and benches. Passages between tables must be at least 90 cm.

3) Floor should not be slippery, thick, soft and holding carpet should not be used.

When the regulations in the related communiqué were examined, it was found that many arrangements were mostly made for people with physical disabilities. However, no regulations regarding hearing, visual, and mental disability have been found.

### **The legal obligatory requirements for people with disabilities in accommodation establishments licensed by the municipalities**

The Regulation on Opening and Working Licenses of Businesses consists of five sections, eleven chapter and forty-eight articles. In the first chapter of the first section, Article 4 lists accommodation establishments as hotels, motels, pensions, and camping areas.

In the second chapter of the first section, Article 5 lists the general requirements for all businesses. The following explanation for people with disabilities is stated in point (k):

It is obligatory that necessary facilitation measures are taken for the entry and exit of the people with disabilities to establishments.

In Appendix 1, point (I) lists the obligatory requirements for hotels and pensions and there is no obligatory requirements for people with disabilities even a statement or an explanation in the list.

### **Discussion and Conclusion**

As a result of the examination of the related documents, it was concluded that there are more compulsory regulations for people with disabilities in the ministry-certified accommodation facilities compared to the municipal-certified accommodation facilities. The elimination of the difficulties faced by people with disabilities during their stay in accommodation establishments should not be done only because it is a legal obligation. It should be noted that improving holiday experiences of people with disabilities is also an important factor in terms of customer satisfaction. Furthermore, this will provide a competitive advantage for businesses. In addition, the Sustainable Development Goals that are aimed to be achieved by the United Nations by 2030 include the elimination of the difficulties faced by people with disabilities at all stages of daily life. In this context, the elimination of the difficulties faced by people with disabilities in their travel and accommodation process can be considered an important step for an accessible and responsible tourism. In conclusion, it can be expressed that the regulations regarding people with disabilities in accommodation establishments are not at the expected and desired level yet.

### **References**

- European Commission (2019), *Internal Market, Industry, Entrepreneurship and SMEs: Accessible Tourism*, <[https://ec.europa.eu/growth/sectors/tourism/offer/accessible\\_en](https://ec.europa.eu/growth/sectors/tourism/offer/accessible_en)>, 27.08.2019.
- Kim, G.W. & H.W. Stonesifer & J.S. Han (2012), "Accommodating the needs of disabled hotel guests: Implications for guests and management", *International Journal of Hospitality Management*, 31(4), 1311-1317.
- Ministry of Culture and Tourism (2019), *Turizm İstatistikleri*, <<https://yigm.ktb.gov.tr/TR-201131/tesis-istatistikleri.html>>, 27.08.2019.

- Poria, Y. & A. Reichel & Y. Brandt (2011), “Dimensions of hotel experience of people with disabilities: an exploratory study”, *International Journal of Contemporary Hospitality Management*, 23(5), 571-591.
- Seyidoğlu, H. (2009), *Bilimsel Araştırma ve Yazma El Kitabı*, 10. Baskı, İstanbul: Güzem Can Yayınları.
- Tutuncu, O. (2017), “Investigating the accessibility factors affecting hotel satisfaction of people with physical disabilities”, *International Journal of Hospitality Management*, 65, 29-36.
- UN (2019), *Promoting accessible tourism for all*, Department of Economic and Social Affairs, <<https://www.un.org/development/desa/disabilities/issues/promoting-accessible-tourism-for-all.html>>, 27.08.2019.
- UNWTO (2019), *Accessible Tourism*, <<http://ethics.unwto.org/en/content/accessible-tourism>>, 27.08.2019.
- WHO (2019), *Disabilities*, <<https://www.who.int/topics/disabilities/en/>>, 27.08.2019.
- Yıldırım, A. & H. Şimşek (2008), *Sosyal Bilimlerde Nitel Araştırma Yöntemleri*, 7. Baskı, Ankara: Seçkin Yayıncılık.



## Analysis of the Use of Tax Expenditures in Income Taxes as a Tax Avoidance Tool

**Adnan GERÇEK** (<https://orcid.org/0000-0002-9495-2429>), Bursa Uludağ University, Turkey; e-mail: [agercek@uludag.edu.tr](mailto:agercek@uludag.edu.tr)

**Mehtap ERSÖZ-KURU** (<https://orcid.org/0000-0003-4751-5610>), Bursa Uludağ University, Turkey; e-mail: [mehtapersz@gmail.com](mailto:mehtapersz@gmail.com)

### Abstract

Tax avoidance is a method of minimizing taxes by taking advantage of tax expenditures in tax laws or by using gaps or incentives. Although tax avoidance has not been considered in the classical fiscal literature, it has become an important issue that needs to be addressed today in order to preserve the tax collection power and income of states. This exploratory study investigated the use of tax expenditures in income taxes as a tax avoiding tool. Within the scope of tax expenditures, we examined exemptions, exceptions and reductions. We used survey data collected from 436 certified public accountants in Bursa. We found that the most important factor determining the taxpayers' use of exemptions, exceptions and deductions as a tax avoidance tool is the "Benefit Opportunity". Therefore, in terms of ensuring tax justice the scope of exemptions, exceptions and deductions should be narrowed. In addition, the complexity of the tax system in Turkey should be reduced and taxes should be made simpler and more understandable.

**Keywords** : Tax Avoidance, Exemption, Exception, Deductions, Factor Analysis.

**JEL Classification Codes** : H21, H24, H26, C38.

### Introduction

While taxes are an important source of financing for the state, they are perceived as burdens, because they are compulsory and unreturned payments for individuals. Therefore, taxes put pressure on taxpayers and push them to avoid taxation. In order to use their tax avoidance opportunities, the exemptions, exclusions and deductions in the tax laws are of great importance for taxpayers. Tax avoidance is one method of minimizing taxes by using the gaps or advantages of tax laws in force.

Countries make many tax expenditure arrangements for the purpose of making the tax system fair, encouraging investments or attracting foreign capital. Therefore, tax systems in many OECD countries remain complex (Budak & James, 2018: 30). A large number of tax expenditures in many countries are implemented as exemptions, exclusions and deductions. The increase in the number of exemptions, exceptions and reductions increases both the complexity of the tax system and the tax avoidance opportunities of taxpayers (OECD, 2006: 62). Tax expenditures not only complicate tax laws but also lead to loss of income. Therefore, tax expenditures are seen by taxpayers as an important tax avoidance tool.

The aim of this study is to investigate the use of exemption, exclusions and deductions in income taxes as a tax avoiding tool in Turkey. In this context firstly we give information about methodology. Then, we include the reliability and factor analysis of the questionnaire. Finally, we present the results of analysis and subsequently discuss the implications of our findings for future research.

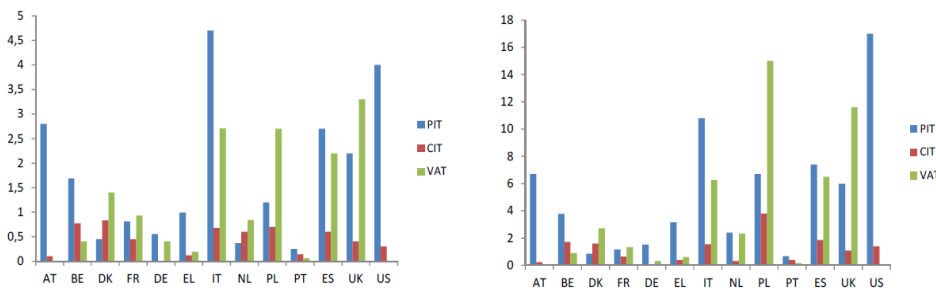
### The Role of Tax Expenditures on Tax Avoidance

Governments around the world use tax expenditures, i.e. exemptions, deductions, credits, deferrals and lower rates, as a means of public policy objectives. Tax expenditures are usually defined as revenue losses attributable to provisions of tax laws which allow a special exclusion, exemption, or deduction from gross income that benefit specific activities or groups of taxpayers. These exceptions are often viewed as alternatives to other policy instruments, such as spending or regulatory programs (Bauger, 2014: 11).

Tax expenditures result in a significant reduction of public revenues worldwide. In the United States, the federal government is estimated to have foregone more than 1.5 trillion USD in 2017 - an amount equal to roughly 37% of direct federal spending and roughly 8% of GDP (US Treasury, 2019). Tax reliefs in the United Kingdom reduce government revenues by more than 400 billion GBP every year, a significant figure when compared to total government spending - around 800 billion GBP (Miller, 2018).

Graph 1 shows the total size of tax expenditures as a percentage of GDP and total tax revenues in selected EU Member States plus the US. Italy, the UK and Spain have the highest share of tax expenditures in GDP (8.1%, 5.9% and 5.5% respectively).

**Graph: 1 - Tax expenditures in selected EU MS and the US as % of GDP (left) and as % of total tax revenues (right)**



As an element of comparison, the size of tax expenditures in direct taxation is generally higher than that of tax expenditures in VAT. Tax expenditures in PIT have increased over the last decade, while those in CIT have remained broadly stable or slightly on the rise (European Commission, 2014: 9).

In addition, the total size of tax expenditures as a percentage of GDP in Latin America is average 3.5%. Dominican Republic, Uruguay and Nicaragua have the highest share of tax expenditures in GDP (6.4%, 6.3% and 5.4% respectively) (Longinotti, 2018: 17).

A large number of tax expenditures in Turkey are implemented as exemptions, exclusions and deductions. In our country, the state has used the right of non-taxation to achieve various economic and social goals. It has created about 600 articles in tax laws and about 140 tax expenditures (exemptions, exclusions and deductions) or abandoned public revenue in other laws. Tax expenditures not only complicate tax laws but also lead to loss of income. For example, in Turkey, exemptions, exclusions and deductions due to state income tax from abandonment, constitutes about 24% of total tax revenues. In 2018, the ratio of tax expenditures to GDP is 4.1% (Hazine ve Maliye Bakanlığı, 2018: 284-285).

**Table: 1 - 2017 to 2021 period in Turkey Tax Expenditure Estimates (Million TL)**

Name of the Law / Years	2017	2018	2019	2020	2021
Income tax	49.284	57.954	68.267	78.619	87.800
Corporation tax	19.567	23.560	28.031	32.435	36.159
Value-added tax	34.806	41.909	49.797	57.469	64.084
Special Consumption Tax	17.619	21.215	24.903	27.970	31.190
Other Laws	5.373	6.470	7.698	8.907	9.932
<b>Grand Total</b>	<b>126.650</b>	<b>151.108</b>	<b>178.696</b>	<b>205.401</b>	<b>229.165</b>

Source: Ministry of Treasury and Finance, 2018: 284.

Considering the continuous increase in tax expenditures in the last decade, it leads to serious income losses. Tax expenditures, which cause loss of income for the state, are seen as arrangements that eliminate certain tax liabilities from the taxpayer's perspective (Tekin & Gürçam, 2015: 140). Therefore, tax expenditures can be used as a means of avoiding taxes. Numerous regulations and changes in tax policy due to tax expenditures cause tax complexity. Once the practices such as exemptions, exclusions and deductions are put into effect, governments do not give up these tax expenditures for political reasons. All these practices both increase the complexity of tax systems and cause loss of income (Budak & James & Benk, 2017: 64).

In this study, the use of exemptions, exclusions and deductions, which are applied in the field of income tax in the Turkish Tax System as a tax avoidance tool, the consequences of these practices in the legislation and whether these practices are necessary are measured and analyzed.

### Methodology

There are many exemptions, exceptions and discounts in the Turkish Tax System. These applications are both large in number and broad in scope, which leads to tax complexity and is used by taxpayers who do not want to pay taxes as a means of avoiding taxes.

The aim of the study is to measure the point of view of the professionals operating in Bursa against the exemptions, exemptions and reductions in the Income and Corporate Tax Laws and whether they use these practices as a tax avoidance tool.

The questionnaire was applied to certified public accountants in Bursa. The reason is that taxation of taxpayers' operations in Turkey are carried out by certified public accountants. Therefore, they are best aware of how taxpayers benefit from exemptions, exclusions and deductions. Since the number of certified public accountants registered to TÜRMOB and operating in Bursa province is 5,036, the sample size is calculated as 359 professional members within the 5% error margin and 95% confidence level. In order to make the sample size more reliable and to yield good results of factor analysis, the number of respondents reached 436.



Within the scope of the research, a questionnaire consisting of 42 questions was prepared by making use of the previously developed and reliability tested questionnaires from relevant studies Polat (2013), Çiçek (2006), Demir & Gülten (2013), and Saraçoğlu (2008). 33 of these questions consisted of 5-point Likert questions to measure the perceptions of the respondents about tax avoidance through exemptions, exclusions and deductions in the laws. 3 questions were aimed at measuring the most commonly used exemptions, exclusions and deductions in the laws, while the remaining 6 questions were related to demographic information.

The questionnaire, which was developed for the collection of the research data, was sent by e-mail to the certified public accountants working in Bursa province in May - June 2019. As a result of the pilot study, 9 questions were excluded from the scale and 33 questions were asked to the participants in the main research. SPSS23.0 statistical program was used for the analysis of the data obtained from the survey.

### Demographics Information

Firstly, demographic information about age, gender, marital status, education level, title and professional experience of certified public accountants in Bursa were collected. Their descriptive statistical results are given in Table 2.

**Table: 2 - Demographic Characteristics of Certified Public Accountants Participating in the Research**

		Frequency	Percent (%)
Age	21-30	14	3,2
	31-40	162	37,2
	41-50	132	30,3
	51-60	102	23,4
	61+	26	6,0
	<b>Total</b>	<b>436</b>	<b>100</b>
Gender	Male	338	77,5
	Female	98	22,5
	<b>Total</b>	<b>436</b>	<b>100</b>
Marital Status	Single	66	15,1
	Married	370	84,9
	<b>Total</b>	<b>436</b>	<b>100</b>
Education Level	Primary school	1	0,2
	High school	5	1,1
	Associate	4	0,9
	License	386	88,5
	Graduate	40	9,2
	<b>Total</b>	<b>436</b>	<b>100</b>
Title	Independent accountant	430	98,6
	Chartered accountant	6	1,4
	<b>Total</b>	<b>436</b>	<b>100</b>
Professional Experience	0-5 year	26	6,0
	6-10 year	70	16,1
	11-15 year	91	20,9
	16-20 year	88	20,2
	21+ year	161	36,9
	<b>Total</b>	<b>436</b>	<b>100</b>

From this table, it was seen that 77.5% of the participants were male and 22.5% were female, and the majority (84.9%) were married, and in the middle age group (31-40 years). In addition, it was found that the majority of the participants was undergraduate graduates (88.5%) and held the title of Independent Accountant and Financial Advisor with a high rate of 98.6% and had been continuing this profession for 21 years and over.

### Reliability and Conformity Analysis

The Cronbach  $\alpha$  coefficient was used to measure the reliability of the questionnaire and this value was calculated to be 0.636. In order to increase the reliability of the scale, 4 questions were excluded from the scale. As a result, the Cronbach  $\alpha$  value of the data set consisting of 29 questions was found to be 0.748 and this value showed that the questionnaire used was very reliable and significant results would be obtained. Kaiser-Meyer-Olkin (KMO) test was used to determine the suitability of the data set for factor analysis and the KMO value of the questionnaire was found to be 0.827. In addition, Bartlett's test for sphericity [ $\chi^2 = 4512,313$ ,  $df = 253$  ( $p = 0.000$ )] was significant. These results showed that the data were very good for factor analysis and there was a significant correlation between the variables.

### Factor Analysis and Discussions

The aim of factor analysis is to gather the highest correlations among the observable variables under a small number of factors. In the factor analysis, eigenvalue statistics and percentage of total variance method were used as the most important criteria about how many factors were collected. Since the "Communality" value was below 0.50 in order to obtain the factors in SPSS 23.0 program, 6 questions were deleted from the data set in order. As a result, it was found that the remaining 23 questions in the scale were grouped into seven factors that explained 70,256% of the total variance and whose eigenvalue was greater than 1.

The Table 2 lists the factors that determine the use of exemptions, exclusions and deductions as a tax avoidance tool according to the certified public accountants participating in the research and the results of the factor analysis.

**Table: 3 - Factor Analysis Results of Variables Determining Profession Members' View of Exemption, Exemption and Deductions**

Factor Total Variance (%)	Load	Communal	Anti-image
<b>Utilization Facility (24.129%)</b>			
29: Taxpayers who have the opportunity to avoid tax should benefit from exceptions	0,861	0,847	0,805 <sup>a</sup>
23: Taxpayers who have the opportunity to avoid tax should benefit from exemptions	0,860	0,797	0,852 <sup>a</sup>
35: Taxpayers who have the opportunity to avoid tax should benefit from deductions	0,842	0,837	0,795 <sup>a</sup>
<b>Tax Injustice (13,645%)</b>			
20: Comprehensive exemptions cause tax injustice.	0,773	0,664	0,856 <sup>a</sup>
26: Comprehensive exceptions cause tax injustice.	0,765	0,716	0,886 <sup>a</sup>
32: Comprehensive deductions lead to tax injustice.	0,757	0,739	0,853 <sup>a</sup>
<b>Tax Complexity (9,463%)</b>			
22: The large number of exemptions complicates tax legislation.	0,784	0,784	0,887 <sup>a</sup>
34: Numerous deductions complicate tax legislation.	0,769	0,796	0,876 <sup>a</sup>
28: Numerous exceptions complicate tax legislation.	0,768	0,804	0,870 <sup>a</sup>
12: Tax legislation is simple and straightforward. (R)	0,610	0,630	0,849 <sup>a</sup>
<b>Prevalence (7,853%)</b>			
18: There are many exemptions in the Income Tax Law.	0,793	0,673	0,790 <sup>a</sup>
30: There are many deductions in the Income Tax Law.	0,781	0,667	0,813 <sup>a</sup>
24: The number of exceptions is low in the Income Tax Law. (R)	0,705	0,607	0,776 <sup>a</sup>
25: There are many exceptions in the Corporate Tax Law.	0,611	0,616	0,878 <sup>a</sup>
<b>Rational Behavior (5,857%)</b>			
21: It is a rational behavior to take advantage of the exemptions in the law.	0,821	0,728	0,856 <sup>a</sup>
33: It is a rational behavior to take advantage of the deductions in the law.	0,761	0,733	0,842 <sup>a</sup>
27: Taking advantage of the exceptions in the law is a rational behavior.	0,755	0,709	0,836 <sup>a</sup>
<b>Level of Use (4,926%)</b>			
38: Taxpayers use the most exceptions to avoid tax.	0,858	0,759	0,578 <sup>a</sup>
37: Taxpayers use the most exemptions to avoid tax.	0,793	0,648	0,626 <sup>a</sup>
39: Taxpayers use the most deductions to avoid tax.	0,745	0,605	0,677 <sup>a</sup>
<b>Tax Structure (4,381%)</b>			

10: Turkish Tax System is fair.	0,733	0,647	0,826 <sup>a</sup>
17: Tax revenues are actively spent by the government.	0,729	0,566	0,762 <sup>a</sup>
11: Tax rates are high in our country. (R)	0,646	0,587	0,748 <sup>a</sup>
<b>KMO: 0.827 Total variance explained: 70.256%</b>			
<b>Bartlett's test of Sphericity: Chi-Square: 4512,313 df: 253 Sig 0,000</b>			

Notes: 1. Load = Factor loading, communal = communality, anti-image = anti-image correlation.

2. Questions V13, V14, V15, V16, V19, V31, V36, V40, V41 and V42 are not included in the analysis.

As can be seen from the table above, the factor loadings for each question explaining the factors were calculated to vary between 0.610 and 0.861. The lowest “Communality” value of the scale was 0.566 and the lowest “Anti-Image” value was 0.578.

In our study, according to certified public accountants in Turkey “Utilization Facilities” was found to be the most important factor for taxpayers to use exemptions, exclusions and deductions as a means of avoiding taxes. This result is extremely natural. Because in taxation, if the taxpayers are brought with a privilege or a regulation that causes less tax to be paid, it cannot be considered that the taxpayers will not benefit from this opportunity. Considering that the number and scope of exemptions, exclusions and deductions in our country are kept extremely wide, it is also possible to benefit from these opportunities to get rid of the serious tax burden.

The second most important factor was found to be “Tax Injustice”. The certified public accountants think that the scope of the exemptions, exclusions and deductions included in the tax laws have been kept wide has a detrimental effect on the taxation.

The third important factor was determined as “Tax Complexity”. According to the professional members, the numerous exemptions, exclusions and deductions in the tax make tax legislation even more complicated. Therefore, they believe that tax legislation is not simple and understandable.

The fourth important factor was the “Prevalence” of exemptions, exclusions and deductions. This factor proves once again that the number of these applications is high. The high number of these implementations makes tax legislation from simplicity to complexity and reduces the utilization rate of these regulations.

“Rational Behavior” is the fifth important factor. The certified public accountants believe that the use of exemptions, exclusions and deductions as a tax avoidance tool is a rational behavior.

The sixth factor was determined as “Level of Use”. The reason why taxpayers use exemptions, exclusions and deductions as a means of avoiding taxes is that these are the advantages that the law offers them. Since these practices reduce the amount of taxes they will pay, they prefer to use them a lot.

“Tax Structure” was determined as the seventh and last factor in our analysis. This factor was included in the analysis because it was significant, although less important among other factors. The certified public accountants think that the tax system is unfair. They state that the exemptions, exclusions and deductions in the legislation in the legislation are numerous and comprehensive, leading to an unfair taxation.

## Conclusion

The results obtained from the study were evaluated as extremely natural and in line with expectations. Because in taxation, if the taxpayers are brought with a privilege or a regulation that causes less tax to be paid, it cannot be considered that the taxpayers will not benefit from this

opportunity. Since the number and scope of exemptions, exclusions and deductions in our country are very wide, making use of these opportunities also provides the opportunity to avoid significant tax burden. Therefore, it is a natural way for taxpayers to reduce the tax burden that they endure without comparison with a criminal procedure in accordance with the law through exemptions, exclusions and deductions, and it is meaningful to consider this as a rational behavior.

In order to prevent the use of exemptions, exclusions and deductions as a tax avoidance tool in Turkey; firstly, the number of these applications in the Turkish tax system should be reduced. For this purpose, the impact analysis of exemptions, exclusions and deductions should be made and the applications that have no significant benefit in today's conditions should be removed from tax legislation. In particular, the application of exemptions, exclusions and deductions that lead to an increase of underground economics in Turkey or used as a tax shelter should be ceased.

In terms of ensuring tax justice, the universally accepted institutions such as “minimum subsistence allowance” should be implemented and the scope of exemptions, exclusions and deductions should be narrowed. Thus, the complexity of the tax system in Turkey will be reduced and taxes shall be made simpler and more understandable. In addition, in order to reduce the use of exemptions, exclusions and deductions as a means of avoiding taxes, these implementations should be ensured for more selective and special taxpayers, issues or activities.

## References

- Bauger, L. (2014), *The use of tax expenditures in times of fiscal consolidation*, European Commission, Directorate-General for Economic and Financial Affairs, Brussels, Belgium, <[https://ec.europa.eu/economy\\_finance/publications/economic\\_paper/2014/pdf/ecp523\\_en.pdf](https://ec.europa.eu/economy_finance/publications/economic_paper/2014/pdf/ecp523_en.pdf)>, 25.08.2019.
- Budak, T. & S. James & S. Benk (2017), “Vergi Sisteminin Basitleştirilmesi: Kavramsal Bir Değerlendirme”, *Maliye Araştırmaları 1*, Ekin Yayınevi, Bursa, 61-84.
- Budak, T. & S. James (2018), “The Level of Tax Complexity: A Comparative Analysis between the UK and Turkey Based on the OTS Index”, *International Tax Journal*, January, 27-40.
- Çiçek, H. (2006), *Psikolojik ve Sosyal Yönden Yükümlülerin Vergiye Karşı Tutum ve Tepkileri (İstanbul İli Anket Çalışması)*, İstanbul: İstanbul Serbest Muhasebeci Mali Müşavirler Odası Yayınları, Yayın No: 65.
- Demir, İ.C. & Y. Gülten (2013), “Maliye Politikasının Sosyal Amacı: Vergi Yükünün Adaletli ve Dengeli Dağılımı Üzerine Türkiye Geneli Anket Çalışması”, *CBÜ Sosyal Bilimler Dergisi*, 11(1), 269-286.
- European Commission (2014), “Tax expenditures in direct taxation in EU Member States”, Directorate-General for Economic and Financial Affairs, Brussels, Belgium, <[https://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2014/pdf/ocp207\\_en.pdf](https://ec.europa.eu/economy_finance/publications/occasional_paper/2014/pdf/ocp207_en.pdf)>, 25.08.2019.
- Hazine ve Maliye Bakanlığı (2018), *Vergi Harcamaları Raporu*, Gelir Düzenlemeleri Genel Müdürlüğü, Ankara, <[https://ms.hmb.gov.tr/uploads/2019/01/Vergi-Harcamalar\\_Raporu-2018.pdf](https://ms.hmb.gov.tr/uploads/2019/01/Vergi-Harcamalar_Raporu-2018.pdf)>, 19.09.2019.
- Longinotti, F.P. (2018), *Overview of Tax Expenditures in Latin America: Main Statistics of the CIAT Database*, <[https://www.ciat.org/Biblioteca/DocumentosdeTrabajo/2018/WP\\_05\\_2018\\_pelaez.pdf](https://www.ciat.org/Biblioteca/DocumentosdeTrabajo/2018/WP_05_2018_pelaez.pdf)>, 30.08.2019.
- Miller, H. (2018), *Tax Reliefs: Look for the Tax Design behind the Big Numbers*, Institute for Fiscal Studies Observation, <<https://www.ifs.org.uk/publications/11692>>, 27.08.2019.
- OECD (2006), *Fundamental Reform of Personal Income Tax*, Organisation for Economic Co-operation and Development, Paris, <[www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/439470/ots\\_complexity\\_index\\_version2.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/439470/ots_complexity_index_version2.pdf)>, 27.08.2019.

- Polat, E. (2013), “Vergiden Kaçınmanın Nedenleri: Giresun-Sivas Örneği”, *Yüksek Lisans Tezi*, Sivas, Cumhuriyet Üniversitesi Sosyal Bilimler Enstitüsü.
- Saraçoğlu, F. (2008), “Anket Sonuçları Çerçevesinde Vergi Oranlarının Kaçakçılık Üzerine Etkilerinin Analizi”, *Vergi Dünyası Dergisi*, 326, 109-120.
- Tekin, A. & Ö Gürçam-Sökmen (2015), “Vergi Harcamaları: Seçilmiş Bazı OECD Ülke Uygulamaları”, *Journal of Economics and Administrative Sciences*, XVII(1), 138-158.
- US Treasury (2019), *Tax Expenditures*, <<https://www.treasury.gov/resource-center/tax-policy/Documents/Tax-Expenditures-FY2019.pdf>>, 27.08.2019.

**24 October 2019 Thursday**

**Session: II-A / 11.30-13.00**

## **HEALTH STUDIES**

Room: *GASTON*

Chair: **Dorota KMIEĆ**

- A Critical Review of Public-Private Partnership in Health Care Services: The Case of Turkey

**Gülbiye YENİMAHALLELİ-YAŞAR & Aylin TOPAL**

- Healthcare Policies Based on Contract Mechanisms for Socio-Economic Improvement

**Onur KAYA & Aydın TEYMOURIFAR**

- Socioeconomic Determinants of Drug Consumption in Afghanistan

**Mohamad Dayyan AYOUBI & Sayed Khusrow KHUSROWI**

- Socio-Economic Factors and Adaptation to Climate Change: The Case of Adoption of Crop Rotation

**Haluk GEDİKOĞLU & Hasan Kürşat GÜLEŞ & Nisa Şansel TANDOĞAN**



## Socioeconomic Determinants of Drug Consumption in Afghanistan

**Mohamad Dayyan AYOUBI** (<https://orcid.org/0000-0002-9479-4862>),  
*Manisa Celal Bayar University, Turkey; e-mail: dayyan100@gmail.com*

**Sayed Khusrow KHUSROWI** (<https://orcid.org/0000-0002-1301-0684>),  
*Alborz University, Afghanistan; e-mail: khusrowkhusrowi@gmail.com*

### Abstract

Nowadays, drug use is one of the major public health challenges that all societies face and one of the major health problems that threaten different population groups. Drug addiction as the most serious social issue in Afghanistan has many facets of sociology, psychology, law, economics and politics. According to social analysts, drug addiction is one of the most complex social issues in the present era that is causing many social damages and deviations. The objective of this research was to study the association of drug use and the socioeconomic background of the individuals. The target population was all drug dependents living in Afghanistan as per estimates of MCN in 2015, around 2 million. For the purpose of collecting a representative data from this population, using confidence interval 4.5, and confidence level of 95%, a randomly drawn sample size of 474 was sufficient for the study. Multivariate linear regression was used to examine the usefulness of Drug user's level of education, Drug user's parent's education level, Annual income of the drug user's family, Drug user's family size, and Addiction history of the drug user's family, Childhood tragic events, Existence of any chronic health condition in the family and Inhabitancy of the drug user variables. The empirical findings show that Drug user's level of education, Drug user's parent's education level, Annual income of the drug user's family and Inhabitancy of the drug user have significant and negative relationship with addict Age, while Addiction history of the drug user's family and Childhood tragic events have significant and positive relationship with addict Age.

**Keywords** : Afghanistan, Drug Consumption, Addiction Disasters, Opioids.

**JEL Classification Codes** : A14, C1, D12, E24, H12, H31, I28.

### Introduction

The economic and social cost of addictive drug consumption and other substance use is overwhelming worldwide. According to the estimates of the UNODC, 1 in 20 adults aged from 15 to 64 years of the world population used at least one drug in 2014 (UNODC, 2016). From one quarter of billion addicted population of the world, 29 million of them are suffering from the drug use disorder - from whom 12 million people inject drug, and from them 14% live with HIV (UNODC, 2016). According to the same report, the value of Afghanistan's opiate production in 2014 was 2.8 billion US dollar which is around 13% of the country's gross domestic products (GDP).

Nevertheless, Afghanistan is not only the largest producer of opiate drug in the world, but the largest consumer in terms of the population percentage. According to the estimates of Afghanistan's Ministry of Counter-Narcotics in 2015, around 1.9 to 2.4 million adults or 12.6% of the total population



uses drugs, and one in third of the households in Afghanistan are affected using narcotic substances (MCN-Afghanistan, 2015). Opioids remain the most commonly used that 8.5% of the adult population in the country have dependency to different types of opioid products.

The consequence of illicit drug consumption is devastating in the country. Dependency to drug and other substances not only affect the life of users but triggers serious social and economic miseries to the society. Studies show that more than half of the drug users suffer from psychiatric disorders (Rather, et al, 2013). In addition, families with drug user backgrounds evidently suffer from poverty, frustration, and social isolation. The behavioral risks, such as committing drug related crimes, robberies; thefts, child abuse, and family violence are the commonly known consequences of drug use. Furthermore, the outcomes of studies in the US and other countries show that the substance use, especially in children and adolescence, has strongly negative impacts on the cognition, health behaviors, antisocial behavior, education attainment, and productivity of individuals (PATRICK, WIGHTMAN, SCHOENI, & SCHULENBERG, 2012).

Therefore, researchers from several academic disciplines, including psychology, sociology, anthropology, and epidemiology have intensively studied the behaviors related to the drug use in different countries (Galea & Nandi, & Vlahov, 2004). Even the studies from the psychological perspective indicate a significant relationship between socioeconomic status, such as income, education level, and age and substance use among adolescences (Goodman & Huang, 2002). Nevertheless, majority of these studies deal with the epidemiology of substances as psychological condition. In fact, fewer studies are available on causal relationship between drug dependency and socioeconomic status in a nonclinical perspective. In particular, the epidemiology of drug use has not been scientifically studied in Afghanistan to measure the impacts of family background socioeconomic status (SES) on the substance use behavior. Though, there are dozens of surveys conducted by the UNODC and MCN, and other international organizations on the epidemiology of drug use in Afghanistan, but the general economic and psychological factors are attributed to the cause of this social disaster without analyzing the causalities. For instance, poverty, easy access to illicit drugs, affordable price of substances, social disparity, lack of security, unemployment, illiteracy, and other socioeconomic factors believed to be the cause of drug dependency in the country.

However, these factors are too common, and majority of Afghans who are illiterate, unemployed, and socially despaired are equally exposed to these factors. On the other hand, even such relationships are not scientifically measured by researchers or academic institutions so far.

### **Statement of the Problem**

Drug abuse in Afghanistan is not only a social and economic catastrophe, but a potential threat to the long-term security and national integrity of the country. More threateningly, the increasing trend of drug dependency among the young generation would endanger the horizon of all hopes we may nourish in our hearts. For this reason, we need to check the background of this problem in the socioeconomic status of families. That is, how the family background of individuals contributes to the drug addiction of them in Afghanistan?

While, literature on the relationship between social factors and substance use is very vast, we narrow this study to the association of familial socioeconomic status and the epidemiology of drug addiction. We only focus on the role of personal characteristics of the person, such as age, education, ethnicity, marital status, inhabitancy, initial substance use, and the role of family characteristics, such

as parent's education, parent's occupation, family size, family income, history of addiction in the family, and the existence of any frustrating events in the past life of the person.

### **Objective of the Research**

The objective of this research is to study the association of drug use and the socioeconomic background of the individuals. Understanding of this relationship can help policymakers to target the factors that lead to "addiction disasters". The eradication of illicit drug production, massive unemployment, poverty, and social security challenges might not be too easy in the country, while addressing the avoidable causes of drug use may be possible with affordable costs. On the other hand, understanding the role of family's socioeconomic status in the addiction of individuals may help parents to exert efforts for better living environment in their respective families.

### **Importance of the Research**

Since drug use and dependency is "the fifth biggest national challenge in Afghanistan" (Ghani, 2016), preventive measurement by the government or families would not be much affective without understanding the background causes. This research is important from two perspectives:

- Measuring the role of families in the addiction of their sons and siblings in a scientific way, so that the parents would exert efforts to build a sound and friendly atmosphere for their children at home.
- Laying a basis for other scholars to focus their research on this national calamity of Afghanistan. This would help policymakers and other stakeholders to fight drug addiction problems in an effective way.

### **Research Questions**

Our focus is to find answer to the following questions:

- What are the impacts of the family's socioeconomic status, such as family's income, parents' education level, history of addiction in the family, size of the family, existence of chronic problem in the family, and tragic events in early childhood on the drug addiction of a person?
- In what age a person is highly prone to drug use, given his/her personal and family's socioeconomic status?

### **Hypothesis**

H0: Family's SES background does not have impact on drug addiction

H1: Family's SES background has impact on individual's drug addiction

### **Research Method**

The present study research method is quantitative, and the research focuses on the measurement of the association between age of drug addiction and variables represent socioeconomic status (SES) of respective families. The response variables would be the age of initiation and is a function of the following explanatory variables:

- Family's annual income,
- Size of the family,
- Level of parents' education,
- History of drug addiction in the family,
- Existence of any chronic health condition in the family,
- Existence of any childhood events, such as death of dearest ones, events of child abuse,
- Inhabitancy in the rural or urban area, and
- Personal characteristics of addicted individual, such as education level, previous health condition, occupation, and inhabitancy.

### Data Collection

The intended data is collected from the drug-dependent stratum of the country through questionnaires. The target population is all drug dependents living in Afghanistan-as per estimates of MCN in 2015, around 2 million. For the purpose of collecting a representative data from this population, using confidence interval 4.5, and confidence level of 95%, a randomly drawn sample size of 474 is sufficient for this research. Since majority of drug-dependents live in the large cities, the data is collected from the four major cities of the country:

**Table: 1 - Sample of the Study**

Target City	No. of Observation
Mazar-e-sharif	100
Kabul	174
Herat	100
Jalalabad	100
Total Observation	474

### Sampling & Questionnaires

As long as the whole target population is not readily available and easily accessible, we use two approaches to ensure randomness of the sample:

- Taking a random sample of drug-dependents who are under the treatment of government and non-government-sponsored centers (Rehabilitation & Treatment Centers) in the targeted cities. As long as they provide medical and shelter services for addicted individuals, samples size proportional to the population of each center is estimated based on the marginal error of 4.5 and confidence level of 95%. Sampling tools of Excel sheet or SPSS is used to draw a random sample from the coded population of each center.
- Since only 3500 drug dependents are simultaneously under the treatment in 105 Rehabilitation & Treatment Centers (MoPH, 2016), all other drug-dependents live on the self-selected outdoor places in the major cities of the country. To have a representative sample, at least half of the required observations are collected from these unattended individuals. For this purpose, we will randomize the time and space of interviews. For example, a list of major Drug Treatment Centers are coded in the SPSS or Excel sheet, and then randomly choosing the place and time to go for interview.

The questionnaire for the data collection contains all necessary information for this research. The questionnaires are in Dari/Pashto and are filled by the interviewer during the observation. Questions are close-ended and include information on the personal characteristics of the interviewee, information on his/her family socioeconomic status, and an open option for any further explanation by the interviewee.

### Analysis Tools

The collected data is analyzed using Ordinary Least Square (OLS) techniques for the analytical part, and descriptive methods for other calculations, such as averages, deviations, graphical representation and other descriptions. We use OLS techniques for two reasons:

- The response variable is the age of drug-addiction and is numerical, and the explanatory variables are a mixture of numerical and binary inputs. Therefore, we use a linear model, and as a result OLS techniques.
- Output from linear models is simpler for other audiences and interested readers in our academic institutions. Interested individuals can verify the results by themselves, without being confused of the methods and the relevant assumptions test. Our linear model will look as the following:

$$\text{AddictAge} = \beta_0 + \beta_1 \text{EduC} + \beta_2 \text{ParEduC} + \beta_3 \text{FamInc} + \beta_4 \text{FamSiz} + \beta_5 \text{HistAdd} + \beta_6 \text{Childho} + \beta_7 \text{HCond} + \beta_8 \text{Inhab} + E$$

In this model,

- Addict Age: Age of the person initiated the drug use
- Educ: Drug user's level of education
- ParEduc: Drug user's parent's education level
- FamInc: Annual income of the drug user's family
- FamSiz: Drug user's family size
- HistAdd: Addiction history of the drug user's family (Yes =1, No = 0)
- Childho: Childhood tragic events, such as death of parent (Yes =1, No = 0)
- HCond: Existence of any chronic health condition in the family (Yes =1, No = 0)
- Inhab: Inhabitancy of the drug user (Urban =1, Rural = 0)
- E: Other unknown factors that affect the drug addiction of individuals (error term).

All necessary assumptions of the model are tested prior to drawing any conclusion, such as test of multicollinearity, test of heteroscedasticity, and if necessary, test of consistency.

We will control for the gender, easy access to drugs, the general condition of the society, such as poverty, unemployment, insecurity and all other factors that presumably affect the psychological balance of individuals.

### Findings and Discussion

Before estimating data with ordinary least square, we test variables' multicollinearity. If any variable has multicollinearity problem, then we remove it from the model. In the present study,

multicollinearity test is performed using variance inflation factor (VIF). The general rule is that if the correlation between the two independent variables is not more than 70%, there is no evidence for the existence of multicollinearity among the variables. There is a more precise test for the multicollinearity problem which is VIF.

$$VIF = \frac{1}{1 - R^2}$$

The term  $R^2$  is Coefficient Determination, where the selected independent variable is used as a dependent variable and the remaining independent variables are used as independent variables. A VIF greater than 10 is considered unsatisfactory, indicating that the independent variable should be removed from the analysis (Marchil & Lind & Wathn, 2012).

**Table: 2 - Test of Multicollinearity**

Term	VIF
Educ	1.08
ParEduc	1.19
FamInc	1.05
FamSiz	1.02
HistAdd	1.11
Childho	1.09
HCond	1.02
Inhab	1.02

*Source: Research Findings.*

According to Table 2, all variables have a VIF smaller than 10, so there are no multicollinearity problems among the variables, indicating that all variables should be considered for the analysis.

**Table: 3 - Estimates of Data with OLS**

Term	Coef	SE Coef	P-Value	VIF
Constant	29.18	1.25	0.000	
Educ	-0.445	0.182	0.015	1.08
ParEduc	-1.778	0.254	0.000	1.19
FamInc	-0.00024	0.000096	0.014	1.05
FamSiz	0.208	0.132	0.115	1.02
HistAdd	6.100	0.531	0.000	1.11
Childho	3.031	0.528	0.000	1.09
HCond	-0.050	0.507	0.921	1.02
Inhab	-2.039	0.550	0.000	1.02
Standard Error of Estimate	5.46799			
R-square Adjusted	45.21%			

*Source: Research Findings.*

According to Table 3, the HCond and FamSiz variables with p-value greater than 0.05 have no significant relationship with the independent variable. After two steps and deletion of each of these two variables after two stages, the final estimation is as follows:

**Table: 4 - Estimates of Data with OLS**

Term	Coef	SE Coef	P-Value	VIF
Constant	30.343	0.951	0.000	
Educ	-0.437	0.181	0.0160	1.07
ParEduc	-1.777	0.254	0.0000	1.19
FamInc	-0.00025	0.000095	0.0080	1.04
HistAdd	6.092	0.531	0.0000	1.11
Childho	3.041	0.528	0.0000	1.09
Inhab	-2.125	0.547	0.0000	1.01
Standard Error of Estimate	5.47093			
R-square Adjusted	45.15%			

Source: Research Findings.

According to Table 4, Educ, ParEduc, FamInc and Inhab have significant and negative relationship with addictAge, while HistAdd and Childho have significant and positive relationship with Addict Age. Also, the study found that FamSiz and HCond do not have significant relationship with Addict Age.

Educ, ParEduc, FamInc, HistAdd, Childho and Inhab have 45.15% effect on dependent variable Addict Age. The standard error of estimate of the model is 5.47093 which is smaller than the average of dependent variable and it indicates the model predicts with less error. The research model is as follows:

$$\text{AddictAge} = 30.343 - 0.437 \text{ Educ} - 1.777 \text{ ParEduc} - 0.000252 \text{ FamInc} \\ + 6.092 \text{ HistAdd} + 3.041 \text{ Childho} - 2.125 \text{ Inhab}$$

**Education of addicted person:** The relationship between education and addict age is significant and negative. This means that illiterate people are more at risk of drug use. The findings of the UNODC survey conducted in 2014 in Afghanistan shows that approximately 56% of Afghans are illiterate and most people who are addicted to drugs are illiterate. Literacy levels can have a positive deterrent effect on drug use (UNODC Survey, 2014).

**Family's annual income:** The relationship between Family's annual income and addict age is significant and negative. This means that most of the addicts included in the present study have low household income, and low household income and poverty are one of the major contributors to drug use. The findings of this study are in line with a study conducted by UNDOC in Afghanistan and findings indicate that unemployment is a major contributor to drug use (UNODC Survey, 2014). In 2018, more than 830 domestic and international NGOs in Afghanistan were dissolved by the Afghan government (AfghanNews, 2018). What worries Afghan people is unemployment in Afghanistan, especially among the young and educated generation, has the unfortunate consequence that it could be dangerous for the country and the system tomorrow. The most obvious consequence of today's unemployment problem that will turn it into a crisis tomorrow is the brain drain and workforce, mental and drug problems, the formation of mafia gangs, the spread of insecurity, and so on. Mental disorders that are caused by the challenges of youth life during unemployment and confusion after school are a major cause of addiction.

**Level of parents' education:** The relationship between level of parents' education and addict age is significant and negative. This means that most people are addicted to drugs, their parents have low levels of education, or they are illiterate. Haidary (2015) in his study showed that 71% of drug users' parents were illiterate and low educated and there is a significant and positive relationship between illiteracy and low education level with drug use. Since parents plays an important role in raising their

children, parents who are illiterate are unaware of the harmful effects of drug abuse and do not educate their children about the dangers of drugs.

**History of drug addiction in the family:** The relationship between history of drug addiction in the family and addict age is significant and positive. This indicates that most drug addicts in the current study were addicted to drug use due to history of drug addiction in their family. This issue has also been addressed in other researches. Most people are often addicted to drugs by their friends while they use drugs as a means of having fun with their friends. This is when there are no suitable recreational and sports facilities in Afghanistan to spend their time on recreation (UNODC Survey, 2014).

**Existence of any childhood events:** The relationship between existence of any childhood events and addict age is significant and positive. This means that most people who are now addicted to drugs, they have turned to use drugs because of the high level of depression that they have experienced as a result of their childhood events, such as death of dearest ones, events of child abuse, etc.

**Inhabitancy in the rural or urban area:** The relationship between Inhabitancy in the rural area and addict age is significant and positive. It indicates that rural communities are more prone to drug use. Addiction is one of the anomalies of the rural community that has become more widespread over time and disrupts rural life. In recent years, addiction has weakened and inefficient the human resources and economic, social, cultural and political inactivity of society and the cause of many crimes. The problem of addiction has become widespread in recent years in rural areas that are undergoing a process of cultural abnormality. In some villages they try to persuade the villagers to tend to drug by saying things like, "Whoever does not oppress is not a man" and this phenomenon is so widespread that it is used in nightly gatherings as a night's entertainment.

The objective of this research was to study the association of drug use and the socioeconomic background of the individuals. Multicollinearity test was performed, and the test showed that there is no evidence for the existence of multicollinearity among the variables. After that data was estimated with ordinary least square. The findings show that Education of addicted person, Family's annual income, Level of parents' education, History of drug addiction in the family, Existence of any childhood events and Inhabitancy in the rural or urban area have significant relationship with addict age. We therefore reject null hypothesis and accept alternative hypothesis which is family's SES background has impact on individual's drug addiction.

Research findings show that illiterate people are more likely to use drugs. As almost 56% of Afghans are illiterate and most people with illicit drug use are illiterate, the level of literacy can have a positive impact on drug use and prevent people from doing so (UNODC Survey, 2014). Low income households are another contributing factor to drug use and unemployment is a major contributor to drug use (UNODC Survey, 2014). Another challenging issue is parent's education. As parents play a major role in educating their children, parents who are illiterate do not know about the harmful effects of drug use and do not teach their children about the dangers of drugs. Also, history of drug addiction in the family adds to the risk of using the drug by the family member. History of drug addiction in the family refers to a variety of cases, some being used in the family in some cases for pain relief and for depression.

### **Conclusion**

Addiction and drug use as a social issue is a phenomenon in which the ability of society to organize and maintain existing order is destroyed. It causes structural changes in the economic, social, political

and cultural system of a society. In our society today, drugs have occurred in the context of a social problem. This social disaster has affected a large number of people and is increasingly interacting with other social disasters and becoming an underlying threat. Today, our elites and decision-makers are faced with a lack of recognition, weakness, strategic planning, and a lack of a holistic, multilateral approach to identifying the underlying causes and factors behind this phenomenon. As a result of this poverty, the weakness of the strategy and the tactics used to tackle this threat has not been able to optimally meet their goals, and our society has witnessed the increasing scope and depth of the destructive effects of narcotics. Combating this phenomenon requires understanding all its dimensions (economic, social, etc.), so successful anti-drug programs will be designed and implemented in a realistic way.

Given the changing macro management policy in recent years in the country and the adoption of a realistic approach on the one hand and the relative increase in research credits on the other hand, seems that the conditions are being met for researchers to meet the demands of the Counter Narcotics Headquarters. In other words, with regard to the process of addiction in the country, it is necessary to continuously observe this phenomenon by considering the appropriate methodology by forming a prevalence committee to scientifically explain the trend and size of the addiction problem by using globalization methods and localizing them. We are concerned with the prevalence and avoidance of import patterns in the general population, universities, schools, barracks, government agencies, and non-governmental organizations. Undoubtedly the proper and continuous cooperation and interaction of all member organizations and apparatus associated with the headquarters, scientific centers and universities, as well as gaining public confidence and training of special techniques to the investigators will cause such research, Provide accurate and valid scientific information to relevant specialists and thus interventions in the fields of prevention, treatment, loss reduction and even reduction of supply in regular manner. This provides the grounds for hitting smart and creative drug systems.

## Reference

- Afghan News Agency (1397), "Inhilali Barkhi az Muasessati Ghairi Dowlati be Dalili Waz-ei Qeudat", [Dissolution of Some NGOs Due to Restrictions], *Ajans-e Khabari Afghan*, Serial 10080, <<https://tinyurl.com/y6p6fq2l>>, 12.07.2019.
- Field, A. (2013), *Discovering Statistics Using IBM SPSS Statistics*, SAGE Publication Ltd, USA Washington DC.
- Galea, S. & A. Nandi & D. Vlahos (2004), "The Social Epidemiology of Substance Use", *Journal of Epidemiologic Reviews*, 26, 36-52.
- Ghani, A. (2016), *Inauguration Ceremony of Omid Rehabilitation & Treatment Center*, in May 4. Kabul.
- Goodman, E. & B. Huang (2002), "Socioeconomic Status, Depressive Symptoms, and Adolescent Substance Use", *Arch Pediatric Adolescent Med.*, 156(5), 448-453.
- Haidary, A.S. (2015), "Socioeconomic factors associated with opioid drug use among the youth in Kabul, Afghanistan", *Ritsumeikan Journal of Asia Pacific Studies*, 34(1), 1-28.
- Marchil, W.G. & D.A. Lind & S.A. Wathn (2012), *Statistical Techniques for Business and Economics*, (15<sup>th</sup> ed). New York: McGraw-Hill.
- MCN-Afghanistan (2015), *Afghanistan Drug Report*, Kabul: Ministry of Counter-Narcotics.
- MoPH (2016), *Afghanistan's first National Center for the Treatment of Addicted Women and Children Opens*, Kabul: BBC Persian, <<https://www.bbc.com/persian/afghanistan-38401766>>, 24.08.2019.
- Patrick, M.E. & P. Wightman & R.F. Schoeni & J.E. Schulenberg (2012), "Socioeconomic Status and Substance Use Among Young Adults: A Comparison across Constructs and Drugs", *Journal of Studies on Alcohol and Drugs*, 73(5), 772-782.



Rather, Y.H., Bashir, W., Sheikh, A. A., Amin, M., & Zahgeer, Y. A. (2013), “Socio-demographic and Clinical Profile of Substance Abusers Attending a Regional Drug De-addiction Centre in Chronic Conflict Area: Kashmir, India”, Penerbit Universiti Sains Malaysia.

UNODC (2016), *World Drug Report*, New York: UNODC, <[www.unodc.org](http://www.unodc.org)>, 13.06.2019.

UNODC (2014), *Impacts of Drug Use on Users and Their families in Afghanistan*, <<https://www.refworld.org/docid/5375e4ae4.html>>, 25.08.2019.

**24 October 2019 Thursday**

**Session: II-B / 11.30-13.00**

## **MACROECONOMICS & SECTORAL STUDIES**

Room: *TIN TIN*

Chair: **Adnan GERÇEK**

- European Union's Youth Policy in the Post-Crisis Europe  
**Sedef EYLEMER**
- Mediation in International Disputes  
**Büşra ÖĞÜTÇÜ**
- Is Eu's New Central Asia Strategy Really New?  
**Çiğdem ŞAHİN**
- Citizen Participation in the Auditing Process of Supreme Audit Institutions: Potentials and Challenges  
**Tolga DEMİRBAŞ & Vuslat GÜNEŞ**



## European Union's Youth Policy in The Post-Crisis Europe

**Sedef EYLEMER** (<https://orcid.org/0000-0002-0688-9256>), İzmir Kâtip Çelebi University, Turkey; e-mail: [sedef.eylemers@ikc.edu.tr](mailto:sedef.eylemers@ikc.edu.tr)

### Abstract

European Union (EU) has constituted a case of a distinctive or as often scholarly stated a “*sui generis*” international integration since its commencement in the 1950s with the founding of European Coal and Steel Community (1952), and then European Economic Community (EEC) and European Atomic Energy Community (1958). This integration which is based upon-but not limited to- an internal market where goods, services, capital and people move freely among the member states has been aimed at ensuring sustainable peace and welfare in the European continent. The state and well-being of young people has no doubt a crucial place in the accomplishment of this essential goal especially in the post-crisis Europe which was hit by an economic, social and political downturn due to the 2008 economic crisis. Nevertheless, the youth policy is rather an under-studied policy field in the literature and thus requires further attention. Hence, this paper basically aims to assess the effectiveness and implementation of the EU youth policy as a case of soft governance whereby the EU does not have a legislative authority. Within this context, the paper will analyse the EU Youth Strategies after elaborating on the current conditions of the young people in the post-crisis Europe, the legal basis and boundaries of the EU competence in the youth policy field and making a brief explanation of the development of the policy.

**Keywords** : European Union, Youth Policy, Soft Governance, Open Method of Co-ordination, Post-Crisis Europe.

**JEL Classification Codes** : F55, J13, N44.

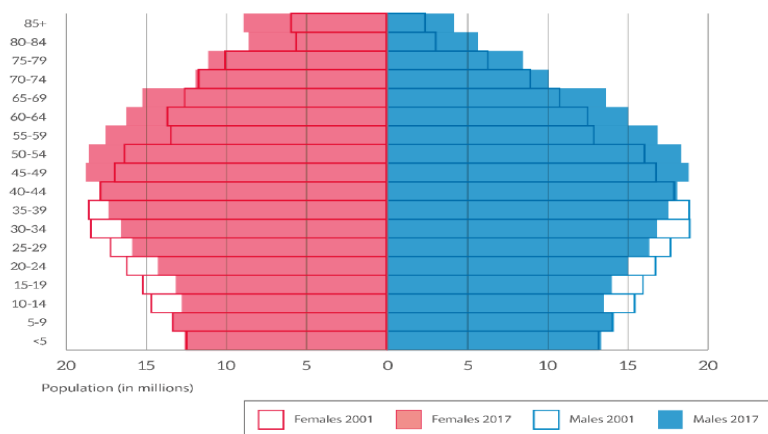
### The Situation of Youth in the Post-Crisis Europe

Although the definition of young population in terms of age group may vary nationally mainly due to cultural and socio-economic factors, in the EU it is defined as the young people in the age group 15-29 whereas the population in the age group 0-14 is defined as children population (European Commission, 2011: 3). According to the official statistics office of the Union- Eurostat, as of January 2018 the EU's youth population was over 87 million, representing 17% of the EU's total population. This proportion, which varies across the member states, reaches to the highest level in Southern Cyprus (21.8%) and drops to the lowest level in Spain and Slovenia (15.1% in each). The EU has been facing a gradual demographic decline in general in the last decades whereby the proportion of young people decreased from 24% in 1985 to 19% in 2010 and 17% in 2018. It is projected that the proportion will further drop to below 16% in 2050 resulting in a decrease of over 7 million people. This demographic decline partly caused by modest fertility rates and youth emigration combined with rising life expectancy rates leads to an ageing problem in Europe. The consequent population ageing is also

expected to increase the old-age dependency ratio<sup>1</sup> rising the likelihood for a need of higher support from the young people once they are in the labour market for the elderly including public healthcare and pension scheme contributions (European Commission, 2018a: 16-17).

The median age has increased by 4.5 years in 16 years in the EU member states from 38.3 years in 2001 to 42.8 years in 2017 (European Parliament, 2019: 3) and is projected to increase to 46.6 years in 2080 (Eurostat, 2019). This situation has been influencing the population pyramid dramatically in the EU as it can be seen below in Figure 1 which illustrate the distribution of female and male population across various age groups in the EU in 2001 and 2017. Furthermore, as Figure 2 demonstrates the ageing population combined with a decreasing youth population trend will continue to deteriorate the population pyramid in the EU in the future according to the projections for 2020 and 2080. In fact, the population structure is projected to take a rectangular shape rather than a pyramid shape in 2080.

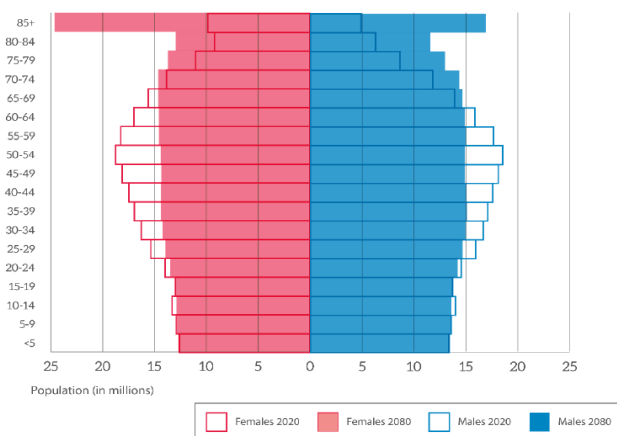
**Figure: 1 - Population Pyramids for the EU-28 (Number of Females and Males across Age Groups) (2001& 2017)**



(European Parliament, 2019: 4)

<sup>1</sup> It is defined by the Eurostat Glossary as the ratio of the number of elderly people at an age when they are generally economically inactive (65 and over), compared to the number of people of working age (15-64 years old).

**Figure: 2 - Population Projections for the EU-28 (Number of Females and Males across Age Groups) (2020& 2080)**



*(European Parliament, 2019: 5)*

Under these circumstances, improving the conditions, skills, qualifications and employment of the already decreasing youth population is very critical for the economic and social welfare as well as the political future of the EU. Hence, the Union which competes with international powers such as the United States of America, China, Japan globally has been embracing youth issues as a vital component of dealing with its political as well as social and economic problems. Considering the importance of the input of this segment of European society in the realization of its short- and medium-term targets, the Union not only carries on specific youth initiatives regarding voluntary activities, youth mobility and youth work but also mainstreams the youth in its different sectoral policies such as education and training, employment, entrepreneurship, health, combat with poverty and social exclusion. However, the vulnerability of the youth in the EU has been progressively increasing in the last decade particularly following the Euro crisis which has had substantive socio-economic implications for the European citizens. The worsening youth conditions in the post-crisis era including increasing youth unemployment, inactivity and risk of poverty are recognized by the Union itself as factors which may jeopardize the EU's global competitiveness (European Commission, 2012a).

The youth unemployment rate in the EU increased to 18.4% in 2013 and by 2018 it occurred as 11.5% (Eurostat, 2019). Yet, the fact that youth unemployment rates vary considerably among the member states should be also taken into account. The highest levels are seen in Greece (32.3%), Spain (25.7%) and Italy (25%) which were hit severely by the crisis whereas the lowest rates are in Czechia (4.4%), Germany (4.6%) and Netherlands (5.3%). According to the OECD data (2014) the young people “suffered the most severe income losses” due to the crisis and was identified as the age group facing the highest risk of poverty even getting ahead of the elderly. The increasing risk of social exclusion and feeling of loneliness, loss of confidence and trust in the institutions and lower levels of mental well-being are also the direct consequences of the worsening youth conditions (Eurofound, 2014).

### **The Legal Basis and Development of the EU Youth Policy**

Under these circumstances, the EU has been increasingly focusing on youth issues and problems in its political agenda and policy orientations. Indeed, the youth policy falls within the national competence of the member states which maintain the authority to legislate in this policy field and the EU has just a “supporting competence”. This means that the EU’s action on the youth policy is aimed at supporting, coordinating and complementing the action of the member states without holding the power of passing laws. Thus, the main goal of the EU in terms of youth policies which are of intergovernmental rather than supranational nature is to support cooperation and coordination among the member states rather than to harmonize their policies (European Commission, [ec.europa.eu](http://ec.europa.eu)).

Although the first official reference to the youth policy dates back to the 1957 Rome Treaty establishing the EEC, that reference was limited to the goal of encouraging the exchange of the “young workers” among the member states. With Maastricht Treaty which entered into force in 1993 officially establishing the EU, the scope of the reference widened as the “youth” was directly mentioned but just in the field of education and training stating the EU’s aim of encouraging the development of youth exchanges and facilitating the access to vocational training (Article 126-127). Hence, the “material scope” was still kept limited (Haar & Copeland, 2011: 6). Following the amendments of Amsterdam (1997), Nice (2001) and Lisbon (2007) Treaties, the Treaty on the Functioning of the EU (TFEU) specifies the scope of the EU’s action in the field as encouraging the development of exchanges of youth and socio-economic instructors and the participation of young people in democratic life in Europe as well as facilitating the access to vocational training and encouraging the mobility of instructors and trainees, particularly the young people (Article 165-166). Within this scope, the EU’s Youth Policy as well as education policy, not falling under the exclusive competence of the EU is based upon “the principle of subsidiarity” (Article 5 of the Treaty on the EU) under which the EU is only authorized to take action when the objectives of the proposed action cannot be adequately attained by the member states and can be accomplished more satisfactorily at the EU level (Haar & Copeland, 2011: 6). Thus, this principle ensures that in areas which are not under the EU’s exclusive competence, the actions are taken as closely as possible to the citizens under national, regional or local level except for the cases whereby it would be more effective to take action at the European level (EUR-Lex, [eur-lex.europa.eu](http://eur-lex.europa.eu)).

Within this legal framework, the EU tries to promote cooperation and coordination between the member states in the youth policies field through an instrument of soft governance which is specifically called Open Method of Coordination (OMC) by the EU. This method was officially introduced in 2000 by the EU as a governance model to increase the effectiveness of social policies and its use expanded to various areas such as economic coordination, employment, modernisation of social protection, social inclusion, innovation, entrepreneurship, immigration, education and youth policies. While the OMC does not lead to legislation, its basic goal is to “spread best practice and achieve convergence towards EU goals” (European Parliament, 2014). The main elements of the OMC were specified by the European Commission (2001) in a White Paper on European Governance as encouraging cooperation, the exchange of best practice, defining common targets and guidelines for the member states, regular monitoring of the advancement in meeting the targets, and so giving the opportunity to the member states to make comparisons among themselves and draw lessons from their different experiences.

A crucial step in the development of EU youth policy was the adoption of the first youth programme-Youth for Europe- by the EC in 1988. This programme was aimed at not only encouraging

youth exchanges as well as youth initiatives outside of formal education but also sharing of information among the member states on youth issues (Banjac, 2014: 146). The Youth for Europe programme which continued up to 1999 in three terms (1989-1991; 1992-1994; 1995-1999) was replaced by the Youth programme (2000-2006) and this was followed by Youth in Action (YiA) programme (2007-2013). For the years 2014-2020 Erasmus+ programme has been implemented as the EU's programme supporting education, training, youth and sport in Europe. Thus, the YiA is currently integrated into the Erasmus+ programme. Within Erasmus+ around EUR 2.1 billion has been allocated to the youth to achieve the specific objectives of (1) improving the key competences and skills of the young population, promoting their participation in democratic life in Europe and the labour market, active citizenship, intercultural dialogue, social inclusion and solidarity; (2) encouraging improvements in the quality of youth work; (3) supplementing policy reforms at national, regional and local levels and providing support to the progress of knowledge and evidence-based youth policy; (4) developing the international aspect of youth activities and the role of youth workers and organisations as supportive mechanisms (European Parliament, 2019: 2).

In fact, the growing activism with regard to youth policy and mainstreaming a youth dimension into the other policies particularly starting from the second half of the 1990s has been widely related to the employment and unemployment problems in most of the EU member states. In this regard, the adoption of the European Employment Strategy (EES) in 1997 was also a significant step for the development of the youth policy. EES which was itself designed as a soft law mechanism governed by OMC essentially aimed to create more and better jobs throughout Europe and coordinate the employment policies of the EU member states (Eurofound, 2019). The Lisbon Strategy adopted in 2000 with the goal of making the EU most competitive and dynamic knowledge-based economy in the world formed another phase in the development of youth policy. The Strategy precisely referred to the enhancement of education and training for various groups including the young people (Haar & Copeland, 2011: 7).

Nevertheless, one of the most vital steps for an inclusive youth policy was taken by the "White Paper - A New Impetus for European Youth" issued by the European Commission in November 2001. This Paper which was entirely coherent with the White Paper on Governance published by the Commission early in July 2001 was principally based upon the goal of promoting new forms of European governance. Therefore, the White Paper - A New Impetus for European Youth adapted the OMC to the specific policy field of youth based upon the experience of the method in the education policy. In this regard, the OMC in the field of youth policy rests on the definition of priority themes, determination of common objectives, designation of follow-up mechanisms as well as arrangements for consultation with the youth. The scope for the use of OMC in the field of youth was proposed to include participation, voluntary service, enhancement of public authorities' consideration for the concerns of the youth, and any other issues which can serve the advancement of youth activities including youth work, youth clubs, street work, projects aimed at developing the feelings of citizenship, integration and solidarity among the youth, excluding the parts covered by other areas such as employment and education (European Commission, 2001b: 4, 14-16). In fact, as it was later expressed in a European Communication published as a follow-up to the White Paper (2004: 7), the OMC is applied differently from the other policy areas in the youth field because the policy objectives are rather qualitative. Furthermore, the implementation of the objectives which is under the authority of the member states are not documented in national action plans coordinated at the EU level as in the other OMC policy areas.



Within this context, the proposed framework by the White Paper aimed to enhance cooperation among the member states in the specific field of youth and also to consider the youth dimension more in the relevant policies such as education and training, employment, social inclusion, health and anti-discrimination. Thus, the priorities were defined as youth participation in public life, information particularly on European affairs, voluntary service among young people and greater understanding of the youth. Hence, the White Paper promoted the notion of active citizenship in its youth policy and also formed the foundation for the EU programmes on youth in the following years (Guidi, 2015: 247). It is also argued that it is also aimed to contribute to the goal of “mobilizing all available sources, including, or in particular, youth for pursuing a neoliberal agenda of competitiveness, dynamism of business and securing a climate conducive to investment, innovation and entrepreneurship” (Banjac, 2014: 148-149). In line with this argument, the EU introduced the European Pact for Youth in 2005 as part of the mid-term review of the Lisbon Strategy highlighting the necessity to enrich the youth with the skills required to enhance competitiveness, growth and social cohesion in the EU (Guidi, 2015: 247). The Pact intends to further encourage the youth participation in education, employment and society.

By 2009, the EU started to implement the youth policy within the framework of multi-annual youth strategies which will be examined in the following section. In fact, the implementation of the EU youth strategies is in accordance with Europe 2020 Strategy initiated in 2010 as the ten-year EU growth strategy replacing the Lisbon Strategy with the aim of creating a “smart, sustainable and inclusive growth”. Two headline targets of Europe 2020 are directly related to the young people: reducing the early-school leaving and rising tertiary attainment. The other two targets (decreasing the risk of poverty and increasing the employment rate) also requires the mainstreaming of a youth dimension into the planned actions. Therefore, Europe 2020 has integrated the youth issue into its guidelines. The requirements regarding the young people are addressed within Europe 2020 integrated guidelines related to employment, education and training, social inclusion and the combat with poverty, (Europe 2020 Integrated Guidelines, 2010: 21-23). Furthermore, the youth is one of the seven flagship initiatives of Europe 2020 under the “Youth on the Move” initiative which is aimed at developing student and trainees’ mobility, enhancing the youth employment situation and facilitating the access of young people to the labour market (European Commission, 2010: 11).

### **EU Youth Strategies as a Case of Soft Governance**

The Youth Strategies have been setting forth the priorities and the tools required for the achievement of the agreed objectives for the youth policies. These Strategies define joint policy objectives, develop tools to evaluate policy impact, enables benchmarking to compare the member states’ performances and exchange their best practices. Within this scope the EU Youth Strategy covering the years 2010-2018 as proposed by the European Commission in 2009 was based upon a dual approach aimed at “investing in youth” and “empowering youth”. The Strategy, which acknowledged the challenges faced by the youth in the post-crisis Europe began with the words: “Europe’s future depends on the youth. Yet life chances of many young people are blighted.” Education, employment, social inclusion and health were listed as the main concerns of the European youth. Hence, the Strategy laid down three interconnected goals: expanding the opportunities of education and employment for the young people, enhancing their participation in the society and developing mutual solidarity between society and youth. Under these goals, eight fields of action were determined as (1) education and training; (2) employment and entrepreneurship; (3) health and well-

being; (4) participation; (5) voluntary activities; (6) social inclusion; (7) youth and the world; (8) creativity and culture (European Commission, 2009).

The EU integrated “Structured Dialogue” as a mode of governance complementary to OMC into its Youth Strategy (2010-2018). This mechanism aimed at consultation with the young people and youth organizations in the development and implementation of the youth policies enabling their involvement in different stages of policy making process. This dialogue was used to support the partnership between the EU institutions and the European youth. The European Youth Forum as a youth organization representing a significant number of young people functioned as the main partner of the European Commission which coordinated the Structured Dialogue with the support of the member states and the National Youth Councils. Within this context, several debates at national, regional and local levels were organized on youth issues (Banjac, 2014: 49-150).

On the basis of a mandate from the EU Youth Strategy, a dashboard of EU youth indicators was developed by the European Commission in order to measure and evaluate the advancements in the determined fields of action of the Strategy. The dashboard enabled the monitoring and reporting of the youth data in accordance with the aim of designing an evidence-based youth policy via the OMC. These data were further supported by the Eurobarometer surveys on youth and the findings of the youth projects (European Commission, 2012a: 8). According to the 2012 Youth Report of the European Commission, the direct impact of the Youth strategy on national youth policies was acknowledged by the member states which reported that the Strategy strengthened their prevailing priorities with regard to youth at the national level. Reinforcing link between youth policy and employment, further development of dialogue with the youth, the role of the Strategy as a guiding document for the development of national youth policies were listed among the implications of the EU Youth Strategy for the national member state policies (European Commission, 2012b: 10). Nevertheless, the need to reinforce the link between the Strategy and Europe 2020 was still emphasized. In fact, youth unemployment which turned into a significant problem in the post-crisis Europe has been also becoming a priority within the EU youth policy. Accordingly, the 2012 Annual Growth Survey identified unemployment, temporary work and early-school leaving as the emergency youth issues to be tackled (Guidi, 2015: 248). Whereas the austerity acts of the economic crisis have had negative consequences for the overall European citizens, the young people were the ones who were affected by these acts very severely due to the diminishing investments in education, rising unemployment and declines in social services. Hence, the trust in the future and feeling as part of the society has been on the decline among the young people as social exclusion affect the youth destructively in terms of living conditions, civic participation, emotional and health circumstances (European Parliament, 2018: 3).

The European Parliament concluded in a report evaluating the implementation of the Youth Strategy in 2018 that although the results were positive overall, the objectives of the Strategy could not be achieved. So, the Parliament emphasized the need to improve and reinforce the Strategy. The Parliament evaluated the objectives as very broad and ambitious underlining the fact that it was hard to judge whether they had been met considering several dynamic factors shaping the specific socio-economic circumstances in the member states. According to the Parliament the overall objectives “remained rather as general mottos” which was furthered weakened by the absence of clearly established benchmarks and quantitative indicators to evaluate and compare the situation of the member states and policy impacts. Hence, the need for a more “cross-cutting” and “holistic” approach was stressed considering the nature of the youth policy as a field which is closely related to other policy areas such as education, employment, entrepreneurship, volunteering (European Parliament, 2018: 4).

Within this framework, it was suggested in the European Conference on the future of EU Youth Strategy which convened in 2017 with the participation of 320 stakeholders that the Strategy should better have ambitious goals in less fields considering its relationship with the other relevant policy areas. The importance of the involvement of different levels of governance, particularly the local authorities, in the formation, implementation and monitoring of the youth policy was also highlighted. The local dimension including the cities and rural areas should be strengthened. The young people should be actively engaged in the various stages of the policy. The funding sources at the EU level, national and regional levels should be coordinated. The disadvantaged and migrant young population should more take part in the youth initiatives. The report of the Conference also emphasized the requirement for correct and accessible data and information on the implementation of the Youth Strategy (European Commission, 2017: 7, 15).

EU Youth Strategy 2010-2018 was followed by the EU Youth Strategy 2019-2027. The Communication published by the European Commission to propose the new Youth Strategy in 2018 remarked: “for the first time since the Second World War, there is a real risk that today’s young generation will end up less well-off than their parents”. Besides high youth unemployment rates, it was underlined that 11.6% of 15-24 age group weren’t in education, employment or training while the risk of poverty or social exclusion was 29% for 16-29 age group. Hence, within the new Youth Strategy eleven European youth goals are developed under the keywords of Engage, Connect and Power with the basic goal of empowering the young people and improving their resilience to the conditions in the post-crisis Europe. The aims are to improve civic, economic, social, cultural and political participation of the young people (engage); to develop accessible opportunities for the youth to experience exchanges, cooperation, cultural and civic action and thus to encourage learning mobility, solidarity, intercultural understanding and voluntary engagement in Europe (connect); and to promote innovation, quality and youth work (empowerment) (European Commission, 2018: 1, 3-6). The youth goals which were identified as a result of the Structural Dialogue with almost 48 thousand young people include: connecting the EU with the youth; equality of all genders; inclusive societies; information and constructive dialogue; mental health and well-being; moving rural youth forward; quality employment for all; quality learning; space and participation for all; sustainable green Europe; youth organisations and European programmes (<[www.youthgoals.eu](http://www.youthgoals.eu)>).

The new Youth Strategy which takes Structured Dialogue as basis for engagement with the European youth develops this consultation mechanism by renewing it as “EU Youth Dialogue”. The new mechanism aims to expand its scope beyond youth organizations active in EU issues, reach to more young people at different levels as well as the local level, focus more on the disadvantaged groups. So, it targets to function as a forum bringing young people and youth organizations with the policy and decision makers, experts, researchers and the relevant civil society organizations as much as possible. The EU Youth Dialogue which is organized as 18 months’ work cycles concentrates on a priority theme at each cycle. Besides the EU Youth conferences (every six months), the EU Youth dialogue, which is coordinated at the EU level and supported by National Working Groups in the EU member states, promotes new forms of participation mechanisms such as online campaigns, consultations in digital platforms linked to the European Youth Portal (European Commission, 2018: 4).

Another step within the new Youth Strategy is the proposal for the development of the position of “EU Youth Coordinator” within the European Commission to function as a contact point supporting the communication between the European youth and the Commission. In the new Strategy, Erasmus+ programme continues to be the backbone of the EU funding for the youth learning mobility and youth

projects. Besides, the Youth Strategy aims to support volunteering activities of the youth in connection with the European Solidarity Corps which is an EU initiative providing opportunities to volunteer and work in projects in their country and abroad in the EU (European Commission, 2018: 8).

### Conclusion

The economic crisis which started to affect the EU in 2008 and intensified in the following years have had severe impact on the European youth causing social, economic and political problems including unemployment, risk of poverty, social exclusion, problems of societal participation, health and well-being for this important segment of society. In fact, improving the conditions, skills, qualifications and employment of the already decreasing youth population is seen as a crucial aspect of the economic and social welfare as well as the political future of the EU. European Commission (2018: 1) stressed this requirement in a Communication by stating: “Europe cannot afford wasted talent, social exclusion or disengagement among its youth. Young people should not only be architects of their own life, but also contribute to positive change in society”. Nevertheless, the EU’s competence is limited in the youth policy field being a supporting, coordinating and complementing rather than an exclusive competence. The youth policy falls within the national competence of the member states which maintain the authority to legislate in this policy field. The EU tries to promote cooperation and coordination between the member states in the youth policies field through an instrument of soft governance which is specifically called Open Method of Coordination. This method is also supported by a consultation mechanism which was first called Structured Dialogue and then renewed as EU Youth Dialogue with the basic aim of involving the youth in the policy processes.

Within this context, the Youth Strategies have been setting forth the priorities and the tools required for the achievement of the agreed objectives for the youth policies since 2010. These Strategies define joint policy objectives, develop tools to evaluate policy impact, enables benchmarking to compare the member states’ performances and exchange their best practices. The first EU Youth Strategy 2010-2018 was followed by the EU Youth Strategy 2019-2027 which developed eleven European youth goals under the keywords of Engage, Connect and Power with the basic goal of empowering the young people and improving their resilience to the conditions in the post-crisis Europe. This Strategy is also supported by the EU’s Erasmus+ programme which supports youth projects and mobility apart from its other aspects. The Youth Strategy can be assessed as one of the important tools of the EU to enhance the youth conditions and also uncover the potential of the young people in the resolution of the EU’s social, economic and political problems. The youth is also an important aspect of Europe 2020 Strategy particularly in the achievement of the overall education and employment goals of the EU. Hence, it can be concluded that while the EU Youth Strategies play role in the development of a more comprehensive and coherent youth policy in the EU, their effectiveness still depends on the willingness and performance of the EU member states to coordinate their national youth policies. Nevertheless, the desire to attain shared goals to achieve common interests in the post-crisis Europe are expected to contribute to the cooperation between the member states in this policy field which is mainly shaped by soft governance.

### References

- EU (2010), *Europe 2020 Integrated Guidelines for the Economic and Employment Policies of the Member States*, <<https://ec.europa.eu/eu2020/pdf/Brochure%20Integrated%20Guidelines.pdf>>, 10.08.2019.
- EUR-Lex, *Glossary of Summaries*, <<https://eur-lex.europa.eu/summary/glossary/subsidiarity.html>>, 10.08.2019.

- Eurofound (2019), *European Employment Strategy*, <<https://www.eurofound.europa.eu/observatories/eurwork/industrial-relations-dictionary/european-employment-strategy>>, 02.09.2019.
- European Commission (2001), *European Governance White Paper*, <[https://ec.europa.eu/europeaid/european-governance-white-paper\\_en](https://ec.europa.eu/europeaid/european-governance-white-paper_en)>, 17.08.2019.
- European Commission (2010), *European 2020 A Strategy for Smart, Sustainable and Inclusive Growth*, <<https://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%20007%20-%20Europe%202020%20-%20EN%20version.pdf>>, 20.08.2019.
- European Commission (2012a), *Results of the First Cycle of The Open Method of Coordination in the Youth Field (2010-2012)*, <<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52012SC0256&from=EN>>, 22.08.2019.
- European Commission (2012b), *EU Youth Report*, <[https://ec.europa.eu/assets/eac/youth/library/reports/eu-youth-report-2012\\_en.pdf](https://ec.europa.eu/assets/eac/youth/library/reports/eu-youth-report-2012_en.pdf)>, 22.08.2019.
- European Commission (2014), *Follow-up to the White Paper on a New Impetus for European Youth: Evaluation of Activities Conducted in the Framework of European Cooperation in the Youth Field*, <<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52004DC0694&from=EN>>, 25.08.2019.
- European Commission (2017), *European Conference on the Future EU Youth Strategy Report*, <[https://ec.europa.eu/youth/sites/youth/files/youth-strategy-report\\_en.pdf](https://ec.europa.eu/youth/sites/youth/files/youth-strategy-report_en.pdf)>, 25.08.2019.
- European Commission (2018a), *Situation of the Young People in the European Union*, <<https://publications.europa.eu>>, 20.08.2019.
- European Commission (2018b), *Engaging, Connecting and Empowering Young People: a New EU Youth Strategy*, <<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018DC0269&from=en>>, 05.09.2019.
- European Commission, *Areas of EU Action*, <[https://ec.europa.eu/info/about-european-commission/what-european-commission-does/law/areas-eu-action\\_en](https://ec.europa.eu/info/about-european-commission/what-european-commission-does/law/areas-eu-action_en)>, 17.08.2019.
- European Parliament (2014), *The Open Method of Coordination*, <<http://www.europarl.europa.eu>>, 29.08.2019.
- European Parliament (2018), *Report on the Implementation of the Youth Strategy*, <[http://www.europarl.europa.eu/doceo/document/A-8-2018-0162\\_EN.pdf](http://www.europarl.europa.eu/doceo/document/A-8-2018-0162_EN.pdf)>, 10.09.2019.
- European Parliament (2019), *Demographic Outlook for the European Union 2019*, <<http://www.europarl.europa.eu>>, 29.08.2019.
- Eurostat (2019), *People in the EU - Population Projections*, <[https://ec.europa.eu/eurostat/statistics-explained/index.php/People\\_in\\_the\\_EU\\_-\\_population\\_projections#Population\\_projections](https://ec.europa.eu/eurostat/statistics-explained/index.php/People_in_the_EU_-_population_projections#Population_projections)>, 15.08.2019.
- Guidi, R. (2015), "Youth Policies in Europe: big changes after the big crisis? An explorative analysis", *Società Mutamento Politica*, 5(10), 241-263.
- Haar, B. & Copeland, P. (2011), *EU Youth Policy: A Waterfall of Softness*, <[http://www.youthpolicy.org/wpcontent/uploads/library/2011\\_EU\\_Youth\\_Policy\\_Eng1.pdf](http://www.youthpolicy.org/wpcontent/uploads/library/2011_EU_Youth_Policy_Eng1.pdf)>, 20.08.2019.
- Youth Goals (2018), <<http://www.youthgoals.eu/>>, 12.09.2019.

**24 October 2019 Thursday**

**Session: III-A / 14.00-15.30**

## **MACROECONOMICS & SECTORAL STUDIES**

Room: *GASTON*

Chair: **Sabahattin Tuğrul İMER**

- Can We Use Composite Leading Indicators in Forecasting Stock Exchange Index? Evidence from Turkey

**Esra Nazmiye KILCI**

- Is Turkey Successful in Diversification of the Tourism Market by Geographical Regions?

**Serkan POLAT**

- The Divided States of America

**Sharaf REHMAN**

- Professional Activity of Parents Receiving A Child-Support Benefit 500+ in Poland

**Dorota KMIEĆ & Gintarė EDINTAITĖ**



## Is Turkey Successful in Diversification of the Tourism Market by Geographical Regions?

**Serkan POLAT** (<https://orcid.org/0000-0002-9128-7443>), *İstanbul Medeniyet University, Turkey*; e-mail: [spolatt@gmail.com](mailto:spolatt@gmail.com)

### Abstract

The purpose of this study is to analyze the distribution of the geographical regions where foreigners arrive in Turkey between 1984 and 2018. The data set of this descriptive study is composed of tourist statistics. The data obtained from the official websites of the Turkey Statistical Institute and the Ministry of Culture and Tourism as secondary sources were analyzed through descriptive statistics in context of geographical regions that are classified as Africa, America, Antarctica, Asia, Europe, and Oceania by the United Nations. As a result of the analysis, it was determined that both in 1984 and 2018, Europe was the first with 60% and 64% while Oceania was the last with 1% and less than 1% respectively. Asian's share of 23% in 1984 increased to 31% in 2018. Nevertheless, the share of America decreased to 2% in 2018 from 12% in 1984. Africa's 4% share in 1984 decreased to 3% in 2018. According to the findings obtained, 95% of foreign visitors arriving in Turkey come from Europe and Asia. These results can be interpreted as Turkey cannot provide an adequate level of progress in diversifying the tourism market. The decrease in the number of visitors coming from America is noteworthy. In order to obtain more detailed information, it is suggested that new researches should be conducted at the sub-geographical regions and countries. This will guide the decision makers in making strategic plans in which necessary measures are taken for market diversification.

**Keywords** : Diversification, Tourism Market, Geographical Region, Tourist Arrivals, Turkey.

**JEL Classification Codes** : Z320, Z330.

### Introduction and Background

Turkey has started to give importance to tourism since 1963, the beginning of the first five-year development plan. However, international tourism activity gained momentum in the 1980s. In this acceleration, the Tourism Incentive Law No. 2634 had an important role. Infrastructure investments gained momentum with the financial resources obtained from some international institutions such as the World Bank. Tourism is considered as an important economic sector for Turkey as a developing country due to the fact that tourism has positive economic effects in terms of employment, budget deficit, and foreign exchange. In addition, it was thought by governments that tourism was an important function in the development of Turkey's image in a positive direction after the 1980 military coup. Therefore, tourism was included in all development plans. In particular, the first four five-year development plans emphasized the economic orientation of tourism especially mass tourism. The fifth plan highlighted the diversification of tourism, while the sixth plan highlighted the participation of the local community in tourism. The seventh plan aimed to meet the expectations of the local people and tourists with a competitive tourism economy. The eighth, ninth, and tenth plans emphasized that the



investments paying attention to physical and cultural environment should be supported for spread of tourism throughout the country and year (Polat & Aydınli, 2017).

According to the World Tourism Organization (2019: 3), 1 billion 401 million people participated in the international tourism movement in 2018 with an increase of 5% compared to the previous year, and the international tourism revenue increased to 1 trillion 700 billion dollars (\$) with an increase of 4%. The number of foreign visitors coming to Turkey the same year amounted to 39 million 488 thousand. Turkey's share in the international tourist arrivals was about three percent (2.8%) in 2018. On the other hand, in 1984, the international tourist arrivals were 306.8 million worldwide and the number of foreign visitors coming to Turkey was 2 million 117 thousand. In other words, in 1984, Turkey's share in the international tourist arrivals was approximately 7‰.

Tourism demand, which has a high elasticity rate, is affected by crises such as economic, political, natural disaster, and terrorism very quickly. This situation causes potential tourists to stay away from the regions and countries where these crises are experienced (Yenişehirlioğlu & Erdoğan & Polat & Sarıışık, 2013).

**Table: 1 - Geographical and Sub-geographical Regions in the World**

Geographical Region	Sub-geographical Region
Africa	Eastern Africa, Middle Africa, Southern Africa, Western Africa
America	Caribbean, Central America, South America, Northern America
Antarctica	
Asia	Central Asia, Eastern Asia, South-eastern Asia, Southern Asia, Western Asia
Europe	Eastern Europe, Northern Europe, Southern Europe, Western Europe
Oceania	Australia and New Zealand, Melanesia, Micronesia, Polynesia

Source: United Nations (2019, August 28), *Standard country or area codes for statistical use (M49)*, Retrieved from <<https://unstats.un.org/unsd/methodology/m49/>>, 27.08.2019.

For statistical publications and databases, the United Nations classified countries by geographical regions under the heading "Standard Country or Area Codes". According to this classification given in Table 1, the World is divided into 6 geographical regions and 21 geographical sub-regions. As of 2019, there are approximately 250 countries or areas in these regions.

### Materials and Methods

The purpose of this study is to analyze the distribution of the geographical regions where foreigners arrive in Turkey between 1984 and 2018. It is a descriptive study in terms of purpose and a qualitative study in terms of data.

What is the distribution of the geographical regions where foreigner tourists arrive in Turkey? was determined as the research question of this study.

The data obtained from the official websites of the Turkey Statistical Institute and the Ministry of Culture and Tourism as secondary sources were analyzed through descriptive statistics in context of geographical regions that are classified as Africa, America, Antarctica, Asia, Europe, and Oceania by the United Nations. Antarctica was not included in the scope of this study since there is no regular life and country in the region. According to Yıldırım and Şimşek (2008: 89) the descriptive analysis is used in the processing and evaluation of qualitative data including various published documents that do not require in-depth analysis.

The findings obtained from the documents examined through descriptive analysis were given in this section. Table 2 presents the distribution of the numbers of foreign tourists coming to Turkey by geographical regions and years.

**Table: 2 - The Distribution of Foreigners Visiting Turkey by Geographical Regions**

Geographical Region	Year		
	1984	2000	2018
Africa	92,632	167,829	1,156,667
Europe	1,260,293	7,872,874	25,171,623
Asia	488,833	1,671,752	12,089,122
America	252,567	632,168	879,974
Oceania	22,768	83,530	191,015
Total	2,117,903	10,428,153	39,488,401

Source: *Turkish Statistical Institute, 2019; Ministry of Culture and Tourism, 2019.*

The findings related to foreign tourists coming to Turkey from Africa, Europe, Asia, America, and Oceania were examined below by years.

### **Africa**

The share of foreign visitors coming to Turkey from the countries in Africa was 4% in 1984. In 2000, this ratio decreased to 2% while the ratio increased to 3% in 2018.

### **America**

The share of foreign visitors coming to Turkey from the countries in America was 12% in 1984. In 2000, this ratio decreased to 6%. This ratio decreased further in 2018 and realized as 2%.

### **Asia**

The share of foreign visitors coming to Turkey from the countries in Asia was 23% in 1984. In 2000, this ratio decreased to 16% while the ratio increased to 31% in 2018.

### **Europe**

The share of foreign visitors coming to Turkey from the countries in Europe was 60% in 1984. In 2000, this ratio increased to 75% while the ratio decreased to 64% in 2018.

### **Oceania**

The share of foreign visitors coming to Turkey from the countries in Oceania was 1% both in 1984 and 2000 while this ratio decreased to under 1% in 2018.

## **Discussion and Conclusion**

Although a sharp decline (approximately 30%) in the number of foreign visitors arriving in Turkey in 2016 experienced, Turkey risen to the sixth place in 2018 among the most visited countries in the world. Moreover, the data for the first seven months of 2019 show that the increase in the number of foreign visitors continues.

According to the findings obtained, 95% of foreign visitors arriving in Turkey come from Europe and Asia in 2018 while it was 83% and 91% in 1984 and 2000 respectively. These results can be interpreted as Turkey cannot provide an adequate level of progress in diversifying the tourism market. On the other hand, according to the World Tourism Organization (2019) 4 of 5 tourists travel within their own region. These results can be interpreted as geographical proximity plays an important role in international tourist mobility all around the world. However, the differentiation of the regions and countries from which foreign visitors come will reduce the negative effects of tourism when economic, political, and other types of crises erupt. For example, the political crises first in Turkey-Israel relations in 2010 and then in Turkey-Russia relations in 2015 caused a large fall in the number of visitors from Israel and Russia to Turkey (Polat, 2016). Nevertheless, the normalization of relations with Russia seems to have been reflected in the number of tourists. For instance, the share of visitors from Russia increased from 3.42% in 2016 to 15% in 2018. On the other hand, in 1984, the share of foreign visitors from the Commonwealth of Independent States (CIS) consists of twelve states including Russia was only 7% while it was 30% in 2018.

In order to obtain more detailed information, it is suggested that new researches should be conducted at the sub-geographical regions and countries. This will guide the decision makers in making strategic plans in which necessary measures are taken for market diversification. The Ministry of Culture and Tourism has already prepared some market reports and strategies at the country level. However, the reports other than the South American report have been prepared for countries in Asia and Europe.

### References

- Ministry of Culture and Tourism (2019), *Turizm İstatistikleri*, <<https://yigm.ktb.gov.tr/TR-201131/tesis-istatistikleri.html>>, 27.08.2019.
- Polat, S. (2016), "Crisis and tourism in Turkey-Israel relations", *The Journal of International Social Research*, 9(43), 891-905.
- Polat, S. & H.İ. Aydın (2017), "Turkey's tourism policies in the period of planned development", *Journal of Human Sciences*, 14(4), 3415-3431.
- Turkish Statistical Institute (2019), *Eğitim, Kültür, Spor ve Turizm: Turizm İstatistikleri*, <[http://www.tuik.gov.tr/PreTablo.do?alt\\_id=1072](http://www.tuik.gov.tr/PreTablo.do?alt_id=1072)>, 27.08.2019.
- United Nations (2019), *Standard country or area codes for statistical use (M49)*, <<https://unstats.un.org/unsd/methodology/m49/>>, 27.08.2019.
- World Tourism Organization (2019), *International Tourism Highlights*, 2019 Edition, UNWTO, Madrid.
- Yenişehirlioğlu, E. & C. Erdoğan & S. Polat & M. Sarıışık (2013), "Politik krizlerin turizm talebi üzerindeki etkisine yönelik bir araştırma: Mısır turizmi", *Akademik Turizm ve Yönetim Araştırmaları Dergisi*, 1(1), 57-69.
- Yıldırım, A. & H. Şimşek (2008), *Sosyal Bilimlerde Nitel Araştırma Yöntemleri*, 7. Baskı, Ankara: Seçkin Yayıncılık.

**24 October 2019 Thursday**

**Session: III-B / 14.00-15.30**

## **EDUCATION & BEHAVIOURAL ISSUES**

Room: *TIN TIN*

Chair: **Altuğ Murat KÖKTAŞ**

- Behavioral Sciences and Organizational Behavior Courses at Turkish Universities: The Case of Health Management Departments

**Serol KARALAR**

- The Causes of Academic Procrastination Behaviour in the Context of Pygmalion Effect

**Nuran ÖZTÜRK-BAŞPINAR & Orkun ŞEN**

- The Effect of University Students' Internet Addiction on Family Communication

**Doğuş KAYA & Zeynep ÇOPUR**

- The Impact of Education on Economic Growth: Evidence from Turkey

**Ayşen SİVRİKAYA & Hatice Nihan ERDAL**



## Behavioral Sciences and Organizational Behavior Courses at Turkish Universities: The Case of Health Management Departments

**Serol KARALAR** (<https://orcid.org/0000-0003-3460-207X>), *Trakya University, Turkey; e-mail: serolkaralar@trakya.edu.tr*

### Abstract

In this study, the curricula of 58 health management departments at Turkish universities were examined through the Bologna information package. As a result; it was found that 90% of the departments has at least one course related to behavior, and the total number of courses is 78; 67% compulsory and 33% elective. In addition, 40% of these courses is named as Organizational Behavior in Health Businesses/Institutions/Management. On the other hand, it was revealed that 35% of the 78 courses in the curricula are in 2nd grade, 29% in 1st year and 27% in 3rd year programs.

**Keywords** : Behavioral Sciences, Organizational Behavior, Health Management, University, Turkey.

**JEL Classification Codes** : D2, D23, M1, M10, I2, I21, I23.

### Introduction

Effective communication between patients and employees and between employees in health institutions, is one of the factors that help organizations to work at high performance. In this process, understanding human behavior and group dynamics increases the quality of communication. Learning the formation and effects of human behavior is thought to be an important way to understand and solve these behaviors.

It can be stated that health managers' knowledge of patient and employee behaviors, who work in health institutions after graduation, will contribute to increase organizational performance and also patient and employee satisfaction levels. In addition, it is widely accepted that behavioral sciences and organizational behavior are integral components of health and medical education and are among the disciplines that help to understand human behavior. Therefore, it can be said that it is crucial to include courses on human behavior in health management education, especially in undergraduate programs.

In this study, importance of behavioral sciences was expressed in terms of health sector and education. Then results of curricula review in which 58 health management departments in Turkey were examined through the Bologna information package in terms of behavioral sciences and organizational behavior courses. As a result of this study, it was planned to determine deficiencies in behavioral sciences-related courses in health management undergraduate education and to make suggestions for eliminating these deficiencies.

## **Theoretical Framework**

Behavioral sciences include all disciplines that can explain or deal with human behavior. The aim is to investigate the processes of thought and will of human beings and explain the actions established on these processes (Baysal & Tekarslan, 2004: 4). Therefore, it can be stated that behavioral sciences are a very wide branch of science which includes many sub-disciplines.

There is a close relationship between all professions covering social and technical branches and behavioral sciences. Therefore, education institutions should give more importance to behavioral sciences education than today. In addition, including courses on behavioral sciences in the curricula positively affects the commitment of people to their professions. On the other hand, human behavior, which can be recognized in the work environment thanks to behavioral sciences education, will replace the human sample which was unknown before and could only be made assumptions about, and thus, many important problems for organizations will be eliminated (Güney, 2009: 6).

It is widely accepted that behavioral sciences are an integral component of health and medical education. However, as a result of researches, it was found that little progress has been made in terms of increasing the quality and quantity of behavioral sciences in health and medical education even in developed countries (Humayun & Herbert, 2011: 800). Today, it is predicted that the need for behavioral sciences will increase in order to overcome the difficulties faced by hospitals and health systems and to create capacity in the future (AHA, 2016). It can be mentioned that it is crucial to include courses on human behavior in health management education, especially in undergraduate programs because of the key roles they carry.

Each service area of the health sector (Hospitals, medical centers, home care services, etc.) benefits from the joint efforts of employees with high quality in different fields. In addition, patients coming to health institutions consist of individuals with a wide range of personality traits. For this reason, today's health managers should have the necessary skills to communicate effectively with various groups of people in a broad, dynamic and complex structure, to motivate them, manage and increase their satisfaction levels (Çimen, 2017: 5). At this point, the importance of organizational behavior discipline in health management emerges. Because it can be stated that health managers who understand organizational behavior are more likely to direct employees' behaviors effectively towards the organizational goals.

Due to rapid development in globalized world and mentioned importance; identifying the situation of behavioral sciences and organizational behavior courses in health management departments at Turkish universities, is expected to be useful in terms of contributing to the improvements to be made in the future.

## **Methodology**

In this study, which was conducted in August-September 2018, the curricula of the health management departments at Turkish universities were analyzed by qualitative research method through the Bologna information package. In this context, the sample of this research consists of 58 health management undergraduate programs at universities in Turkey.

Behavioral sciences and organizational behavior courses were examined while courses such as sociology, psychology and anthropology, which are sub-disciplines of behavioral sciences, were not included in the study. Besides that; courses on consumer behavior, which are among the marketing

topics, were also excluded. In the examination of the departments' Bologna information packages; type of the university to which the department is attached, status of having a course related to behavior, name of the course, status of the course, total number of courses, total course hours and the grade in which the courses are located were analyzed.

As in all scientific studies, this study has some limitations that prevent us from reaching the most accurate results. The major limitation of the study is choosing 58 health management departments at Turkish universities as a sample. In addition to that, only curricula of undergraduate programs were analyzed. Another limitation is that only behavioral sciences and organizational behavior courses were included in the study.

### Findings

The results of the examinations carried out on 58 health management departments, 33 of which are state and 25 are private universities, were presented in Table 1.

**Table: 1 - Behavioral Sciences and Organizational Behavior Courses in Health Management Departments**

University	Type of University	Related Course	Name of Course(s)	Compulsory	Elective	Total Number of Courses	Total Course Duration (Hours)	Grade
Acıbadem Mehmet Ali Aydınlar University	Private	✓	Organizational Behavior in Health Businesses	1	-	1	3	3.
Afyonkarahisar University of Health Sciences	State	✓	Organizational Behavior	1	-	1	4	2.
Aksaray University	State	✓	Organizational Behavior in Health Institutions Behavioral Sciences	-	2	2	4	3.
Altınbaş University	Private	-	-	-	-	-	-	-
Anadolu University	State	✓	Organizational Behavior	1	-	1	3	1.
Ankara University	State	✓	Behavioral Sciences Organizational Behavior	2	-	2	6	1 and 2.
Ardahan University	State	✓	Organizational Behavior in Health Institutions	1	-	1	3	2.
Avrasya University	Private	✓	Behavioral Sciences	1	-	1	2	1.
Bahçeşehir University	Private	✓	Behavioral Sciences Organizational Behavior	2	-	2	4	1 and 2.
Başkent University	Private	✓	Organizational Behavior in Health Management I Organizational Behavior in Health Management II	-	2	2	6	3 and 4.
Bayburt University	State	✓	Behavioral Sciences Organizational Behavior	2	-	2	6	1 and 2.
Beykent University	Private	✓	Organizational Behavior	1	-	1	3	2.
Bezm-i Âlem Vakıf University	Private	✓	Behavioral Sciences Organizational Behavior and Leadership	-	2	2	4	1-4.
Biruni University	Private	✓	Organizational Behavior in Health Businesses	1	-	1	2	2.
Cumhuriyet University	State	✓	Organizational Behavior in Health Institutions I Organizational Behavior in Health Institutions II	2	-	2	6	3.
Dicle University	State	✓	Organizational Behavior	-	1	1	3	2.
Düzce University	State	✓	Organizational Behavior	-	1	1	3	2.
Erzincan University	State	✓	Organizational Behavior in Health Businesses	-	1	1	3	3.
Eskişehir Osmangazi University	State	✓	Organizational Behavior	1	-	1	2	1.
Gazi University	State	✓	Organizational Behavior in Health Businesses	-	1	1	3	2-4.
Gaziosmanpaşa University	State	✓	Behavioral Sciences	2	-	2	6	1.



			Organizational Behavior in Health Institutions					
Gümüşhane University	State	✓	Behavioral Sciences Organizational Behavior in Health Institutions	2	-	2	6	1 and 2.
Hacettepe University	State	✓	Organizational Behavior in Health Institutions	1	-	1	3	3.
İstanbul Arel University	Private	✓	Organizational Behavior	1	-	1	3	1.
İstanbul Aydın University	Private	✓	Behavioral Sciences Organizational Behavior in Health Businesses	2	-	2	5	1 and 3.
İstanbul Bilgi University	Private	✓	Organizational Behavior in Health Businesses Behavioral Problems and Management	1	1	2	3	3 and 2-4.
İstanbul Bilim University	Private	✓	Behavioral Sciences Organizational Behavior in Health Institutions	-	2	2	4	2 and 3.
İstanbul Gelişim University	Private	✓	Organizational Behavior	1	-	1	3	1.
İstanbul Kent University	Private	✓	Psychology and Behavioral Sciences Organizational Behavior	1	1	2	6	3.
İstanbul Medeniyet University	Private	✓	Organizational Behavior in Health Businesses	1	-	1	3	2.
İstanbul Medipol University	Private	✓	Behavioral Sciences Organizational Behavior	2	-	2	4	1 and 2.
İstanbul Sabahattin Zaim University	Private	-	-	-	-	-	-	-
İstanbul University	State	✓	Organizational Behavior in Health Businesses	1	-	1	3	1.
İstanbul Yeni Yüzyıl University	Private	✓	Organizational Behavior	1	-	1	2	3.
İstinye University	Private	✓	Organizational Behavior in Health Institutions	1	-	1	3	3.
İzmir Ekonomi University	Private	-	-	-	-	-	-	-
Kahramanmaraş Sütçü İmam University	State	✓	Organizational Behavior	1	-	1	3	1.
Karadeniz Teknik University	State	✓	Behavioral Sciences Organizational Behavior in Health Institutions	2	-	2	6	1 and 2.
Kırıkkale University	State	-	-	-	-	-	-	-
Kırklareli University	State	✓	Organizational Behavior in Health Businesses	1	-	1	3	2.
Marmara University	State	✓	Behavior Management in Health Businesses	1	-	1	3	2.
Mehmet Akif Ersoy University	State	✓	Organizational Behavior in Health Institutions	1	-	1	3	2.
Mersin University	State	✓	Behavioral Sciences Organizational Behavior in Health Institutions	2	-	2	4	1 and 2.
Muğla Sıtkı Koçman University	State	✓	Behavioral Sciences Organizational Behavior in Health Institutions	-	2	2	4	1 and 3.
Muş Alparslan University	State	✓	Organizational Behavior in Health Institutions	1	-	1	3	2.
Necmettin Erbakan University	State	✓	Behavioral Sciences Organizational Behavior in Health Businesses	1	1	2	5	1 and 3.
Nişantaşı University	Private	✓	Organizational Behavior	-	1	1	2	4.
Okan University	Private	-	-	-	-	-	-	-
Ondokuz Mayıs University	State	✓	Organizational Behavior in Health Institutions Behavioral Sciences	1	1	2	5	2 and 1.
University of Health Sciences	State	-	-	-	-	-	-	-
Sakarya University	State	✓	Organizational Behavior Introduction to Behavioral Sciences Behavioral Sciences	1	2	3	7	1, 3 and 4.
Selçuk University	State	✓	Behavioral Sciences	1	-	1	3	2.
Süleyman Demirel University	State	✓	Behavioral Sciences Organizational Behavior in Health Institutions	2	-	2	6	1 and 2.
Toros University	Private	✓	Behavioral Sciences Organizational Behavior in Health Institutions Protocol and Social Behaviors	2	1	3	8	1, 2 and 3.
Trakya University	State	✓	Behavioral Sciences Organizational Behavior	1	1	2	6	2 and 3.
Uşak University	State	✓	Behavioral Sciences Organizational Behavior	1	1	2	6	2.
Üsküdar University	Private	✓	Organizational Behavior in Health Institutions	-	1	1	3	2.
Yüksek İhtisas University	Private	✓	Organizational Behavior in Health Institutions	-	1	1	3	3.

According to the Table 1; 52 of 58 health management departments have behavior-related courses. Therefore, it can be said that 90% of these departments include courses about behavior in their

curricula. Remaining six departments which do not have a related course, consist of four private universities and two state universities. 22 universities have courses on both behavioral sciences and organizational behavior.

In 52 departments; the number of courses is 78, which consist of 52 compulsory and 26 elective courses. From this point of view, 67% of the courses are compulsory, and 33% of them are given as elective courses. The universities with the most courses on behavior are Sakarya University and Toros University, whereas they both have three related courses. Within the scope of the study, the average weekly duration of 78 courses is 159 minutes. It was found that the university which has the highest total teaching hours is Toros University.

When the 78 courses were examined in terms of behavioral sciences; it was revealed that there are 22 Behavioral Sciences courses, one Introduction to Behavioral Science course, one Psychology and Behavioral Science course, one Behavioral Problems and Management course, one Protocol and Social Behaviors course, one Behavior Management in Health Businesses course. On the other hand, it was found that health management departments included 31 Organizational Behavior in Health Businesses/ Institutions/ Management courses, 19 Organizational Behavior courses and one Organizational Behavior and Leadership course in their curricula.

In other words, 40% of 78 courses are named as Organizational Behavior in Health Businesses/ Institutions/ Management, 28% of them as Behavioral Sciences and 24% of them as Organizational Behavior. In addition to these courses; Leadership, Motivation, Conflict Management, Human Relations, Stress Management, Communication Management, Sociology, Psychology, Organizational Psychology and Management Psychology courses which are in the context of Behavioral Sciences and Organizational Behavior disciplines, are also included in the curricula.

After examining the courses in terms of status; it was seen that 22 of the 52 compulsory courses have the name of Organizational Behavior in Health Businesses/ Institutions/ Management, 16 of them are Behavioral Sciences, and 12 of them are Organizational Behavior. From another point of view; 23 courses are included in the 1st grade, 27 courses are in 2nd grade, 21 courses are in 3rd grade, and three courses are in 4th grade while remaining four courses can be selected by students in any semester between 1st and 4th grade. It was revealed that 35% of the 78 courses in the curricula are in 2nd grade, 29% in 1st grade and 27% in 3rd grade.

### **Conclusion and Recommendations**

Evaluating the results of the study in general; it was found that most of the departments have at least one course related to behavior in their curricula and health management departments at state universities are at a better point compared to private universities in terms of having these courses. As a result of the study, it was determined that behavioral sciences and organizational behavior courses are mostly given as compulsory courses, and the courses that were included in the curricula are mostly called Behavioral Sciences and Organizational Behavior in Health Businesses/ Institutions/ Management, and related courses were put into second grade programs at most.

Çil Koçyiğit, Şenay, Dursun & Kahraman (2018) analyzed courses on accounting and finance in health management master education while similar studies on other departments were implemented by Zaif & Ayanoğlu (2007), Can & Demirci (2008), Terzi, Kıymetli Şen & Solak (2013). Any studies on courses about behavior in health management departments' curricula weren't encountered during

literature review. This study carries importance of being the only study about courses on behavior in health management departments' curricula at Turkish universities.

Based on the results obtained from the study; increasing the number of health management departments with behavioral sciences and organizational behavior courses, the number of related courses primarily through elective courses and the weekly course duration and distributing the said courses to four grades of undergraduate programs can be suggested. Including courses related to other disciplines within the scope of behavioral sciences may provide a more holistic view in future studies. In addition, it can be mentioned that it is important to carry out similar studies in health sciences, medicine, dentistry and pharmacy faculties.

### References

- American Hospital Association AHA (2016), *The State of the Behavioral Health Workforce: A Literature Review*, <[https://www.aha.org/system/files/hpoe/Reports-HPOE/2016/aha\\_Behavioral\\_FINAL.pdf](https://www.aha.org/system/files/hpoe/Reports-HPOE/2016/aha_Behavioral_FINAL.pdf)>, 28.082019.
- Baysal, C.A. & E. Tekarslan (2004), *Davranış Bilimleri*, Genişletilmiş Dördüncü Baskı, İstanbul: Avcıol Basım Yayın.
- Can, V. & D.Ş. Demirci (2008), “Uluslararası Muhasebe Eğitim Standardı 2 Muhasebe Eğitim Programlarının İçeriğine Uyum: Sakarya Üniversitesi Örneği”, *Uluslararası Yönetim İktisat ve İşletme Dergisi*, ICAFR 16 Özel Sayısı, 319-338.
- Çil-Koçyiğit, S. & F. Şenay & N.T. Dursun & G. Kahraman (2018), “Türkiye’deki Üniversitelerde Sağlık Yönetimi Yüksek Lisans Eğitiminde Muhasebe ve Finansman Dersleri Üzerine Bir Araştırma”, *Marmara Üniversitesi Öneri Dergisi*, 13(49), 149-166.
- Çimen, M. (2017), “Bölüm 1: Örgütsel Davranışa Giriş”, in: M. Çimen & S. Deniz (eds.), *Sağlık Kurumları Yönetiminde Örgütsel Davranış Konuları*, İstanbul: Nobel Yayın.
- Güney, S. (2009), *Davranış Bilimleri*, 5. Baskı, İstanbul: Nobel Yayın.
- Humayun, A. & M. Herbert (2011), “Towards Behavioural Sciences in Undergraduate Training: A Core Curriculum”, *Journal of Pakistan Medical Association*, 61(8), 800-807.
- Terzi, S. & İ. Kıymetli-Şen & B. Solak (2013), “Bologna Sürecinin Muhasebe Eğitimine Etkisi: Üniversitelerin İşletme Bölümlerinin Ders Programları Üzerine Bir İnceleme”, *Muhasebe ve Finansman Dergisi*, Temmuz, 83-100.
- Zaif, F. & Y. Ayanoğlu (2007), “Muhasebe Eğitiminde Kalitenin Arttırılmasında Ders Programlarının Önemi: Türkiye’de Bir İnceleme”, *Gazi Üniversitesi İİBF Dergisi*, 9(1), 115-136.

## The Causes of Academic Procrastination Behavior in the Context of Pygmalion Effect

**Nuran ÖZTÜRK-BAŞPINAR** (<https://orcid.org/0000-0002-0913-4350>),  
Anadolu University, Turkey; e-mail: [nbozturk@anadolu.edu.tr](mailto:nbozturk@anadolu.edu.tr)

**Orkun ŞEN** (<https://orcid.org/0000-0002-8098-7751>), Anadolu University,  
Turkey; e-mail: [orkuns@anadolu.edu.tr](mailto:orkuns@anadolu.edu.tr)

### Abstract

Academic procrastination subject, despite studying literature at the time was more than 30 years are considered the last 10 years in Turkey. Studies have shown that academic procrastination is an important problem, especially for university students who remain one last step in maintaining their lives. Students who shows academic procrastination behavior cannot graduate from their departments in time and fall behind from their class friends or their average success decreases. Particularly in the context of Pygmalion Effect, it is necessary to identify the behaviors that cause postponement and to impose postponing elements of the educator-student relationship in the dimension of manager-employee relationship metaphor. The aim of this study is to reveal the reasons for academic procrastination behaviors of associate degree university students with the word “management” within the context of Pygmalion Effect. In order to realize the aim of the study, the main question of the study was determined as “What/How is the relationship between the reasons of academic procrastination behavior of university students and the effect of pygmalion?”. The study was conducted on a voluntary basis for all students studying in Anadolu University Eskişehir Vocational School, Office Management and Executive Assistant and Real Estate Management programs. The data was developed to measure the tendency of university students to postpone their academic duties (Tuckman, 1991) and Academic Procrastination Scale finalized by Çakıcı also It was obtained by using a 10-point Likert-type scale developed by Rosenberg in 1965 to measure the relationship between Pygmalion Effect and self-esteem. The results of the data will be analyzed with the help of various scientific methods so that the effect of Pygmalion on academic procrastination behaviors will be revealed.

According to the analyzes, it will be revealed whether academic procrastination behavior shows a significant difference according to the demographic characteristics of the students, the program they are studying, their age, marital status and whether they work in any income generating business. In addition, the factors that cause academic procrastination will be determined within the scope of this effect by considering how the causes of academic procrastination behave within the context of Pygmalion Effect. Academic procrastination was considered as dependent variable and Pygmalion Effects as independent variable. Based on the results of the research, it will be determined whether the students studying in associate degree programs with the word “management” or have/have not academic procrastination problems and when the data is analyzed and interpreted, it will be revealed to what extent the items in the scale affect the reasons for academic procrastination. Within the demographic variables, variables that are the reason for academic procrastination will be revealed and recommendations will be made to prevent procrastination behavior.

The research should be applied to different programs and departments where the word “management” is mentioned, and even to other university students with different cultural and social opportunities in order to reach certain judgments about academic procrastination. In addition, it should be taken into consideration that procrastination behaviors may be realized under the influence of instant situations and may vary from person to person. With the effect of Pygmalion, it is also possible that students who are both homemakers and working group friends in their social lives may be affected negatively from each other outside the university. Also, the effects of academic procrastination reasons such as fear of failure, risk environments, perfectionism and coping with complex problems will be revealed to the students in the sample group and various suggestions will be made to eliminate them.

**Keywords** : Academic Procrastination, Pygmalion Effect, Management.

**JEL Classification Codes** : M10.

### Introduction

Generally, most individuals tend to exhibit procrastination behaviors and postpone behaviors that they are not completely satisfied or find it difficult to do. However, the material and moral costs of each postponement can be very heavy. For example; when smoking cessation, dieting or regular health check-ups are postponed, health problems are experienced and even biological life shortens (O'Donoghue & Rabin, 2001).

Although there is no common definition of procrastination behavior in the literature, there are generally common concepts that researchers focus on:

- Procrastination behavior is an irrational tendency to typically delay tasks that need to be completed (Flett & Blankstein & Martin, 1995).
- Procrastination behavior is delaying the work to the last moment, leaving the work to be done and the decisions and responsibilities to be taken to the last moment (Haycock & McCharty & Skay, 1998).
- Procrastination is the delay of the person's intentional actions (Lay & Silverman, 1996).
- Procrastination is delayed behavioral sequence, an inadequate behavioral product, a perceived task as important, and the resulting emotional turmoil (Milgram, 1991).
- Procrastination tendency is; the postponement of an important work that the individual has the capacity to do and which he has decided to do before without any rational reason (Grecco, 1984).

When these definitions in the literature are examined, academic procrastination behavior is that can be defined as the behavior of delaying the work or burden of the individual within the scope of his / her responsibility as an academic duty or purpose. Academic procrastination is a common behavior between associate and undergraduate students. Individuals who exhibit academic procrastination behaviors cannot graduate from the departments in time and fall behind their peers and their average success decreases. Academic procrastination behaviors such as; the decrease in the interest of the students to the courses, the inability to focus on the work, the effort to be made one or more days before the deadline of the assignments, the neglect of the deadlines of the projects, the missing of the exam dates and times are frequently seen. From the problem of the lack of motivation to the effect of

individuals under the influence of Pygmalion, many parameters around it cause the academic procrastination behavior.

When studies related to academic procrastination are examined; it is seen that 70% of university students show procrastination behaviors in academic life (Ferrari & O'Callaghan & Newbegin, 2005). In a study conducted with university students that they showed academic procrastination behavior in such matters: 46% of the individuals were preparing projects, 30% were doing their weekly assignments, 28% were preparing for the exams, 23% were following the courses regularly and 11% were following book tracking and paying tuition as administrative workload (Solomon & Rothblum, 1984). In a similar study conducted in Turkey that it seems the lower level of this ratio (between 60% -50%).

In addition, the fact that procrastination behaviors are experienced especially during the university stage, which is the last stage before starting to work life, has a negative effect on individuals' academic performance as well as their academic failures. The procrastination behaviors of individuals who entering the business life and which they have become a habit in university ages, are also used in business life; it may emerge as a problem that covers general organizational structures such as not fulfilling job descriptions and responsibilities, trying to solve problems by skipping hierarchical steps and even business ethics. While procrastination behavior in the public sector - with the exception of exceptions - is often tolerable, postponement behavior in the private sector brings with it a negative process for individuals, ranging from disciplinary penalties to dismissal.

On the other hand, not every delay behavior should be expressed as a procrastination. Delays, which are part of the solution and the goal to be achieved in order to obtain information or anything between strategic procrastination, are not considered within the scope of postponement. However, procrastination behavior, which is not covered by strategic procrastination, may cause different psychological effects in individuals in terms of concern (Knaus, 2000).

When the literature is examined, it is seen that procrastination behaviors in individuals, especially academic procrastination behaviors, lead to academic failure (Akinsola & Tella & Tella, 2007; Wang & Englander, 2010; Orpen, 1998). The fact that individuals who fail from their classmates in terms of performance, consistently repeat the same courses, lengthening their schools and consequently low motivation. Besides these direct effects; indirect effects such as the financial burden of the individual on his / her parents, the completion of the school of his / her circle of friends, and his / her own financial means and the taking of the same lessons with the younger ones (image damage) can also become a process that can leave deep traces on the individual.

Academic procrastination is thought to be related to the emotional intelligence of the individual, in other words, the ability of the individual to understand, perceive, manage and direct the emotions of himself / herself or others. It has been shown that academic procrastination behavior emotionally deteriorates the individual and as a result of these ongoing behaviors, students get low grades from their courses and thus cause failure (Beck, 2000; cited in Deniz & Traş & Aydoğan, 2009).

It is thought that the faculties and departments where the students settled in the university have an effect on the emergence of academic procrastination behavior. Differences in the educational area (verbal, numerical, equal weight) of the departments studied, and the lack or abundance of assignments, practices, exams or projects. For this purpose, may be effective in the observation of academic procrastination behavior. Although the studies dealing with these variables were very limited, it was found in a study that university students studying in the departments receiving numerical

score type tend to postpone at a higher level than those studying in the departments receiving verbal and equal weight score type (Balkis, 2007, cited in Çelik & Odacı, 2015).

Pygmalion effect, together with many definitions in the literature; it is expressed as the tendency of individuals to show behaviors that correspond to the expectations of others. In this effect, individuals generally have an attitude towards the behaviors of the individuals they are exemplary or behave as they wish. Managers who are positive role models in organizational structures; in addition, if the employees follow the attitudes of people with “deferment” or “procrastination” behaviors, the negative side of the pygmalion effect will emerge. Academic procrastination behavior will be exhibited when individuals in university age that choose the wrong role models with the excitement brought about by their age, or as a result of paying attention to the behaviors of individuals with high image and prestige in social and academic environment but who do not fulfill their academic responsibilities properly.

Pygmalion effect was first discussed in the literature by sociologist Robert Merton (1948). In his study, Merton explained that African-based individuals working in the United States were not accepted to the trade unions as a result of their lack of social rights and this situation caused African workers to be called strike-breaking throughout America. As Madran (2004) explains; according to Merton, after a while, expectations for a particular situation affect subsequent developments. This process comes into play when expectations are developed about how people around and behave. For example; to be sincere to new people is to think that they are distant and cold, or that they are friendly and warm. Usually, people who are not sincere are treated at a distance from expectations. As a result, these people respond to the cold in a negative way. Thus, the expectations of those people confirm themselves, even though they are basically shaped by behavior.

A study examining the Pygmalion effect in the classroom was conducted by Rosenthal and Jacobson (1968). In the study, which is referred to as “Pygmalion in the classroom”, two general ability tests were applied to the students at the beginning and end of the term. Teachers were given a list of students whose test result was 20%, but the list consisted of heterogeneous students and was hidden from the teachers. According to the results of the analysis, it was seen that the students who were said to be in good mental level showed remarkable mental development. According to Rosenthal and Jacobson; it stems entirely from the expectations created by the teachers’ minds. Teachers have been more patient and encouraging in line with the positive expectations they have developed to the students who have been told that they will develop better have transmitted. This situation positively affected the students’ perceptions about themselves and motivated them to study more (Madran, 2004).

Livingston (1969) examined the effect of Pygmalion in the field of management and as a result of his research, he reached the results with the help of case studies in organizational structures (Boydak-Özan & Gündüzalp, 2017):

- Expectations and behaviors of managers by their subordinates greatly affect the performance and progress of their subordinates.
- The distinguishing feature of superior managers is the ability to create high expectations that subordinates will fulfill.
- Inefficient managers cannot develop such expectations and as a result the productivity of subordinates is impaired.
- Subordinates usually behave if they think what is expected of them.

According to Livingston (1969); managers cannot escape the overwhelming cycle of events resulting from low expectations by hiding their emotions from employees. If managers believe that the performance of their employees will be inadequate, it is almost impossible for them to conceal their expectations, because they are often inadvertently delivered without a conscious action of their own. In conveying expectations, what the manager says is not as important as how he behaves. Indifferent behavior that does not clearly indicate intention is often an expression of low expectations and leads to poor performance (Boydak-Özan & Gündüzalp, 2017).

In this respect, the fact that individuals who play the role of educators, and show positive attitudes towards students, may be an attitude preventing the negative processes of Pygmalion Effect. Providing students to take their trainers as role models can ensure that they are not affected by the behavior of their friends in the social environment and in the classroom, which is also the source of procrastination behaviors. Within the scope of the “Pygmalion Effect”, it is necessary to identify the behaviors that cause procrastination and to impose postponing elements of the educator-student relationship in the dimension of manager-employee relationship metaphor.

### **Methodology**

The aim of this study is to reveal the reasons for academic procrastination behaviors of associate degree university students with the word “management” within the scope of Pygmalion Effect.

In order to realize the aim of the study, the main question of the study was determined as “What is the relationship between the reasons of academic procrastination behavior of university students and the effect of pygmalion?”. The study was conducted on a voluntary basis for all students studying in Eskişehir Vocational School Office Management and Executive Assistantship and Real Estate and Real Estate Management programs. The data was developed to measure the tendency of university students to postpone their academic duties (Tuckman, 1991) and it was obtained by using a 10-point Likert-type scale developed by Rosenberg in 1965 to measure the relationship between Pygmalion Effect and self-esteem. The results of the data were analyzed with the help of various scientific methods so as to reveal the effect of Pygmalion on academic procrastination behaviors.

According to the analyzes, it was determined whether academic procrastination behavior showed a significant difference according to demographic characteristics, program, age, marital status and whether they worked in any income generating work. In addition, the factors that cause academic procrastination have been determined within the scope of this effect by considering how the reasons for academic procrastination behave within the scope of Pygmalion Effect.

Academic procrastination was considered as dependent variable and Pygmalion Effect as independent variable. Based on the results of the study, it was determined whether the students studying in associate degree programs with the word “management” are had or not had academic procrastination problems and when the data were analyzed and interpreted that it was revealed that the items in the scale affect the reasons for academic procrastination.

In the social sciences, the use of two or more analysis and data collection methods and techniques in the same research is expressed as a mixed method. The data collected through the quantitative method provides access to many participants; observation, interview etc. The data obtained by using qualitative methods such as, allows for a more in-depth examination of the research topic (Green & Krayder & Mayer, 2005). In this study, as a data collection technique, a mixed method has been adopted including quantitative and qualitative dimensions. The questionnaire technique was used to



reach the participants and a case study method was used considering the observations and comments of the researchers.

The population of the study consists of the students who continue their education in the programs of Anadolu University Eskişehir Vocational School -with the word “management” in Eskişehir province in 2018-2019 academic year. All the students in the universe have been reached. 54% of the students reached are female and 56% are male. 74.3% of the participants are in the 17-25 age range. 51.4% of the participants were first class and 49.6% were second class. 66% of the participants stated that they are from Office Management and Executive Assistantship Program and 54% of them stated that they are from the Real Estate and Real Estate Management program, while 30 participants left this question unanswered. 11.4% of the participants stated that they were working in a business and 65% of the participants stated that they had 1500TL or less income.

### Quantative Dimension

In the quantitative dimension of the research, survey technique was applied within the scope of screening model. The data collection tool was applied to all students studying in “Office Management and Executive Assistantship” and “Real Estate and Real Estate Management” programs in Anadolu University Eskişehir Vocational School in Eskişehir. 140 students answered the questionnaire within their own free and independent thoughts.

Screening technique was used for data collection within the scope of quantitative dimension. Data was developed from Academic Procrastination Scale, which was to measure the tendency of university students to postpone their academic duties (Tuckman, 1991) and finalized by Çakıcı and in addition, a 10-point Likert-type scale was developed by Rosenberg in 1965 to measure the relationship between the Pygmalion Effect and the self-esteem of individuals. In the first part, Likert type scale, which ranging from does not reflect me at all (1) and reflects me completely (5), was used to determine the academic procrastination behaviors of the students. In the second part; another Likert type scale, ranging from very true (1) to very false (5), was used to measure students’ self-esteem. In the last part, a questionnaire that collects demographic information was used to compare the relationship between academic procrastination behaviors and demographic characteristics of students.

Cronbach’s Alpha internal consistency coefficient was calculated as.81 for academic procrastination and.66 for self-esteem. The scales used have sufficient values for reliability.

**Figure: 1 - Academic Procrastination Cronbach’s Alpha Value**

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.814	.810	19

**Figure: 2 - Self-Esteem Cronbach's Alpha Value**

<b>Reliability Statistics</b>		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,665	,669	10

Data entry and analysis of the scales applied to the participants according to quantitative research techniques were performed with the help of SPSS package program. In the interpretations, the significance level was considered as .05 and t-test and correlation analysis were applied during the analysis of the data. In order to test whether there is a significant difference between the answers given to the independent variables; t-test for working status, gender and program status, and one-way analysis of variance were used for the variable of age and monthly income. Correlation analysis was used to determine the relationship between academic procrastination behaviors and self-esteem.

When the arithmetic means of the participants were examined according to their answers according to the academic procrastination scale questions, it was seen that the answers had a mean of 3,045. In other words, the responses of the participants to academic procrastination behaviors are concentrated in the expression "3-Reflects me a little".

**Figure: 3 - Summary Item Statistics of Academic Procrastination**

<b>Summary Item Statistics</b>							
	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3,045	2,295	3,928	1,633	1,712	,109	19

When the arithmetic means of the participants were examined in line with the answers given to the questions about self-esteem, it was seen that the answers had a mean of 2,840. In other words, the responses of the participants to the self-esteem scale are closer to the "indecision" side between "2-True and 3-Indecisive".

**Figure: 4 - Summary Item Statistics of Self-Esteem**

<b>Summary Item Statistics</b>							
	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	2,840	2,300	3,473	1,173	1,510	,266	10

As a result of the t test to compare the academic procrastination behavior and the gender of the participants, it was found that the variances were homogeneous, and it was found that the academic

procrastination behaviors of the male and female participants were not different from each other (Sig.  $x > 0.05$ ).

As a result of the t test performed to compare the academic procrastination behavior and the programs read by the participants, it was found that the variances were homogeneous and the participants' program and academic procrastination behaviors were not different from each other (Sig.  $x > 0.05$ ).

In order to compare the academic procrastination behavior and whether the participants worked in an income-generating job, the t-test was found to be homogeneous. According to this, it was found that the academic procrastination behaviors of students who work in an income-generating work and students who do not work are not different from each other (Sig.  $x > 0.05$ ).

The results of the t-test revealed that the academic procrastination behaviors of the participants did not change depending on whether they were male or female, whether they were studying at the Office Management or Real Estate Management programs and whether they were working in an income-generating job.

As a result of the analysis of variance in order to determine the difference between the participants' academic procrastination behaviors and their ages, there is no statistically significant difference was found between the ages and academic procrastination behaviors of the participants (Sig.  $x > 0.05$ ).

In order to determine the difference between academic procrastination behaviors and monthly income of the participants, there is no statistically significant difference was found between the participants' monthly income and academic procrastination behaviors (Sig.  $x > 0.05$ ).

According to the results of one-factor analysis of variance, it was seen that academic procrastination behaviors did not change according to the age of the participants or how much monthly income they had.

Within the scope of the research, a simple correlation analysis was used to determine whether there is a significant relationship between the participants' academic procrastination behaviors and self-esteem. According to the results of the analysis, it was concluded that there was no significant relationship between academic procrastination behaviors and self-esteem of the participants ( $0.745 > 0.05$ ).

**Figure: 5 - Academic Procrastination Behavior and Self-Esteem Correlation Result**

Correlations			
		Aka	OzS
Aka	Pearson Correlation	1	,031
	Sig. (2-tailed)		,745
	N	140	111
OzS	Pearson Correlation	,031	1
	Sig. (2-tailed)	,745	
	N	111	111

### Qualitative Dimension

In the qualitative dimension of the research, case study method was used which is one of the qualitative research methods. The case study method used within the scope of qualitative dimension is expressed as a research that examines the situation or situations in depth.

Qualitative research is expressed as a positioned activity that locates the observer in the world. Qualitative research consists of a series of interpretive and material applications that make the world visible. These applications include the World to; field notes, interviews, speeches, photographs, records and researcher diaries. At this level, qualitative research has an interpretive and natural approach to the world. This means that qualitative researchers try to interpret and interpret things in their environment in terms of what people give to events (Denzin & Lincoln, 2011; cited in Creswell, 2016).

In the qualitative aspect of the study observation technique was applied. "Observation is one of the key tools for data collection in qualitative research. Observation is a factual process in which a researcher usually records a tool and scientific purposes in the field of research through the five senses (Angrosino, 2007; cited in Creswell, 2016)". The qualitative data obtained from the study were obtained with "full observer" observation type. Both researchers have been conducting lectures and observations on academic procrastination behaviors for more than 10 years. Researchers' experiences in this area are directly included in the analysis and interpretation process of the research. This also allows the researchers to observe the differences between participants over the years.

The collection of data within the scope of qualitative dimension consists of the experiences of researchers through observation. The data obtained through observation within the scope of qualitative research techniques were analyzed and interpreted with different types of forms. Data obtained through observation were presented to expert opinions, evaluating the researchers' experiences from different perspectives and supporting ideas were obtained within the scope of validity-reliability. In the research process, based on the experience of the researchers, the content analysis of the data was performed, and the analysis was performed. The analyzed data were analyzed and interpreted together with the researchers' experiences and expert opinions.

According to the qualitative data obtained as a result of observations, experience and expert opinions; it is seen that the academic procrastination behaviors of the participants are independent of the demographic variables. In the quantitative dimension, the average responses of the participants to academic procrastination behaviors (3,045 - reflects me a little) indicate that the students' academic procrastination behaviors are at an "average" level depending on external conditions. In the self-esteem assessment, the self-esteem of the participants was directed to the positive side, but the "undecided" response was predominantly an average answer. In order to gain self-esteem, it is very important that the participants choose the individuals that they will be affected and role models.

Under the influence of Pygmalion, especially Livingstone's (1969) study in organizations, the results of this study are evaluated with the help of metaphor, valid results can be reached:

- ***Expectations and behaviors of managers by their subordinates greatly affect the performance and progress of their subordinates.***

In this case, it is important to know who are the individuals that affect students and take role models. The individual that they are affected or role models; as educators and as well as popular classmates. Individuals tend to exhibit academic procrastination behaviors in line with the behaviors

of the educators to whom they take role models. The results of the Pygmalion Effect can be brought to the desired levels thanks to the educator-student relationship described as speaking the same language, empathizing and capturing the same frequency. In this way, self-esteem of the students will be able to sit on an increasing ground. However, taking students as a role model, which causes students to exhibit academic procrastination behaviors, may significantly hinder their academic life and cause sociological and psychological collapse. This collapse may also be the beginning of a chain reaction which may lead to loss of self-esteem.

- ***The distinguishing feature of superior managers is the ability to create high expectations that subordinates will fulfill.***

Among the reasons why individuals exhibit academic procrastination behaviors are highly influenced by their peers and educators. When the issue is handled by the educators, high expectations from individuals often affect self-esteem and academic procrastination behaviors acts positively. However, if the students' expectations from each other in their circle of friends are within the scope of social life rather than academically, the Pygmalion Effect may turn into golem effect. It is seen that students spend their time in social activities instead of fulfilling their academic responsibilities, and they show academic procrastination behaviors as a result of taking role models and influencing individuals whose social activity aspects are more active than academic aspects. Although the self-esteem of individuals increases momentarily, in the long term, a decrease in self-esteem may occur in the long term due to reasons such as graduates of classmates who continue to live in a certain work environment.

- ***Inefficient managers cannot develop such expectations and as a result, the productivity of subordinates is impaired.***

The concept of ineffective role model, which is a topic directly linked to a superscript, constitutes one of the biggest obstacles for individuals to develop themselves. Educators with or without a low impact are often seen as disrupting students' academic ambitions. The more discouraged individual will exhibit more academic procrastination behavior and this will create an increasingly habitual behavioral process. A similar situation applies to the classmates of the individual. An interaction group that disrupts the enthusiasm of an individual who wants to be academically productive will have similar results and increase academic procrastination behaviors.

- ***Subordinates usually behave if they think what is expected of them.***

Individuals, sociologically and psychologically, analyze and interpret what is expected of their external environment and try to show their behaviors accordingly. As educationers, expectations from students vary, but are often above a certain level. This level can be defined as the successful passing of the courses, the realization of priority and intellectual readings, and the development of behaviors within the framework of ethics and ethics in accordance with national values. However, expectations from classmates may shift to undesirable aspects, especially because of their high research and development enthusiasm. Therefore, expectations are shifting towards social meaning rather than academic meaning, and the level of influence of the individual is progressing towards exhibiting academic procrastination behavior.

## Results and Discussions

Academic procrastination behavior; it can be defined as the behavior of delaying the work or burden of the individual within the scope of his / her responsibility as an academic duty or purpose. Academic procrastination behavior, which has been studied in the literature for more than 30 years, is an important problem especially for university students. Students who show academic procrastination behaviors cannot graduate from the departments they study in time and fall behind their peers or their average success decreases. Less attention is given to the course, there is a problem of focusing, assignments are made at the last moment, the deadlines of the projects are ignored, and often the exam dates and times are missed. Pygmalion effect; it can be defined as the tendency of individuals to show behaviors that correspond to the expectations of others. From the problem of lack of motivation to the effect of individuals under the influence of Pygmalion, many parameters around it cause academic procrastination behavior. Therefore; the main question of the study was “What is the relationship between the reasons for academic procrastination behavior of university students and the effect of pygmalion?”. The universe of the study consisted of students studying in Office Management and Executive Assistantship and Real Estate and Real Estate Management programs of Eskişehir Vocational School which gives associate degree education in Anadolu University. Datas were developed by Tuckman (1991) and finalized by Cakici with Academic Procrastination Scale and it was obtained by using the scale developed by Rosenberg (1965) to measure the relationship between Pygmalion Effect and self-esteem. The results of the data were analyzed with the help of various scientific methods so as to reveal the effect of Pygmalion on academic procrastination behaviors. Academic procrastination was considered as dependent variable and Pygmalion Effects as independent variable. A mixed method with quantitative and qualitative dimensions was adopted.

All of the students in the universe (140) have been reached. 54% of the students are female, 56% are male and 74.3% are between 17-25 years old. 51.4% were first class and 49.6% were second class. 66% of them are from Office Management and Executive Assistantship and 54% of them are from Real Estate and Real Estate Management program. 11.4% work in a revenue generating business and 65% have 1500TL or less income. 140 students answered the questionnaire within their own free and independent thoughts. In line with the analysis, in the quantitative dimension of the research; whether they are male or female, the program they study and whether they work in an income-generating work and their age is not related to academic procrastination behavior. There was no significant relationship between academic procrastination behaviors and self-esteem.

In the qualitative aspect of the study, observation technique was applied. Although the self-esteem of the participants was directed to the positive side, it was concluded that; it was great importance that they choose the individuals to be affected and role models. As the students tend to exhibit academic procrastination behaviors in line with the behaviors of the educators they take role models and the results of the Pygmalion Effect can be drawn to the desired levels thanks to the educator-student relationship described as speaking the same language, empathizing and capturing the same frequency. Thus, self-esteem of the students will be able to sit on an increasing ground. When the educators have high expectations from the students, their self-esteem and academic procrastination behaviors can be affected positively. On the other hand, it was determined that the educators, who had discouraging effects, would cause the students to exhibit academic procrastination behavior even more frequently and make them habit. It was determined that the expectations of the educators and the students were to pass the courses successfully, to carry out the priority and intellectual readings and to develop the behaviors within the framework of ethics and ethics in accordance with national values.

The last word can be said: Regardless of the gender, age, and class of the students, the self-esteem of the students will increase and the academic procrastination behaviors will decrease when the educators reach the same frequency and empathy.

### References

- Akerlof, G.A. (1991), "Procrastination and Obedience", *The American Economic Review*, 81(2), 1-19.
- Akinsola, M.K. & A. Tella & A. Tella (2007), "Correlates of academic procrastination and mathematics achievement of university undergraduate students", *Eurasia Journal of Mathematics, Science & Technology Education*, 3(4), 363-370.
- Aydoğan, D. & Y. Özbay (2012), "Akademik Erteleme Davranışının Benlik Saygısı, Durumluluk Kaygı, Öz-Yeterlilik Açısından Açıklanabilirliğinin İncelenmesi", *Pegem Eğitim ve Öğretim Dergisi*, 2(3), 1-10.
- Balkıs, M. & E. Duru (2010), "Akademik Erteleme Eğilimi, Akademik Başarı İlişkisinde Genel ve Performans Benlik Saygısının Rolü", *Pamukkale Üniversitesi Eğitim Fakültesi Dergisi*, 27, 159-170.
- Boydak-Özan, M. & S. Gündüzalp (2017), "Pygmalion Etkisi ve Liderlik", *Munzur Üniversitesi Sosyal Bilimler Dergisi*, 5(9), 69-79.
- Çakıcı, D.Ç. (2003), "Lise ve Üniversite Öğrencilerinde Genel Erteleme ve Akademik Erteleme Davranışının İncelenmesi", *Yüksek Lisans Tezi*, Ankara Üniversitesi Eğitim Bilimleri Enstitüsü.
- Çelik, B.Ç. & H. Odacı (2015), "Akademik Erteleme Davranışlarının Bazı Kişisel ve Psikolojik Değişkenlere Göre Açıklanması", *Hacettepe Üniversitesi Eğitim Fakültesi Dergisi*, 30(3), 31-47.
- Creswell, J.W. (2016), *Nitel Araştırma Yöntemleri*, Siyasal Kitabevi, Ankara.
- Deniz, M.E. & Z. Traş & D. Aydoğan (2009), "Akademik Erteleme ve Denetim Odağının Duygusal Zeka Açısından İncelenmesi", *Kuram ve Uygulamada Eğitim Bilimleri*, 9(2), 607-632.
- Eckert, M. & D.D. Ebert & D. Lehr & B. Sieland & M. Berking (2016), "Overcome Procrastination: Enhancing Emotion Regulation Skills Reduce Procrastination", *Learning and Individual Differences*, 52, 10-18.
- Ferrari, J.R. & J. O'Callaghan & I. Newbegin (2005), "Prevalence of procrastination in the United States, United Kingdom, and Australia: Arousal and avoidance delays among adults", *North American Journal of Psychology*, 7(1), 1-6.
- Flett, G.L. & K.R. Blankstein & T.R. Martin (1995), "Procrastination, negative self-evaluation, and stress in depression and anxiety: a review and preliminary model", in: J.R. Ferrari & J. Johnson & W. McCown (eds.), *Procrastination and task avoidance, Theory, research, and treatment*, New York: Plenum Press, 71-96.
- Grecco, P.R. (1984), "A cognitive-behavioral assessment of problematic academic procrastination: development of a procrastination self-statement inventory", *Unpublished PHD*, California School of Professional Psychology - Fresno.
- Green, J.C. & H. Krayder & E. Mayer (2005), "Combining qualitative and quantitative methods in social inquiry", in: B. Somekh & C. Lewin (eds.), *Research methods in the social sciences*, London: Sage, 275-282.
- Gürbüz, S. & F. Şahin (2018), *Sosyal Bilimlerde Araştırma Yöntemleri*, Seçkin Yayıncılık.
- Haycock, L.A. & P. McCarthy & C.L. Skay (1998), "Procrastination in college students: The role of self efficacy and anxiety", *Journal of Counseling and Development*, 76(3), 317-324.
- Knaus, W.J. (2000), "Procrastination, blame, and change", *Journal of Social Behavior and Personality*, 15, 153-166.
- Lay, C.H. & S. Silverman (1996), "Trait Procrastination, anxiety, and dilatory behaviour", *Personality and Individual Differences*, 21(1), 61-67.
- Livingstone, J.S. (1969), "Pygmalion in Management", *Harvard Business Review*, 47(4), 81-89.
- Madran, H.A.D. (2004), "Sosyal Sınıflandırma, Kişilerarası Beklentiler ve Kendini Doğrulayan Kehanet", *İletişim Araştırmaları*, 2(2), 33-53.

- Merton, R.K. (1948), "The selffulfilling prophecy", *Antioch Review*, 8(2), 193-210.
- Milgram, N.A. (1991), *Procrastination*, Encyclopedia of human biology, Vol. 6, New York, Academic Press.
- O'Donoghue, T. & M. Rabin (2001), "Choice and Procrastination", *Quarterly Journal of Economics*, 116(1), 121-160.
- Orpen, C. (1998), "The causes and consequences of academic procrastination: A research note", *Westminster Studies in Education*, 21, 73-75.
- Rosenberg, M. (1965), *Society and the Adolescent Self-Image*, Princeton, NJ: Princeton University Press.
- Rosenthal, R. & L. Jacobson (1968), *Pygmalion in the classroom: teacher expectation and pupils' intellectual development*, New York: Holt, Rinehart & Winston, 1. 240 p., Harvard Univ., Boston, MA and South San Francisco Unified Sch. District, San Francisco, CA.
- Senecal, C. & R. Koestner & R.J. Vallerand (1995), "Self-Regulation and Academic Procrastination", *The Journal of Social Psychology*, 135(5), 607-619.
- Solomon, L.J. & E.D. Rothblum (1984), "Academic procrastination: Frequency and cognitive-behavioral correlates", *Journal of Counseling Psychology*, 31(4), 503-509.
- Stake, R.E. (1995), *The Art of Case Study Research*, Sage Publications.
- Tuckman, B.W. (1991), "The Development and Concurrent Validity of the Procrastination Scale", *Educational & Psychological Measurement*, 51, 473-481.
- Wang, Z. & F. Englander (2010), "A cross-disciplinary perspective on explaining student performance in introductory statistics, What is the relative impact of procrastination?", *College Student Journal*, 44, 458-471.
- Yin, R.K. (2017), *Durum Çalışması Araştırması Uygulamaları*, Çev. İlhan Günbayı, Nobel Yayınevi.





## The Effect of University Students' Internet Addiction of Family Communication

**Doğuş KAYA** (<https://orcid.org/0000-0003-4397-7084>), Atılım University, Turkey; e-mail: kydogus@gmail.com

**Zeynep ÇOPUR** (<https://orcid.org/0000-0002-1456-0522>), Hacettepe University, Turkey; e-mail: copur@hacettepe.edu.tr

### Abstract

In this study, it is aimed to measure the effects of internet addiction on family communication for university students by internet, smartphone and social media usage. Data used for the analysis is collected through a questionnaire conducted with 164 undergraduate and graduate students (54.6 % female, 45.4% male) from a private university in Ankara. In addition to socioeconomic data, various valid and reliable scales were used for the study; Short Version of Internet Addiction Scale, Smart Phone Addiction Scale - Short Form, Social Media Disorder Scale and, The Family Communication Patterns Scale. As a result, it can be said that the internet addiction levels of the students are high and the internet use levels negatively affect the conversation with their family. Male students reported higher internet addiction than female students and female students tend to be having higher levels of conversation with their family.

**Keywords** : University Student, Internet Addiction, Smart Phone Addiction, Social Media Addiction, Social Media Disorder, Family Communication Patterns.

**JEL Classification Codes** : D10, O10.

### Introduction

The power of communication between family and children is the cornerstone of a happy family life, for a successful future, and the personality development of children. In the development age, children take the first steps to adolescence and adulthood by taking parents as role models. The children, who have met and communicated with the family since birth, start the socialization process and experience life for the first time in this way (Kırık, 2014). Although the importance of family communication is known, the increasing struggles of life and developing technology are gradually decreasing this importance.

In the '90s, after Turkey meets the internet, technology has brought a challenge, especially for children and parents. Although in the early stages, technological developments are considered as tools for educational purposes and used with the supervision of parents, as time passes, dangerous aspects become prominent. The busy working life of the parents and the integration of internet access to daily-used mobile phones have made it impossible to control the use of technological means by children. Technological developments, which have gradually loosened the ties of family communication, have reached to the extent of addiction on individuals. The severity of this addiction results in the

development of new addiction topics such as the internet, smartphone, and social media in the literature at the same time.

Young (1996) indicated that internet users becoming addicted to the Internet in almost that same way that others became addicted to drugs or alcohol and, conducted researches on this topic and developed scales on internet addiction. Many researchers used these scales in their studies. Pawlikowski, Altstötter-Gleich, & Brand (2013) reduced Young's 20-item Internet addiction scale to 12-items. In this study, the 12-item scale was used to measure internet addiction.

The mobile phones, which weighed more than 1 kg in 1973, went through a serious evolution to the capability of computers, in the size of a pocket (Akın & Altundağ & Turan & Akın, 2014). Current terminology calls these devices smartphones. The fact that this technology also becomes an addiction, research is focused on this topic and scales are developed about the addition of smartphones. One of these scales by Kwon, Kim, Cho, & Yang (2013), is the short form created for smartphone addiction. Noyan, Enez Darçın, Nurmedov, Yılmaz, & Dilbaz (2015) translated the scale created by Kwon et al., (2013) into a valid and reliable Turkish scale which is also used in this study.

van Den Eijnden, Lemmens, & Valkenburg (2016) developed a scale due to the insufficiency of scale and research about social media disorder (addiction). Development of this scale was inspired by APA's (2013) study of social media and internet game addictions. The scale is translated into Turkish by Savcı & Aysan, (2017) is used in this study.

Like any other addictions, the negative effects of technological dependencies on family communication are inevitable. The importance of this study is aimed to measure the effects of technology addiction on family communication with the Family Communication Pattern; for university students by of internet, smartphone, and social media usage.

## **Methodology**

### **Participants**

Data were collected in the 2018-2019 summer period in Ankara, Turkey. The sample population was registered undergraduate, and graduate students from relatively large and a comprehensive private university recruited by employing a random sampling method and 164 (54.6 % female, 45.4% male) participants completed the survey. Participants were contacted in person, and surveys were administered individually. Following the researcher's self-introduction, the researcher explained the study objectives and that participation was entirely voluntary. Since this study measures communication in the family, the participants are specially chosen by individuals who are not married. After obtaining their consent, the survey packets, which participants read and completed on their own, were distributed, and then the interviewers collected all surveys once they were completed.

Student respondents were mostly of traditional college age, with a mean age of 24.08 years (SD=4.46) but ranged from 18 to 41. The vast majority (72.6%, or 119) was living with their family, whereas 36 (22.0%) were living alone, 9 (5.5%) were living with a roommate. The grade point average (GPA) of the students was 2.75 (SD=0.72), ranged from 1.20 to 4.0. Almost half of the students had 4000 or less Turkish Lira (TL) monthly income. About 84 percent came from urban areas. With respect to interviewees' parents, 89.6% of the parents married.

## Procedure

This study used a questionnaire to determine the interrelationships between Internet addiction and family communication when controlling for other variables of interest (i.e., smartphone addiction, social media disorder) and socio-demographic factors. The questionnaire concluded with socio-demographic questions, including age, gender, income, living style, and parents' marital status.

Data analysis began by calculating sample frequencies on all independent variables. Then Pearson Correlation test was used to relationship between family communication patterns and construct variables. Then, we used t-tests to identify statistically significant differences between female and male students related to scales. Finally, Ordinary Least Square Regression analysis was computed to determine the interrelationships between family communication patterns conversation-orientation and conformity-orientation separately and the independent variables when control socio-demographic variables. For the regressions, a set of dummy variables had to be created. Gender was already coded as a dummy variable with women = 1 and men = 0 with the female as the reference category. Age was continuously measured in years. Income was categorically measured in Turkish Lira. The living style was recoded four items (living with family, living alone, living with a roommate, and others) into two categories as 1= living with family and 0= otherwise. Parents' marital status recoded as a dummy variable with 1= married, 0= separate. The grade point average was continuously measured in grade. Before conducting a regression analysis, data were checked for assumptions of regression analysis (multicollinearity and autocorrelation) and found fit for the procedure.

## Measurement Variables

### *Dependent Variable*

*Family Communication Patterns:* Family communication patterns were measured with the Revised Family Communication Pattern Instrument (RFCP) (Ritchie & Fitzpatrick, 1990) which was based on McLeod & Chaffee (1972) original scale. The 26-item RFCP measures two dimensions of family communication patterns: conversation (15 items) and conformity (11 items) orientations. The scale has been reported to have good reliability for the Turkish sample (Erdoğan & Anık, 2018).

The response scale was a five-point Likert-type scale from 1 (strongly disagree) to 5 (strongly agree). The total score ranged from 15 to 75 for conversation-orientation and from 11 to 55 for conformity-orientation. The higher score indicates greater in high conversation and high conformity. For this study, the alpha for the scale was.79; for the conversation-orientation, the alpha was.91; and for the conformity-orientation, the alpha was.87.

### *Independent Variables*

*Internet Addiction Test.* In order to measure the Internet Addiction field, this study used the short version of the Internet Addiction Test (IAT) Turkish version revised by Pawlikowski et al., (2013) which was based on Young (1998). The scale has been reported to have good reliability for the Turkish sample (Kutlu & Savcı & Demir & Aysan, 2016). The short version of IAT consists of 12 items which are rated on a 5-point-Likert scale from 1 ("rarely") to 5 ("always"), with a total score range between 12 and 60. The items comprise several facets of Internet addiction, such as loss of control, preoccupation, and psychological dependence. In the current study, internal consistency with Cronbach's alpha was.85.

*Smartphone Addiction.* This study used the short version of the Smartphone Addiction Scale Turkish Version developed by Kwon et al., (2013). The scale has been reported to have good reliability for the Turkish sample (Noyan et al., 2015). Smartphone Addiction Scale-Short Version (SAS-SF) is a self-report scale with 10 items rated on a 5-point Likert scale (1= strongly disagree, 6= strongly agree). The total score of the scale ranges 10 to 60. Higher scores from the scale indicate a higher level of smartphone addiction. The Cronbach's  $\alpha$  value was found to be .88 for SAS-short TR.

*Social Media Disorder (SMD).* This study used the short version of the Social Media Disorder Scale (SMD-short) Turkish Version revised by van Den Eijnden et al., (2016). SMD-short is a subset of 9 items taken from the long SMD-27 item developed by Lemmens et al., 2015. The scale has been reported to have good reliability for the Turkish sample (Savcı, Ercengiz, & Aysan, 2018). The scale consists of preoccupation, tolerance withdrawal, persistence, displacement, problem, deception, escape, and conflict criteria. The response scale was a five-point Likert-type scale from 1 (never) to 5 (always). In the current study, internal consistency with the Cronbach's  $\alpha$  value was found to be .86 for SMD-short TR.

*Demographic variables:* The study involved the following demographic variables for participants: age, gender, grade point average (GPA), monthly income, parents' marital status, living style.

## Results

Pearson correlation analysis was used to determine the relationship between family communication patterns and construct variables. The results of Pearson correlation analysis for the present study are displayed in Table 1. The Pearson coefficient ( $r$ ) value for the family communication conservation-orientation score and Internet addiction score was -.225 with the value of significant  $r$  (2-tailed),  $p < .01$ . In this case, significant  $r$  (2-tailed) was smaller than Alpha. Therefore, there was a significant correlation between Internet addiction and conservation-orientation. The negative correlation between these two variables indicates that the higher the Internet addiction, the lower the conversation with the family. This study concluded that Internet addiction could lead to a positive effect on conformity-orientation with the family. There was also a significant correlation between social media disorder and conversation-orientation. This shows a negative correlation between these two variables, indicating that the higher engaging in social media, the lower conversation with the family; however, it shows a positive correlation between social media disorder and conformity with family. There was also a positive correlation between Internet addiction and social media disorder and between Internet addiction and smartphone addiction, and social media disorder and smartphone addiction.

**Table: 1 - Means, Standard Deviations, and Intercorrelations among Constructs in Model**

Construct	<i>M</i>	<i>SD</i>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Internet Addiction	27.19	8.22	.705**	.616**	-.225**	.186*
Social Media Disorder	8.24	6.61		.694**	-.193*	.268**
Smartphone Addiction	25.52	10.18			-.135	.205**
Conversation-Orientation	52.29	12.18				-.301**
Conformity-Orientation	27.31	9.08				

Bivariate comparisons of scales, for female and male students, showed that there was a statistically significant difference between female and male related to Internet addiction and conversation-orientation. Male students reported higher Internet addiction than female students ( $M = 25.64$

compared to 28.96). On the other hand, male students ( $M=49.69$ ) reported less conversation with family than female students ( $M=54.45$ ) (Table 2).

**Table: 2 - Comparison of Scales by Gender**

Scales	Male (n=74)	Female (n=89)	Test Statistic
	Mean		<i>t</i>
Internet Addiction	28.96 (8.54)**	25.65 (7.69)	2.57**
Social Media Disorder	9.26 (6.80)	7.38 (6.40)	1.79
Smartphone Addiction	26.19 (10.06)	25.01 (10.35)	.73
Conversation-Orientation	49.69 (12.22)**	54.45 (11.85)	-2.51**
Conformity-Orientation	27.24 (8.45)	27.24 (9.59)	-.00

A regression analysis was conducted to explain the nature of the correlation detected and to determine the predictability level of technology addiction on family communication better. Internet addiction, social media disorder, smartphone addiction, and individual characteristics were inserted into the regression towards conversation-orientation. Internet addiction was a significant predictor of conversation with family. Students who reported higher levels of engagement on the Internet were negatively associated conversation with the family; however, students who reported higher levels of Internet addiction were positively associated with conformity-orientation (Model 1). Family communication patterns did not significantly vary by social media disorder and smartphone addiction (Model 2, 3). Gender was a significant predictor of conversation with family. Female students tend to be having higher levels of conversation with their families (Model 4) (Table 3).

**Table: 3 - OLS Regression of Family Communication**

Independent variables	Conversation-Orientation			
	Model 1	Model 2	Model 3	Model 4
Internet Addiction	-.370 (.119)**	-.152(.164)	-.135(.171)	-.024(.175)
Social Media Disorder		-.397(.207)	-.366(.227)	-.291(.232)
Smartphone Addiction			-.048(.137)	-.091(.140)
Gender (1= women)				<b>5.25(2.09)*</b>
Age				.377(.274)
Semester				-.002(.456)
Grade Point				-.802(1.684)
Living style				2.273(2.387)
Parents' marital status				-.827(3.23)
Constant	62.163 (3.41)***	59.502 (3.65)***	60.000 (3.937)***	46.989 (8.716)***
F	9.63**	6.77**	4.52**	2.57**
R <sup>2</sup>	.075	.104	.105	.174
Independent variables	Conformity-Orientation			
	Model 1	Model 2	Model 3	Model 4
Internet Addiction	.270(.089)**	.149(.123)	.120(.129)	.107(.135)
Social Media Disorder		.221(.156)	.165(.171)	.143(.179)
Smartphone Addiction			.083(.103)	.086(.108)
Gender (1= women)				<b>.383(1.614)</b>
Age				-.217(.211)
Semester				-.240(.352)
Grade Point				.528(1.300)
Living style				-2.445(1.843)
Parents' marital status				.255(2.494)
Constant	19.545 (2.556)***	21.025 (2.751)***	20.157 (2.959)***	26.569 (6.731)***
F	9.19**	5.64**	3.97**	1.61
R <sup>2</sup>	.072	.088	.093	.116

## Conclusion

The fact that researches measuring individuals' internet, social media, and smartphone addictions does not address the effect of these addictions on family communication shows the necessity of this

research. This is an important research for the literature showing how technology addiction affects university students' communication with their families.

The research concluded that the Internet addiction variable has predictability effects on family communication. As a result, it can be said that the internet addiction levels of the individuals participating in the research are high, and the internet use levels negatively affect the conversation with family. The results suggested by Kırık (2014) from the research, which tries to determine the position of the internet in communication between family and children, show good agreement with the results of this research. In the qualitative researches, it is concluded that the parents do not take care of their children while they spend time on the internet, or they are busy with their own jobs. Male students reported higher internet addiction than female students, and female students tend to be having higher levels of conversation with their families.

The findings have important implications for policy-makers, educators, regulators, and researchers interested in especially technology addiction and family communication. Some limitations of the present research warrant discussion. The scale of the family communication patterns used to measure the family communication of the students was based on the scores obtained from two main dimensions (harmony and dialogue). The 4 sub-dimensions (pluralistic, protective, consensual, laissez-fairere) defined using these scores were not taken into consideration. Another research can be conducted by considering these 4 sub-dimensions. The research only shows results from a single university. More students can be reached from different universities.

## References

- Akın, A. & Y. Altundağ & M.E. Turan & U. Akın (2014), "The validity and reliability of the Turkish version of the Smart Phone Addiction Scale-short form for adolescent", *Procedia - Social and Behavioral Sciences*, 152, 74-77.
- American Psychiatric Association (2013), *Diagnostic and statistical manual of mental disorders*, 5<sup>th</sup> ed., Washington, DC.
- Erdoğan, Ö. & C. Anık (2018), "Aile İletişim Kalıpları Ölçeğinin Türkçe Formunun geçerlilik ve güvenilirlik çalışması", *Türkiye İletişim Araştırmaları Dergisi*, (29), 21-46.
- Kırık, A.M. (2014), "Aile ve çocuk ilişkisinde internetin yeri: nitel bir araştırma", *Eğitim ve Öğretim Araştırmaları Dergisi*, 3(1), 337-347.
- Kutlu, M. & M. Savcı & Y. Demir & F. Aysan (2016), "Young internet bağımlılığı testi kısa formunun Türkçe uyarlaması: Üniversite öğrencileri ve ergenlerde geçerlilik ve güvenilirlik çalışması", *Anadolu Psikiyatri Dergisi*, 17, 69-76.
- Kwon, M. & D.J. Kim & H. Cho & S. Yang (2013), "The smartphone addiction scale: Development and validation of a short version for adolescents", *PLoS ONE*, 8(12), 1-7.
- McLeod, J.M. & S.H. Chaffee (1972), "The construction of social reality", in: *The social influence process*, Chicago, IL, 50-59.
- Noyan, C.O. & A. Enez-Darçın & S. Nurmedov & O. Yılmaz & N. Dilbaz (2015), "Akıllı Telefon Bağımlılığı Ölçeğinin Kısa Formunun üniversite öğrencilerinde Türkçe geçerlilik ve güvenilirlik çalışması", *Anadolu Psikiyatri Dergisi*, 16, 73-81.
- Pawlikowski, M. & C. Altstötter-Gleich & M. Brand (2013), "Validation and psychometric properties of a short version of Young's Internet Addiction Test", *Computers in Human Behavior*, 29(3), 1212-1223.
- Ritchie, L.D. & M.A. Fitzpatrick (1990), "Family Communication Patterns: Measuring intrapersonal perceptions of interpersonal relationships", *Communication Research*, 7(4), 523-544.

- Savcı, M. & F. Aysan (2017), “Teknolojik bağımlılıklar ve sosyal bağımlılık: İnternet bağımlılığı, sosyal medya bağımlılığı, dijital oyun bağımlılığı ve akıllı telefon bağımlılığının sosyal bağımlılığı yordayıcı etkisi”, *Dusunen Adam The Journal of Psychiatry and Neurological Sciences*, 30, 202-216.
- Savcı, M. & M. Ercengiz & F. Aysan (2018), “Ergenlerde Sosyal Medya Bozukluğu Ölçeği’nin Türkçe uyarlaması”, *Noropsikiyatri Arsivi*, 55, 1-8.
- van Den Eijnden, R.J.J.M. & J.S. Lemmens & P.M. Valkenburg (2016), “The Social Media Disorder Scale”, *Computers in Human Behavior*, 61, 478-487.
- Young, K.S. (1996), “Internet addiction: The emergence of a new clinical disorder”, *Cyberpsychology and Behavior*, 1(3), 237-244.





**24 October 2019 Thursday**

**Session: IV-A / 16.00-17.30**

## **BUSINESS & MANAGEMENT**

Room: *GASTON*

Chair: **Sharaf REHMAN**

- ART of Management: Authority, Responsibility, and Task and the Reflections at Public Finance Management and Control Law Numbered 5018

**Hakan DULKADİROĞLU**

- Factors Affecting the Consumer Preferences on Sugar Beet Sugar and High Fructose Corn Syrup

**Hasan Kürşat GÜLEŞ & Haluk GEDİKOĞLU & Mustafa ÖZSARI**

- Importance of Employee Engagement and A Global Engagement Model: Engage and Grow Employee Engagement System

**Esma Görkem ERSOY**

- On the Relationship between Age, Tenure and Gender Diversity of the Board and Corporate Performance

**Aslıhan ERSOY-BOZCUK & Fatma ÖZTAŞ**



## Importance of Employee Engagement and A Global Engagement Model: Engage and Grow Employee Engagement System

*Esma Görkem ERSOY* (<https://orcid.org/0000-0002-8106-2216>), *İstanbul Esenyurt University, Turkey; e-mail: esmagorkemersoy@esenyurt.edu.tr*

### Abstract

The main source of a company is its' human resources. By the impact of globalization and the access of young workforce in work environment, employee engagement became the most important concept for companies. Companies and the business world realized that without engaged employees the competitive advantage could not be sustainable. The main purpose of this study is to identify the engagement concept and exhibit the importance of it, and also to identify Engage & Grow Employee Engagement System as a Global Engagement Model and to put forward the benefits of it for the companies. In order to make this much more clearly, an interview was made with Engage & Grow Global General Manager.

**Keywords** : Engagement, Employee Engagement, Engage & Grow, Human Resources.

**JEL Classification Codes** : M, M1, M10, M5, M50.

### Literature Review

Considered that the 'human' is the most valuable asset of a business, it is inevitable that they develop their operations in the name of sustainability with a focus in the human factor. Today, human resource management acts together with strategic management. Human resource management has a specific role which is crucial, and it works for as an instrument that is able to assist to combine information in the work environment to acquire an edge advantage (Edvardsson, 2008: 553). All kinds of employee investment have an impact on long-term performance and return to the business as profitability and success. However, the employee profiles in organizations are also changing. Organizations should develop different methods in order to retain an employee profile that demands individuals who are able to quickly access information, nested with technology, have a higher education, and know what they want. This study addresses the concept of employee engagement which has strategic importance for organizations and an applicable system regarding this concept. The main aim of the study is to address the importance of employee engagement today and discuss the benefits of an applicable employee engagement model that will enlighten the organization on this subject. In this, the study contributes both to organizations and the literature.

In the study, conceptual explanations were first given based on the secondary data. The information regarding the place and importance of the concept of employee engagement in the literature was provided. Then, the Engage & Grow Employee Engagement System was examined in detail. The significance, bases, and benefits of the system were discussed. To obtain a deeper perspective while conducting these evaluations, a semi-formal interviewing method was preferred, and an interview was held with the Engage & Grow Global General Manager. The method of this study is interview because

interviews are the most effective way that help researchers to explain and explore the research subjects' opinions and phenomenon. It is the most proper method for qualitative researches. Semi-formal interview type is chosen for this study. Semi-formal interviews allow the interviewer to obtain detailed information regarding the subject and also give the interviewer the opportunity to put emphasis on the subjects that are important to him or her. In addition, in practice, it is observed that managers in particular avoid completing questionnaire forms and are more inclined to interview (Altunışık et al., 2002: 84). Taking into consideration all these advantages and considering the focus of the research, the qualitative research method was preferred as the most appropriate and useful. As usual this study's interview questions are designed as open-ended questions so that in-depth information had been collected.

Although the concept of 'organizational commitment' is the terminology most frequently encountered in the literature, the concept was discussed as 'employee engagement' in this study. Studies on 'commitment,' primarily organizational commitment, have been conducted since the 1960s. At that time, it was defined as 'noticing the cost of leaving of employment' but this definition has expanded over time to 'the power of an individual's commitment to the organization,' 'a psychological phenomenon based on the subjective significance level of the organization,' 'the integration and compliance of the individual and organization goals in time,' and 'elements of identification with the organization, job adoption and organizational commitment' (İnce & Gül, 2005).

The ability to obtain and maintain competitive advantage in the face of uncertain and volatile environmental conditions is based on having employees who identify with the values and goals of the corporation, who are bound to the organization by loyalty, and who exhibit high attendance. The most common definition of 'employee engagement,' the basic concept of this study, considers it 'a psychological bond that binds an individual to the organization' (O'Reilly et al., 1990: 247).

As the concept of 'engagement' has been mostly addressed in literature focusing on the concept of 'commitment' and 'organizational commitment', the categorization of the subject provides us the following types:

- 1 *Compliance Commitment*: conformity out of a desire to gain rewards and avoid punishment; *Identification Commitment*: pride in the organization and willingness to identify with it; *Internalization Commitment*: compatibility between the values of the individual and the organization (O'Reilly & Chatman, 1986),
- 2 As a "Power and Authority" based commitment classification, *Moral Community* is adaption to the goals and values of the organization, *Calculative Commitment*; employee's bound to the organization through instrumental interests, *Alienative Commitment*; remaining in the organization despite negative feelings to the organization (Etzioni, 1961),
- 3 *Affective Commitment*: the employee's desire to remain with the organization and being committed; *Continuance Commitment*: remaining in the organization to meet personal needs; *Normative Commitment*: commitment based on perceived obligation towards the organization (Allen & Meyer, 1990).

Again, in literature employee commitment may be related to three elements (Porter & others, 1974):

- Employees' strong belief in and identification with the values and goals of the organization,
- A willingness to exert extra efforts on behalf of the organization,

- An attachment to the organization, characterized by an intention to remain within it.

It may be addressed that commitment means employees' satisfaction and an emotional bound with the company, but engagement goes a step forward and it means a passionate behavior about their job. An employee to his or her organization requires more than working for a long period in that organization. Therefore, there is a big difference between employee engagement and dependence. Employee engagement is considered to be shown by behaviors that go beyond the role behaviors that are expected of the employee.

An employee's commitment to the organization has also defined with more nuance as 'the relative strength of an individual identity and commitment to its own organization' It has three basic components: a strong belief in and acceptance of the organization's goals and values (identification); a willingness to exert a considerable effort on behalf of the organization (involvement); and a strong intent or desire to remain with the organization (loyalty) (Yousef, 2000: 6).

Employee engagement to the organization is possible when their own views coincide with organizational values. The degree of this coincidence is closely related to the importance given to employee values by the organizational structure. The consistency of the 'personnel-organization' relationship plays a key role in organizations in terms of flexible behaviors and engaged labor force. Several relevant studies have found that lower degree of engagement is present with negative aspects in case of low compliance (Kitapçı & Elçi, 2007: 143-144).

Engagement; psychological states that 'employees harness their full personal selves by investing physical, cognitive, and emotional energies into their work' and also *engagement at work* is defined as "a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption". Employee/work engagement are both conceptualized as an overarching construct comprising physical, cognitive, and emotional energies and manifested as a state of devoting all the energies towards work to make a difference (Kwon & Kim, 2019: 2).

There are important benefits of high employee engagement to the organization. First of all, as an engaged employee he or she does not dream of arriving late, absenteeism, or leaving their job so the employee turnover decreases. Since this makes a significant cost difference, organizations stand to gain more moral and material benefits by boosting their employees' engagement.

According to a previous study, engaged employees have been found to make positive contributions to organizational communication, particularly sharing and spreading of corporate knowledge (Hooff & Ridden, 2004: 117).

Employee perception on organizational reputation is strongly associated with employee engagement, too. Employees with more favorable evaluation of organizational reputation are more likely to expose engaged behavior towards the organization. Employees who have good feelings, such as admiration, trust, and respect (emotional appeal), would be more willing to engage in organizational activities. A hospitable work environment featuring good workforce management, fair treatment to employees, effective leadership, a clearly articulated vision, and high-quality and fairly priced products helps to build employee confidence regarding the future of company, thereby contributing significantly to employee engagement. Employee perception of organizational reputation provides a positive relationship between CEO credibility and employee engagement (Linjuan, 2012).

Though employee engagement is based upon a one-to-one relation between the employee and the organization, there are numerous factors that affect this relation, primary among them individual

characteristics, role and job-related variables, organizational structure, corporate culture, corporate environment, corporate image, organizational justice perception, organizational support for employees, leadership style and approaches, charismatic leadership, strategic orientation, empowerment, creative behavior, ethical practice, psychological agreement, and employment security perception (Sabuncuoğlu & Tüz, 2013).

Companies focus on ways of achieving employee engagement. Many consulting firms, such as Accenture, Concoors, Gallup, Hewitt, Mercer, Towers Perrin, Watson Wyatt etc. create engagement surveys. A research had been assessed each of these products and seven common factors identified (Storey et al., 2008):

- Vision: The work unit has a clear sense of the future that engages hearts and minds and creates pride among employees.
- Opportunity: The work on offer provides a chance to grow both personally and professionally, through participation in the work unit's activities.
- Incentive: The compensation package is fair and equitable, including base salary, bonus, and other financial incentives.
- Impact: The work itself makes a difference or creates meaning, particularly as it connects the employee with a customer who uses the employee's work.
- Community: The social environment includes being part of a team when appropriate, and working with co-workers who care.
- Communication: The flow of information is two-way, so employees are in the know about what is going on.
- Experimentation: The work hour, dress, and other policies are flexible and designed to adapt to the needs of both the firm and the employee.

Employee engagement is a process affected by several parameters in an organization. Though recognizing the advantages of engagement many of the companies started to measure their employees' engagement level, too. But unfortunately, only the measurement is not enough to solve engagement problems. Besides measuring this concept, companies have to find a way to make their employees engaged. Because of this point of view employee engagement and the solution of this problem became much more important day by day. Therefore, there has been an increase in the pursuit of action-based methods that may be directly reflected on behaviors to increase engagement.

### **Research**

Every company started to search a proper way to make their employees connected and satisfied. We all spend our most of time at work. Work-life balance effects us deeply and also it effects our health. It is a vicious cycle being motivated at work and being an engaged employee. Companies must behave to their employees as good as they behave to their customers. Employee satisfaction equals customer satisfaction. According to Gallup's reports, companies with engaged workforce have %10 higher customer metrics, 17% higher productivity, and 20% higher sales and 21% higher profitability.

This study addressed the action-based model Engage & Grow Employee Engagement System. The findings of evaluations after interview and the system process are provided below.

### **Engage & Grow Employee Engagement System**

Engage & Grow is an action-based Employee Engagement Program that goes beyond traditional training and educational programs with proven successful outcomes and is applied in more than 80 countries worldwide. It is a neurologically designed program that:

- Increases employee engagement and performance,
- Builds a stronger organizational culture,
- Reduces human error, improves employee engagement and thus customer engagement,
- Reduces employee turnover, increases communication,
- Dramatically increases profitability and growth,
- Creates “Organizational Citizenship Behavior”,
- Provides a fun and re-energized work environment,
- Consists of 12 modules and is applied through weekly 90-minute meetings over 12 weeks. The success rate is calculated in percentages through scientific measurements at the beginning, middle, and end of the program.

One of the unique aspects of the program is that the interviews conducted prior to the program (interviews for KPI-Key Performance Indicators- assignment), so that the program can be specially developed for each organization and designed according to the organizational needs and the outputs desired.

Moreover, no matter where it is being used in the world, the stages of designing, running, and ending the program are carried out in collaboration with the Engage & Grow Headquarters in Australia. This makes it possible to conduct programs in a systematic and controlled way. Participants fulfill their responsibilities in the modules without using paper and pen. The aim is firstly to agree on a common value framework and then transform these values into behaviors, in other words, into physical indicators.

Engage and Grow Employee Engagement System was founded in 2012, in Australia. Founder and CEO of Engage and Grow is Richard Maloney who is an employee engagement strategist. Richard Maloney, the founder and the CEO of Engage & Grow, developed the relevant employee engagement model in studies with sports teams in Australia. He helped 30 different teams become champions, and in doing so he examined the sources of motivation in the brain. The worldwide successes of this action-based system built on neurological research increase day by day. Today it is a global movement that is applied at more over 80 countries worldwide. It has positive effects and proved results on employee engagement.

Engage & Grow Employee Engagement System is a systematic process that makes people “awake” in companies. Its logo is an origami bird in order to show the main idea of the program. Origami is a step by step process and it is a kind of a healing tool. At the beginning of the program it allows you to think about your industry. As a company owner or a manager or simply as an employee you have to answer the question of what do you need to do to be the number one in your industry? The main purpose of this system is to create a ‘Globally Engaged Workforce’.

Today’s business worlds’ first necessity is “engagement”. According to the Engage & Grow Employee Engagement System employees may be categorized into three like; “Highly Engaged Employees”, “Disengaged Employees” and “Highly Disengaged Employees”.



This system offers companies to transform their employees to a highly engaged position from being highly disengaged or disengaged employees.

System asserts twelve modules for engagement. These modules are all a specific action program and they have a different point of view from habitual education programs. The difference and the importance of Engage & Grow came from this action-based structure. These twelve modules are;

*“Collective buy-in & accountability, Shared company vision, highly engaged employees & leaders, Peer reward & recognition, Shared stories to ensure human understanding, Collective behavioral benchmarking, Individual personalized goal setting, Growth of individual habits and behaviors, Unearthed creative thinking and innovation, An emerging leaders pipeline, Advanced business system and procedures, Brand awareness and social responsibility”.*

Engage & Grow Employee Engagement System is a step by step process. Every program depends on the needs of the organization and because of this characteristic every program is unique in substance. Though, there may be two or more program running at the same time in the same organization, they are different in substance, too; because of the key performance indicators (KPI). These twelve modules planned according to KPI and the needs.

- *Collective buy-in & Accountability module* is related to define the growth areas. Every participant must see the big picture and what should they do for the company. They decide leadership acts for themselves accept their job definitions.
- *Collective Behavioral Benchmarking* is about values and behaviors. Every participant learns to behave as a team and they raise awareness. They focus on shared vision of the company.
- *Peer reward & recognition module* is a daily and weekly module. Participants give reward and recognition to each other because of a good behavior and they thank to each other.
- *Presenting Best Practice module* is a leadership initiative module. Every week one of the participant prepare a short presentation. It depends on the values and behaviors which are chosen by the group at the beginning of the program. This may be a video, a book review, a presentation or something else.
- *Shared Stories to Ensure Human Understanding*, module is a story telling module. Participants share their stories with each other. This story may be an adversity that turned into positive or may be related about someone who inspire them.
- *Growth of Individual Behaviors and Personalised 1 on 1 Coaching* modules are about individual goal setting. Participants give feedback to each other. They define strength and improvement areas to each other. After this group feed back a road map coaching should be done for each participant. This is a one to one meeting between trainer and participant which is held after sessions.
- *Share the Chairperson module* is sharing the management of the session. Trainer should share the conduction with a volunteer participant.
- *Unearthed creative thinking and innovation, an emerging leader's pipeline, advanced business system and procedures, brand awareness and social responsibility* modules build better relationship. Happy employees mean happy customers. After building a connection between employees you may unearth creativity and innovation and improve awareness of social responsibility. Participants create new projects related with this issue.

When companies start to implement these twelve modules of the Engage & Grow, they realize that their employees take action with the leadership acts, they become accountable to each other, they nominate each other with reward and recognition, they have closer relationships, they understand each other, share a common vision, see themselves in the big picture, they become much more creative and innovative and a holistic approach consists on corporate climate.

According to the interview findings, Engage & Grow Global General Manager also said that this is a “Group Activation System” which is all action-based. When a company decide to start a program, first of all they focus on three areas of their business: “System-Behaviors-Culture”. A program takes 12 weeks and it conduct with maximum 12 participants. Every week there are 60-90-minute meetings. Before these meetings start the Engage and Grow Trainer make some interviews with the top managers (or with the owner, human resource manager) of the company in order to determine the main problems and set the key performance indicators. Then these determinations send to Australia, to Engage & Grow Global Company and a program plan is done for the issued company. This design process is done meticulously. Also, a survey is done to determine the engagement rate at the beginning of the program. There are two more surveys during the program; one on the middle and one at the end of the program that shows the difference with numbers, too.

Program creates a movement in the mind of employees that then create a movement in the business by following the proven six steps. These six steps based on equality, unity, trust and truth. These six steps are;

- 1 Evaluate: Setting Benchmarks
- 2 Buy-in: Collective Accountability
- 3 Unite: Meaningful Connections
- 4 Align: Shared Vision
- 5 Engage: High Performance
- 6 Grow: Continuous Improvement

By using twelve engagement modules these six steps are being applied. For evaluation they are doing a survey, for collective accountability they are defining improvement areas and defining values and behaviors, for meaningful connections story telling sessions are applied, for shared vision they encourage them to do their best and understand the aim of the company, for high performance they give feedback to each other and make round table sessions and for continuous improvement these applications become a part of the companies culture.

Engage and Grow Employee Engagement System is developed around a neuroscience, NLP and science of motivation, based on human neurological motivators, core needs and preferred way of learning. Everything they do during the sessions has to impact one of more of these elements so they could shift the employee engagement like never before.

## **Conclusion**

Modern workforce whom are mostly millennials want a meaning and a purpose for their job. Employee engagement develops meaningful relations between people, so they understand each other. Engagement applications inspire new thinking, brand awareness, unearth creative thinking and innovation, employees become enthusiastic about the mission and vision of the company, they feel surrounded by people who share their values, they become confident and try to find new ways to

improve themselves. Engage & Grow Employee Engage System is a prove success program which is applied over eighty countries. This study aimed to identify the ways they used to ensure engagement. In order to put forward the examples of the Engage & Grow Employee Engagement System a supplementary study should be done in the future.

## References

- Allen, N.J. & J.P. Meyer (1990), "The Measurement and Antecedents of Affective, Continuance and Normative Commitment to the Organization", *The British Psychological Society*, 63, 1-18.
- Altunışık, R. & R. Coşkun & E. Yıldırım & S. Bayraktaroğlu (2002), *Sosyal Bilimlerde Araştırma Yöntemleri*, Sakarya Kitabevi, Sakarya.
- Darwish, A.Y. (2000), "Organizational Commitment: A Mediator of the Leadership Behavior with Job Satisfaction and Performance in Non-Western Country", *Journal of Managerial Psychology*, 15(1), 6-24.
- Edvardsson, I.R. (2008), "HRM and Knowledge Management", *Employee Relations*, 30(5), 553-561.
- Etzioni, A. (1961), *A Comparative Analysis of Complex Organizations: On Power, Involvement, and Their Correlates*, Free Press, New York.
- Hooff, D. & J.A. Ridden (2004), "Knowledge sharing in context: The influence of organizational commitment, communication climate and CMC use on knowledge sharing", *Journal of Knowledge Management*, 8(6), 13-24.
- İnce, M. & H. Gül (2005), *Yönetimde Yeni Bir Paradigma: Örgütsel Bağlılık*, Çizgi Kitabevi Yayınları: 123, Konya.
- Kitapçı, H. & M. Elçi (2007), "Quality Culture, Ethical Climate, Person-Organization Fit and Organizational Commitment: An Empirical Investigation", *Journal of Global Strategic Management*, 1(1), 142-150.
- Kwon, K. & T. Kim (2019), "An integrative literature review of employee engagement and innovative behavior: Revisiting the JD-R model", *Human Resource Management Review*, 29(4), 1-18.
- Linjuan, R.M. (2012), "CEO Credibility, Perceived Organizational Reputation, and Employee Engagement", *Public Relations Review*, 38, 171-173.
- O'Reilly, C.A. & J. Chatman (1986), "Organizational Commitment and Psychological Attachment: The Effects of Compliance, Identification and Internalization on Prosocial Behavior", *Journal of Applied Psychology*, 71(3), 492-499.
- O'Reilly, C.A. & J.A. Chatman & D.F. Caldwell (1990), "Building Organizational Commitment: A Multifirm Study", *Journal of Occupational Psychology*, 63, 245-261.
- Porter, L.W. & R.M. Steers & P.V. Boulian (1974), "Organizational Commitment, Job Satisfaction and Turnover among Psychiatric Technicians", *Journal of Applied Psychology*, 59(5), 603-609.
- Sabuncuoğlu, Z. & M. Tüz (2013), *Örgütsel Psikoloji* (5. Baskı), Aktüel Yayınları Alfa Akademi, Bursa.
- Storey, J. & D. Ulrich & T.M. Welbourne & P.M. Wright (2008), "Chapter 18 Employee Engagement", in: *Companion to Strategic Human Resource Management*, J. Storey & P.M. Wright & D.O. Ulrich (eds.), 1<sup>st</sup> Edition, Routledge, London.

**24 October 2019 Thursday**

**Session: IV-B / 16.00-17.30**

## **SECTORAL ISSUES**

Room: *TIN TIN*

Chair: **Serkan ERKAM**

- WEB Sites as Marketing Tool - “A Content Analysis of Turkish Wine Companies’ Websites”

**Hilmi Rafet YÜNCÜ & Selda UCA**

- Investigation of the Effects of Professional Sports on Employees’ Work and Life

**Işıl USTA-KARA**

- Determinants of Second-Hand Car Prices: Empirical Evidence from Istanbul

**Ebru ÇAĞLAYAN-AKAY & Hoşeng BÜLBÜL & Derya TOPDAĞ**

- Holiday, Tourism and Tourist in Primary School Textbooks

**Semra AKTAŞ-POLAT**



## WEB Sites as Marketing Tool - “A Content Analysis of Turkish Wine Companies’ Websites”

**Hilmi Rafet YÜNCÜ** (<https://orcid.org/0000-0002-2876-004X>), Anadolu University, Turkey; e-mail: [hryuncu@anadolu.edu.tr](mailto:hryuncu@anadolu.edu.tr)

**Selda UCA** (<https://orcid.org/0000-0002-9308-9184>), Anadolu University, Turkey; e-mail: [seldauca@gmail.com](mailto:seldauca@gmail.com)

### Abstract

The most important condition of successful web marketing is to have functional websites that appeal to potential consumers. This study focuses on the evaluation of Turkish wine companies’ websites in terms of marketing activities. Content analysis was carried out by applying the encoding table consisting of four main themes/categories based on general informations, design, and interaction and marketing elements in web sites of Turkish wine companies specified as the research sample. Obtained findings indicate that the rate of owning a website is low among the Turkish wine firms. Although the websites have some features that are needed in terms of website design and customer interaction dimensions, they are found to be insufficient in terms of especially marketing.

**Keywords** : Website, Web Marketing, Wine Industry, Content Analysis.

**JEL Classification Codes** : M31, M37, L83, O14.

### Introduction

The intense competition in the market has led to the efforts of wine companies to influence and encourage the consumer. As the customer profile continues to change and develop, the factors that affect customer preferences and the criteria for selecting wine companies that potential customers will shop, or visit are becoming more important. It is very important to know what these selection criteria are for successful marketing activities. Wine firms have more difficulty in marketing activities compared to other businesses that offer industrial products, because these firms have to commercialize not only their products but also their services. It is also necessary to use effective marketing channels so that both elements can be commercialized completely and correctly. One of these marketing channels is also the websites that have been increasingly used in recent years.

In line with the developments in information and communication technologies, it is remarkable that the website usage rates of the companies operating in the wine industry are increasing in marketing activities. The development of the wine industry in recent years and the widespread use of internet in the field of marketing, it forces the wine companies, which already have a dynamic feature, to develop themselves in this field. In generally, the purpose establishing a website of these companies is the desire to reach more audiences and benefit from other advantages of the internet, especially sales (Bayram, 2008: 13). The website is, above all, an effective marketing tool for creating a positive impression for each visitor to the site and turning them into customers.

The basic question to be answered in this direction is; “What should be the key elements of wine companies’ websites for successful web marketing?”. The starting point of study is this question. Accordingly, the marketing elements on the websites of Turkish wine companies are examined and it is aimed to determine the current situation, identify the deficiencies and evaluate the factors that should be available in the websites for successful marketing activities.

## **Literature Review**

### ***Websites as Marketing Tool***

In parallel with the developments in information and communication technology, web sites that have increased usage in almost every sector have become one of the most effective marketing channels. For many businesses operating in different sectors, websites are considered not only online channels that provide information about services and products, but also as profitable electronic platforms. To attract new consumers and retain existing consumers through the Internet, many enterprises shape their websites in line with the needs and motivations of the target market (Benckendorff & Black, 2002: 14). The products, services, attractiveness of enterprises and so on must be effectively presented to consumers on online platforms. From this point of view, websites can be considered as an unlimited space where businesses can present themselves to existing and potential customers. Websites that promote the produced product and services and allow activities such as reservation, order, promotion etc. to be carried out directly have become inevitable for the success of marketing activities.

### ***Wine Industry in the World and Turkey***

Today, 75 million tons of grapes are produced annually in the world and 292 million hectoliters (29.2 billion liters) of wine are produced. The top 10 wine producing countries in the global league account for 83% of total production (Gurses, 2019). Today, wine production, consumption and trade figures in the world show that the EU member countries play the most effective role in this market. Vineyards at EU borders constitute 45% of the vineyards in the world and 60% of the world wine trade takes place within these borders. In this context, France is the first country that comes to mind in world wine production (Duran et. al, 2018).

Turkey is one of the eligible countries to the world’s wine production geographically. However, only 2% of the grapes are used in wine production in our country. However, this rate varies between 70% and 95% in similar countries (Oztuna Kaynakci, 2019). The most intensive wine grape production region in Turkey is southeastern Anatolia region in the last 8 years production period, this region has met 21% of Turkey’s total wine grape production. This region is followed by Aegean (20%), Marmara (17%), Central Anatolia (14%) and other regions. Approximately 75% of the annual production of viticulture products in Turkey is consumed domestically. This situation shows that Turkey has a structure introverted of viticulture (Duran et. al, 2018).

It is possible talk about the two main factors that limit the development of the wine industry in Turkey. First, the Special Consumption Tax (SCT) rate applied in wine production and consumption is very high compared to the competing EU member countries. In EU countries, either very low amounts of SCT are applied or not at all. Another factor is the government’s attitude towards the sector. Many problems in the sector also require intense cooperation with the government and increase expectations for its solution (Duran et al., 2018). Even so, the increasing number of wine factories, increased product diversity, rising wine exports and rising wine consumption in the internal market promise hope for Turkish winemaking in recent years (Oztuna-Kaynakci, 2019).

### ***Website Marketing for Wine Companies***

In intense competition environment, wine producers are faced with many problems such as sales volume, price sensitivity and brand perception in producing and marketing their wines. Under these circumstances, it is very important for wine producers to structure their marketing strategies and to understand the effects and opportunities of these strategies. In this context, the marketing strategy that is included in the marketing mix and called web marketing has become a global trend in the wine industry. Many wine producers operating in different countries of the world have started to make more use of their websites to increase their sales, attract more visitors and increase their brand awareness (Cassar et al., 2018). There are 3 main goals a wine producer wants to achieve with web marketing (Madill & Neilson, 2010): 1) to inform consumers, 2) to facilitate sales and 3) to develop positive relationships with consumers.

Existing studies show that wine producers use their websites in different ways to promote themselves. In the studies conducted for wine producers in different countries, it has been found that some producers tend to concentrate on sales activities on their websites and some producers tend to concentrate on providing information (Stricter et al., 2001). In the study which has been conducted by Velikava et al. (2011), websites of the wine companies are grouped according to their similarities. In the study which were included 55 websites, two different structures were revealed. Online shopping, social media availability and availability of wine clubs in websites have been defined as the main differentiation points. Considering these points, the wine producers' websites have divided into two clusters: "marketing-oriented" and "wine-oriented". There is also research evidence that some small and medium-sized winemakers, who mainly use their websites for sales, can access the global market more easily and reduce export barriers (Goodman, 2000). According to Burgess et al. (2005) selling through website is more preferred by small and medium sized enterprises. Because large-scale companies rely more on sales through their distributors.

Today, many wine consumers get the information they need from the internet (Beery & Trela, 2014). A wine producer's website should allow interaction of visitors, support the wine brand as a tourist attraction, and focus on enhancing the brand's regional, national and even global presence (Yuan et al., 2004). Bruwer and Wood (2005) argue that one of the most important issues affecting consumers' choices when choosing a particular wine vendor is the functionality of the wine company's website. Basic features of a quality website; content quality, appearance and technical competence (Aladwani & Palvia, 2002). Effective websites should be well-organized websites in terms of navigation as well as informing consumers (Chakraborty et al., 2002). Each detail such as the total number of pages of a website, navigation aids on the pages, visual usage, up-to-date information, design consistency, structure of general information about the company etc. are important issues to be considered for the success of web marketing in the wine industry (Burgess et al., 2005). For example, according to Neilson and Madill (2014), wine companies that have working hours and location maps in their websites are more frequently visited. In addition, web design quality, ease of navigation and readability are among the elements necessary for successful web marketing (Cox & Dale, 2002; Mills et al., 2012). Similarly, Winters (1997) proposes that a wine producer's website should have the following characteristics: profiles of produced wine and managers, stories about the production facility, ordering possibilities, tasting maps, forums, surveys, information about relevant attractions, event calendars, links to relevant companies and associations, wine storage recommendations, wine / food compliance recommendations, health education information.



## Methodology

This study focuses on the evaluation of Turkish wine companies' websites in terms of marketing activities. Content analysis is carried out by applying the encoding table consisting of four main themes/categories based on general informations, design, and interaction and marketing elements in web sites of Turkish wine firms specified as the research sample. Content analysis is a technique used in systematic analysis of non-quantitative data (Yuksel & Yuksel, 2004: 176). According to another definition, content analysis is an explicit suggestion of the researcher for structuring and classifying the meanings that are important for the theory (Gokce, 2006: 18). The main purpose of the content analysis is to reach the concepts and relations that the can be explained with the collected data (Yildirim & Simsek, 2011: 227).

In the content analysis, a structured form consisting of 75 items and developing by researchers was used. During the development of the form, different studies in the literature on the subject were benefited (Yuan et al., 2004; Stevens & Burns, 2005; Rasch 2008; Duquesnois & Gurau, 2008; Madill & Neilson, 2010; Velikova et al., 2011; Gurău & Duquesnois, 2011; Cravidão & Reigadinha, 2012; Lea et al., 2016).

The most important limitation of this study is that most of the websites are blocked from access by end consumers to the products section in accordance with the provision that "Alcoholic beverages cannot be advertised and promoted to consumers under any circumstances". This provision has been published in the Official Gazette dated June 11, 2013 and entered into force with law No. 6487 in Turkey. For this reason, some marketing-related themes (such as online sales, pricing, etc.), which are important for research, could not be added to the code list.

The universe of the study is consisted of "Turkish wine producers holding production permission from Tobacco Alcohol Market Regulatory Board". During the research process, list of Turkish wine companies (2019) which have production permission for was obtained from the website of the Tobacco Alcohol Market Regulatory Board. 175 wine producers were identified in this list. It was decided to include all 175 websites in the research, in other words, complete inventory method was performed. A total of 175 wine producers were first scanned on search engines to determine whether they had an active website. As a result of the examinations, companies that do not have a web site (small producers), whose web sites are under construction and whose web sites are not active were not included in the research. The study was carried out on the websites of 53 wine companies.

## Data Collection Process and Analysis of Data

In this study, the content of the websites was analyzed using "written and visual elements". The encoding table used in this study was conducted as "coding in a general framework". In this kind of encoding, a general conceptual structure is formed before the analysis of the data and at the same time, the newly generated data is added to the previously code list as a result of the examination of the analysis units (Yildirim & Simsek, 2011: 232). In the coding process, the main categories/themes were determined as a result of the literature review and more detailed sub-themes that could be included under these themes were added to the code list after the examination of the data. The classifications in the literature and the contents of the sub-themes were taken into account in naming the themes. The study data were obtained from the analysis of written and visual elements in the websites of 53 wine firms between 01 August and 07 August 2019.

Two encoders were used in the content analysis of the websites of the Turkish wine firms. The codes created by the encoders for the categories were compared and necessary adjustments were made on the items which could not be agreed. Cohen's Kappa coefficient was calculated to numerically compare the encoding similarities and differences between %71.6% between encoders. Yildirim and Simsek (2011: 233) recommend that the reliability should be at least 70% between encoders. This is a reliable research depending on the consistency between the encoders.

In the research, the collected data is analyzed using SPSS 23 package program. Percentage and frequency analysis which is also called descriptive statistics is used in the data analysis.

### Findings

8 sub-categories have been dealt with in the evaluation of "general information about the company". The findings are listed in Table 1.

**Table: 1 - Evaluation of Turkish Wine Companies' Websites According to "General Information about to Company" and Their Distribution by Sub-Dimensions**

GENERAL INFORMATION ABOUT TO COMPANY	Available		Not Available		TOTAL	
	n	%	n	%	n	%
Company history/About us	50	94,3	3	5,7	53	100
Mission statement	18	34,0	35	66,0		
Vision statement	13	24,5	40	75,5		
Management chart	12	22,6	41	77,4		
Working hours	8	15,1	45	84,9		
Stores/branches	23	43,4	30	56,6		
Awards	24	45,3	29	54,7		
Certificates	19	35,8	34	64,2		

The most emphasized sub-category related to the general information about to company in the websites of the Turkish wine companies are 94.3% "company history/about us" information. Of the 53 websites, 24 (45.3%) state the "awards" they have received for their production / products on their websites. The number of companies that have different branches or which indicate the stores where the products they produce are sold on their websites is 23 (43.4%). On the other hand, it is noteworthy that the percentage of other sub-dimensions under this main theme is very low on websites. Only 19 (35.8%) wine companies publish their certificates on their websites. Similarly, a few companies have mission (34%) and vision statements (24.5%) on their websites. The number of companies that include management team/managers/work team on their websites is only 12 (22.6%). Within the scope of the analysis, only 8 (15.1%) websites were found to provide working hours information.

Websites were evaluated in terms of 18 sub-categories in the analysis for "website design elements". The findings are listed in Table 2.

In the evaluation of the websites of the Turkish wine producers included in the research, it is noteworthy that there are many sub-themes that are required in the literature for a good website design. Of the 53 reviewed websites, 51 (96.2%) has scroll down function and 50 (94.3%) has link to access to the home page. 49 of the websites (92.5) have a sitemap and the URL extensions are simple and straightforward (88.7%). Many companies (86.8%) pay attention to the strategy of having logo and company name information on every page which is important for remembering and brand positioning. 44 (83%) of the firms surveyed provide up-to-date information which included winemaking, wine history etc. on their websites. In terms of color scheme (81.1%), ease of reading text (81.1%), ease of navigation on the web site (79.2%) and visual appeal (75.5%), the majority of the web sites are desired

qualifications. One of the most important elements for a good website design is visuals. As stated before, most of the producers (39.6%) who are restricted by the relevant law in terms of advertising and promotion to end consumers don't give place to wine images on their websites. However, most companies often use company images (90.6%) and vineyard images (92.5%) on their websites. Of the 53 companies, only 23 (43.4%) have different language options on their websites, while 15 have videos (28.3%) and 10 (18.9%) have an event calendar. The number of companies that include search (11.3%) and help (1.9%) functions on the web sites is quite low.

**Table: 2 - Evaluation of Turkish Wine Companies' Websites According to "Website Design Elements" and Their Distribution by Sub-Dimensions**

WEBSITE DESIGN ELEMENTS		Available		Not Available		TOTAL	
		n	%	n	%	n	%
Simple and suitable URL		47	88,7	6	11,3	53	100
Visual appeal		40	75,5	13	24,5		
Ease of navigation		42	79,2	11	20,8		
Updated information (vinification, wine history)		44	83,0	9	17,0		
Site map/index (content)		49	92,5	4	7,5		
Logo and company name each page		46	86,8	7	13,2		
Scroll down function		51	96,2	2	3,8		
Link to access to homepage		50	94,3	3	5,7		
Ease of reading text		43	81,1	10	18,9		
Different language options		23	43,4	30	56,6		
Search function		6	11,3	47	88,7		
Help function		1	1,9	52	98,1		
Consistent color scheme		43	81,1	10	18,9		
Images	Company images	48	90,6	5	9,4		
	Vineyard/racemation images	49	92,5	4	7,5		
	Wine images	21	39,6	32	60,4		
Videos		15	28,3	38	71,7		
Event calendar		10	18,9	43	81,1		

11 subthemes/subcategories were included in the analysis for the main theme/category of "visitor interaction elements". The findings of the analysis are shown in Table 3.

**Table: 3 - Evaluation of Turkish Wine Companies' Websites According to "Visitor Interaction Elements" and Their Distribution by Sub-Dimensions**

VISITOR INTERACTION ELEMENTS		Available		Not Available		TOTAL	
		n	%	n	%	n	%
Telephone number		50	94,3	3	5,7	53	100
Address		53	100	0	0		
E-mail		53	100	0	0		
Location map		32	60,4	21	39,6		
Online information form		35	66,0	18	34,0		
Online survey		1	1,9	52	98,1		
Online reservation		6	11,3	47	88,7		
Virtual tour		4	7,5	49	92,5		
Frequently asked questions		5	9,4	48	90,6		
Advices (wine/food harmony, recipes, tips on wine tasting ...)		16	30,2	37	69,8		
Visitor references		10	18,9	43	81,1		

While all the web sites examined within the scope of the research have the address and e-mail information, 50 firms (94.3%) have phone numbers information. 35 (66%) companies have online information forms, which constitute an important dimension of interaction with visitors, on their websites. Only 32 (60.4%) wine companies share their location map with visitors on their websites. It is noteworthy that, apart from these sub-themes, many elements that are important in terms of interaction with visitors are not included in the websites. For example, there are only 16 websites

(30.2%) have “advices” sub-theme, which is an important element that can keep a visitor long time on the website. Similarly, it is seen that existence frequency of visitor references (18.9%), online bookings (11.3%), frequently asked questions (9.4%), virtual tours (7.5%) and online surveys (1.9%) informations are quite low.

38 subcategories were examined in evaluating the website marketing elements. The findings are shown in Table 4.

**Table: 4 - Evaluation of Turkish Wine Companies' Websites According to Marketing Elements and Their Distribution by Sub-Dimensions**

MARKETING ELEMENTS		Available		Not Available		TOTAL	
		n	%	n	%	n	%
Product	Information about the wines	44	83,0	9	17,0	53	100
	Wine catalog	31	58,5	22	41,5		
	Menu	2	3,8	51	96,2		
	Other products	15	28,3	38	71,7		
Pruduction	Information on wine production / production process	44	83,0	9	17,0		
	Articles about wine production	14	26,4	39	73,6		
	Knowledge of vintage	24	45,3	29	54,7		
Price	Wine price information	1	1,9	52	98,1		
Public relations	Press release/newspaper news	19	35,8	34	64,2		
	Brochures	7	13,2	46	86,8		
	Announcements	18	34,0	35	66,0		
Events	Tours of wine production	18	34,0	35	66,0		
	Wine tasting tours	18	34,0	35	66,0		
	Vintage tours	17	32,1	36	67,9		
	Workshop announcements	9	17,0	44	83,0		
	Seminar/chat announcements	9	17,0	44	83,0		
	Education announcements	10	18,9	43	81,1		
	Festival announcements	8	15,1	45	84,9		
	Gift certificates/cards	0	0	53	100		
Promotions	Campaigns for special days (Valentine's Day, Mother's Day, Holidays...)	3	5,7	50	94,3		
	Souvenirs	1	1,9	52	98,1		
	Competitions	1	1,9	52	98,1		
Social media integration	Facebook	30	56,6	23	43,4		
	Twitter	24	45,3	29	54,7		
	Youtube	4	7,5	49	92,5		
	Linkedin	3	5,7	50	94,3		
	Instagram	22	41,5	31	58,5		
	Google+	6	11,3	47	88,7		
	Pinterest	3	5,7	50	94,3		
	Flickr	0	0	53	100		
	Tripadvisor	6	11,3	47	88,7		
	Forums	0	0	53	100		
	Blogs	1	1,9	52	98,1		
	Regional accommodation	8	15,1	45	84,9		
Partnerships/ Area-related activities	Local restaurants	13	24,5	40	75,5		
	Local tourist attractions	17	32,1	36	67,9		
	Other events/festivals in the area	8	15,1	45	84,9		
Loyalty program	Private wine club membership	2	3,8	51	96,2		

It is seen that the usage rates of marketing items constituting the starting point of the study on web sites are quite low. As mentioned before, the legal regulation that was started to be implemented in our country in 2013 make it difficult to market website for wine companies. However, it is noteworthy that many of the practices that can be implemented in line with legal limits are not emphasized sufficiently on the websites.

Within the scope of the “product” sub-theme, which is under the theme of marketing-oriented elements, it is seen that most of the wine companies (83%) provide information about the wines they

produce on their websites. Wine catalogs are available on the websites of 31 companies (58,5) that give access to the product category. However, there is no product image and price information in these catalogs, only the product types are stated in writing. The menu information was only seen on 2 websites (3.8%). These menus, which do not include price information, are offered as the menu of the restaurants owned by the company. Some of the companies are not only wine producers and they give place to other products (other alcoholic beverages, olive oil etc.) (28.3%) on their websites. Under the “production” sub-theme, it is seen that the number of websites providing information about wine production processes is high (83%). 24 companies (45.3%) give information and visuals about the vineyards and 14 companies (26.4%) provide academic and up-to-date information and articles on their websites. Only one of the companies (internationally active and the website is offered in foreign language) that cannot provide price information due to legal limits has offer “wine price information” on website. The number of companies presenting the items under the “public relations” sub-theme on their websites is also limited. Of the 53 companies, only 19 (35.8) published press releases / news, 18 (34%) announcements, and 7 (13.2%) brochures.

One of the most important income sources of wine producers is the different themed tours they organize for the promotion and sale of the wines they produce. Some of the companies included in the research give information about these tours, announcements and event photos etc. on their websites. Tours for wine production (34%) and wine tasting (34%) are the most frequently highlighted events on websites. However, the number of companies that organize these tours and / or place these activities on their websites is still limited.

The “promotion” sub-theme is an important marketing element especially for companies that have store sell and/or provide food and beverage services. However, again due to the limitations of legal promotion, it is seen that the companies do not place enough items for promotions on their websites. Very few companies have provided limited information about sweepstakes, gifts, and special day campaigns on their websites.

The “social media integration” sub-theme is also considered as one of the most important issues in terms of marketing. The frequency of presence on websites of social media channels which is an unlimited area where the products and services can be promoted and sold is quite low. The most commonly used social media channels of companies sharing social network connections on their websites are facebook (56.6%), twitter (45.3) and instagram (41.5%).

Regional cooperations and partnerships are also important for the wine producers. Wine companies are both an important factor for the development of wine tourism in a destination and also benefit economically from this development. It is seen that the rate of wine companies to place these partnerships on their websites is low. Only 17 (32.1%) of the winemakers provided written and visual information on their website to promote tourist attractions in the region, while 13 (24.5%) make promotional efforts for local restaurants (usually restaurants operating in-house) in the area.

Under the sub-theme of the “loyalty program”, it was found that only 2 wine producers offered membership to a private wine club for their customers and shared this information on their websites.

### **Conclusion and Sugesstions**

According to the results obtained from the findings; only 53 out of 175 Turkish wine producers who have a production permit from the Tobacco Alcohol Market Regulatory Board have a usable website. It is possible to say that this ratio is very low considering the structure, development potential

and competitive situation of the wine sector worldwide. Despite all the restrictions on online sales in Turkey, having a functional website is vital in terms of promotion, marketing and brand image in this sector which has high business volume.

The first category discussed in this study, which evaluates the marketing elements on the websites of Turkish wine producers included in the research, is the **general information about the company**. In this category, the history / about us section of companies is the category which most takes place in the websites. These stories, which create a positive impression about the company reinforce the trust in the brand. However, in this category, mission and vision statements do not appear enough on the websites. Especially for a corporate firm, these expressions that contain the reason for existence and dreams for the future will increase the trust in the brand and contribute to the creation of a positive image in the minds of consumers.

The second category considered in the evaluation is the **website design elements**. The elements found to be missing in this category are different language options, videos, event calendar, and search and help functions. Especially, wine producers that want to attract visitors from different nations in the globalizing world should offer the different language options such as English and even other preferred foreign languages to the site visitors. At the same time, companies should give place to production processes videos, past event videos and future event calendars in their websites for successful promotion. The in-site search and help functions are very useful for websites that include intensive and detailed information, so that consumers can find the information they need in a short time, and it needs to be placed on the websites for effective navigation.

Another research category is **visitor interaction elements** in this study. In this context, it was found that the web sites provide the address, telephone, e-mail information, online information form, location map to the visitors, but other elements that are important for interaction with the visitors are not included in the websites. These elements are food / wine harmony, wine recipes, tips on wine tasting and so on recommendations. The more such information / articles / current news appear on the site, the longer the visitor will spend on the website. Similarly, one of the the most important data sources that can provide information to potential visitors about wine companies are customers and their feedback. If a customer, who has been in the wine production plant before and is satisfied with the offered products and services, expresses her/his satisfaction in the online comment forms, it will be able to positively influence the selection decision of a potential visitor.

The last category discussed in the research conducted on the websites of Turkish wine producers is **marketing elements**. It has been found that the usage of marketing elements on websites is quite low. It is thought that the most important reason for this is the legal regulation that started to be implemented in our country in 2013. However, it is noteworthy that many of the practices that can be implemented in line with legal limits are still not available on the websites. One of the neglected items in this category is the “public relations sub-theme. Wine companies do not provide sufficient publicity tools such as press releases”, newspaper articles and announcements on their websites. In this context, the contents that will attract the attention of consumers should be created with the cooperation with the press and placed on the websites with current / active information. The frequency of taking part in websites of social media integration sub-theme is also very low. In addition to traditional social media channels, it is important to ensure diversity in different channels. Also, it is not only sufficient that a wine company has a social media account, but it is also important that these accounts should work in harmony with the website so that social media visitor can become a customer. Only 2 wine producers offered membership to a private wine club for their customers. This type of loyalty program that

provide privileged services to visitors who have previously visited the facility, participated in events and / or exhibited online purchasing behavior is one of the ways to protect profitability against competing business. It is thought that it is important for companies to incorporate such programs. It has also been found that the rate of wine producers to include their partnerships with destination stakeholders on their websites is low. Many of the vineyards are located in touristic areas and cause influx of visitors. In some countries, vineyards are turned into large tourism facilities and holiday packages which include hotels, restaurants etc. are created for tourists. Web sites should be used as an important communication channel in delivering these holiday packages to tourists and/or informing tourists about them.

### References

- Aladwani, A.M. & P.C. Palvia (2002), "Developing and Validating an Instrument for Measuring User-Perceived Web Quality", *Information & Management*, 39(4), 467-476.
- Alpin, J. (1999), "E-commerce in Wine: Benefits and Barriers", *Australian Wine Industry Journal*, 14 (6), 87-91.
- Bayram, M. (2008), "Elektronik Ticarete Web Site Tasarımının Önemi: Türkiye Otel Web Sitelerinin Değerlendirilmesi", *Yayımlanmamış Yüksek Lisans Tezi*, Gazi Üniversitesi, Eğitim Bilimleri Enstitüsü, Ankara.
- Benckendorff, P.J. & N.L. Black (2002), "Destination Marketing on the Internet: A Case Study of Australian Regional Tourism Authorities", *The Journal of Tourism Studies*, 11(1), 11-21.
- Beery, C. & B. Trela (2014), *Using Social Media to Market Your Winery*, <<https://pdfs.semanticscholar.org/daf3/710b968d5da68918e3e7ee7f22a1832fc282.pdf>>, 28.08.2019.
- Bruwer, J. & G. Wood (2005), "The Australian Online Wine-buying Consumer: Motivational and Behavioural Perspectives", *Journal of Wine Research*, 16(3), 193-211.
- Burgess, S. & C. Sellitto & A. Wenn (2005), "Maturity in the websites of Australian wineries: a study of varying website content", *International Journal of Electronic Business*, 3 (5), 473-490.
- Cassar, M.L. & A. Caruana & J. Konietzny (2018), "Positioning narratives of wine tourism websites: a lexical analysis across two different regions", *Journal of Wine Research*, 29(1), 49-63.
- Chakraborty, G. & V. Lala & D. Warren (2002), "An Empirical Investigation of Antecedents of B2B Websites' Effectiveness", *Journal of Interactive Marketing*, 16(4), 51-72.
- Cravidão, M. & T. Reigadinha (2012), "E-marketing For Wine Tourism", *Enlightening Tourism. A Pathmaking Journal*, 2(1), 1-22.
- Cox, J. & B.G. Dale (2002), "Key quality factors in web site design and use: An examination", *International Journal of Quality & Reliability Management*, 19(7), 862-888.
- Duquesnois, F. & C. Gurău (2008), "The Internet marketing strategy of French wine producers from Languedoc-Roussillon region", *4th International Conference of the Academy of Wine Business Research*, Siena, 17-19 July, 1-13.
- Duran, E. & E. Eryucel & Z. Ozcan (2018), "Şarap Üretimi ve Tüketiminin Türkiye Turizmindeki Yeri: Kadim Anadolu Bağ Rotası Başlangıç Noktası Olarak Çanakkale Örneği", *Journal of Tourism and Research*, 8(1), 70-83.
- Goodman, S. (2000), "Online to go Global: South Australian SME Wineries, Exporting and the Internet", *Australian Wine Industry Journal (Marketing Supplement)*, 15(6), 3-10.
- Gokce, O. (2006), *İçerik Analizi - Kuramsal ve Pratik Bilgiler*, Ankara, Siyasal Kitabevi.
- Gurău, C. & F. Duquesnois (2011), "The Website as an Integrated Marketing Tool: An Exploratory Study of French Wine Producers", *Journal of Small Business & Entrepreneurship*, 24(1), 17-28.

- Gurses, U. (2019), *Türkiye 'nin Şarap Dosyası*, <<https://ugurses.net/2019/08/12/turkiyenin-sarap-dosyasi/>>, 28.08.2019.
- Lea, I. & M. Fait & P. Scorrano & M. Amedeo & F. Cavallo (2016), “Wine Web Value: Web Marketing Strategies for Family Businesses”, *9th Annual Conference of the EuroMed Academy of Business*, September 14-16, Warsaw, Poland, 1006-1019.
- Madill, J. & L.C. Neilson (2010), “Web Site Utilization in SME Business Strategy: The Case of Canadian Wine SMEs”, *Journal of Small Business & Entrepreneurship*, 23(4), 489-507.
- Mills, A.J. & L. Pitt & S. Sattari (2012), “Reading between the vines: Analyzing the readability of consumer brand wine web sites”, *International Journal of Wine Business Research*, 24(3), 169-182.
- Neilson, L.C. & J. Madill & G.H. Haines Jr (2010), “The development of e-business in wine industry SMEs: An international perspective”, *International Journal of Electronic Business*, 8(2), 126-147.
- Oztuna-Kaynakci, C. (2019), *Türkiyenin Şarap Haritası*, <<http://www.brandlifemag.com/turkiyenin-sarap-haritasi/>>, 28.08.2019.
- Rasch, L.A. (2008), “Online Wine Tourism Marketing Efforts of Wineries and Convention and Visitors Bureaus in Texas”, *Unpublished MBA Thesis*, A&M University.
- Richardson, O. (2002), “Utilisation of the World Wide Web by Wine Producers”, *International Journal of Wine Marketing*, 14(3), 65-79.
- Stevens, N. & E. Burns (2005), “Website Use in the Hawke’s Bay Wine Region of New Zealand”, *International Journal of Wine Marketing*, 17(1), 69-85.
- Stricker, S. & R.A.E. Mueller & D. Sumner (2001), “Wine on the Web: Rapid Appraisal of Websites by Wineries and Wine Merchants from Australia, California and Germany”, *Proceedings of the 75<sup>th</sup> Seminar of the European Association of Agricultural Economists (EAAE)*, February 14-16, Bonn, Germany, 193-204.
- Symonds, J. (2001), “Adoption of WWW Pages Among New Zealand Wineries”, *Proceedings of the Twelfth Australasian Conference on Information Systems*, 5- 6 December, Coffs Harbour, NSW, 645-652.
- Velikova, N. & J.B. Wilcox & T.H. Dodd (2011), “Designing Effective Winery Websites: Marketing-Oriented versus Wine-Oriented Websites”, *6th AWBR International Conference, Bordeaux Management School*, 9-10 June 2011, France.
- Yildirim, A. & H. Simsek (2011), *Sosyal Bilimlerde Nitel Araştırma Yöntemleri*, Ankara, Seçkin Yayıncılık.
- Yuan, J. & A.M. Morrison & S. Linton & R. Feng & S. Jeon (2004), “Marketing Small Wineries: An Exploratory Approach to Website Evaluation”, *Tourism Recreation Research*, 29(3), 15-25.
- Yuksel, A. & F. Yuksel (2004), *Turizmde Bilimsel Araştırma Yöntemleri*, Ankara, Turhan Kitabevi.





## Investigation of the Effects of Professional Sports on Employees' Work and Life

**İşıl USTA-KARA** (<https://orcid.org/0000-0003-2527-2961>), *Trakya University, Turkey; e-mail: isilusta@trakya.edu.tr*

### Abstract

In this study, the attitudes of the employees who play an active role in professional life and who do sports as a professional are investigated. The sample of the study consists of five employees working in public and private sectors. The interviews with the participants were conducted between 15 July and 10 September 2019. As a result of the interviews, it is seen that sports have positive effects on both private and business life of the employees. The participants stated that sport is a motivator for business life and a source of happiness for private life.

**Keywords** : Professional Sport, Employee, Work, Life.

**JEL Classification Codes** : D2, D23, M1, M12.

### Introduction

Individuals are engaged in sports because of their free time, being healthy and happy, having a good look or feeling mentally good. In particular, it can be thought that today, where technology takes individuals captive and urban stress is high, individuals may show more interest in sporting activities to relax. It can be said that people have significant effects on both private and business lives because of the physical and mental benefits of sports. However, most individuals can get away from sports activities due to lack of time and home-work conflict.

Sport is defined as a set of systematic physical movements with pleasure, with its own rules and institutions, which often emerge as competition. It is stated that sport serves the mental and physical development of people and contributes to the increase in productivity in working life (Doğan & Morali, 1999: 18). Taylor, Davies, Wells, Gilbertson and Tayleur (2015) indicated that mainly positive relationship between engagement in sport and physical exercise and health. A range of studies have shown sport and recreation generates both physical and mental benefits. Individuals participating in these activities receive an increased sense of well-being derived from physical fitness and improved mental stimulation and satisfaction, in part associated with enhanced social networks (Wheatley & Bickerton, 2017: 28).

Outdoor sports provide benefits to individuals in areas such as learning group dynamics, leadership, confidence building, individual decision making, risk management, responsibility taking, happiness and socialization (Ardahan & Yerlisu-apa, 2011: 1331).

The aim of this study is to investigate the attitudes of individuals who take an active role in business life and who have a license to participate in sports activities. For this purpose, interviews were conducted with employees working in the private and public sectors and holding a license in a sports

branch. In addition, this study aims to provide data and guidance for other studies to be conducted in the future.

## Research Method

### Purpose and Sample of the Research

In this study, it is aimed to reveal the positive and negative effects of non-work sports activities on employees. Effects of these sport activities on their work and performances and whether the organizations support them about these activities are examined. For this purpose, individuals who have at least one sport license have been included in the scope of the study.

The sample of this study consists of five employees who live in Istanbul and work in an organization, which is engaged in professional sports. And three of the participants work in the private sector and two in the public sector.

### Analysis Method of Research

Qualitative analysis method was preferred in the research. Semi-structured interview method was used in the study. The interviews were conducted face-to-face with the participants between 15 July and 10 September 2019. Firstly, the questions prepared by the author were asked, and then their opinions and suggestions were asked.

Research questions were prepared in accordance with the information obtained from the studies conducted on the subject. In addition, additional questions were added with the guidance of the participants during the interview. Firstly, the participants were asked questions to learn about their demographic characteristics and sports backgrounds. The physical and mental benefits of sports to individuals and their reflections at the organizational level were tried to be determined.

The research questions prepared by the author are given in Table 1.

**Table: 1 - Research Questions**

	Research Questions
Q1	Age
Q2	Marital status
Q3	Education level
Q4	Total working time, how many years have you been working in your current organization?
Q5	What is your reason for doing sports?
Q6	What kind of sports are you dealing with? How long have you been doing this? How long have you been licensed?
Q7	How much time do you spend on your daily workouts?
Q8	Which part of the day do you often do sports; do you practice individually or as a team?
Q9	Does your income allow you to do sports as you wish?
Q10	Can you follow official sports organizations? Would you please indicate the organization in which you participated most? What is the frequency of your participation in these organizations?
Q11	Do your family, organization and colleagues support you in doing sports? Do you have colleagues who do sports in the same or different branches as you?
Q12	Does your organization have teams for sports branches? Is there a team in your branch?
Q13	If your organization has a team that supports your branch, how does it make you feel?
Q14	If your organization does not have a team related to your branch, have you contacted your organization for establishment? What was their reaction?
Q15	On which days of the week do you prefer sports organizations? Did you get permission from the organization you work for during the working time to participate in a race? If you have received permission, have you said this organization and how has your organization reacted?
Q16	Do you get excited before joining a sports organization? How does this excitement reflect on your business performance?
Q17	Do you experience cyber loafing before and after your participation in the sports organization?
Q18	Can you describe how sports make you feel?

Q19	What are the benefits of sport at the organizational level? For example, does it help you cope with stress and make the right decisions?
Q20	How does sports affect your happiness and how do you feel physically and psychologically? Can you compare it to when you are not doing sports?
Q21	Do you think that doing sports has positive or negative effects on your business performance? Can you compare your performance when you are sporting and your performance when you are not doing?
Q22	Does sports increase your satisfaction from work? Does it motivate you to work?
Q23	Does sports increase your satisfaction with life?
Q24	Can you spare time for work, family and sport? Or do you have to give up someone?
Q25	Would you prefer to be an athlete by not working in your organization?

## Findings

The results obtained from face-to-face interviews are given in Table 2 and Table 3.

**Table: 2 - Demographics Characteristics of Participations**

Research Questions	P1	P2	P3	P4	P5
Age	37	35	35	47	40
Marital status	Married	Married	Single	Married	Single
Education level	undergraduate	Master	undergraduate	undergraduate	undergraduate
Total working time (year)	13	15	8	23	11
Working time in current organizations (year)	8	15	2	3	8

**Table: 3 - Attitudes of Participations about Work and Life**

Research Questions	P1	P2	P3	P4	P5
Q5	Psychological	Healthy life, quick decision making, social relationship	Psychological, happy, healthy life	Relaxing, mental healthy	Mental and physical healthy
Q6	Triathlon (running, swimming, cycling) 3 years	Running 2 years	Duathlon (running, cycling) 3 years	Cycling 3 years	Triathlon (running, swimming, cycling) 5 years
Q7	1-2 hours	2 hours	2 hours	2 hours	3 hours
Q8	After work-individual Weekends-team	After work Weekends - individual	After work-individual	Before work-individual	Before and after work
Q9	Not enough	Enough	Enough	Not enough	Not enough
Q10	Running race, marathon, duathlon race Five per year	Running race, marathon, Four or five per year	Running and cycling race Seven per year	Cyclin race Four per year	Running race, marathon, triathlon race Ten per year
Q11	My wife, friends and organization support me in sports, but my father doesn't support me	my family, friends and organization support me in sports I have colloquies who do sports in the same or different branches	my family, friends and organization support me in sports I don't have colloquies who do sports in the same or different branches	my family, support me in sports I have colloquies who do sports in the same branches	my family, friends support me in sports I don't have colloquies who do sports in the same or different branches
Q12	My organization doesn't have a team in my sports field	My organization does not have a team in my sports field	My organization has running team, doesn't have cycling team	My organization doesn't have a team in my sports field	My organization does not have a team in my sports field
Q13	Motivation, organizational commitment, financial support	Self-reliance, motivation, organizational commitment	Motivation, financial support	Motivation	Motivation
Q14	Yes They weren't interested. my organization said that it can't allocate budget for this sports team	They are working	I didn't communicate	Nobody interests sports in public sector.	Nobody interests sports in public sector. They only see football as sport

Q15	Weekend	Weekend	Usually weekend sometimes I get two hours off at the end of the job my organization does not react negatively	Weekend	Weekend sometimes I get permission from my organization on weekdays. they think I'm exaggerating sport
Q16	Yes I work more planned	Yes I work faster	Yes I focus more on business	Yes I'm motivated by my friends	Yes I work more planned. I feel more vigorous
Q17	Yes	Yes I talk to my friends and do research on internet	Yes	I don't mix business and sports life	I usually do research about the organization when I'm not working
Q18	Feel happier, feel fit	Feel happier, feel fit focus easily	I'm unhappy when I'm not doing sports	Feel refreshed	Feel freedom, self-realized
Q19	Quick and right decision Anger management Learn time management	Quick and right decision Crisis management	Coping with stress Improve social relations	Anger management	Coping with stress
Q20	I'm unhappy and angry when I'm not doing sports	You are always happy and positive	I'm unhappy when I'm not doing sports	You can turn a white page	I fell more stress when I'm not doing sports
Q21	Positive effect I can solve business problems more easily. I work more energetically	Positive effect I can solve business problems more easily, think fast	Positive effect I can work more efficiently	Positive effect I can work more efficiently	Positive effect becoming more active in the workplace
Q22	Yes	Yes	Yes	Yes I work disciplined through sports	Yes I become a person open to development thanks to sports
Q23	Yes improves quality of life	Yes improves quality of life enrich and diversify social relations	Yes improves quality of life	Yes improves quality of life	Yes improves quality of life
Q24	If you can manage the time you can take time to all of them	Sports makes you a good organizer so I can leave time to everyone	Sometimes you have to sacrifice	I sometimes sacrifice sport to give time to my family	Sometimes I have to sacrifice from sports
Q25	Yes	No	No	If I was younger, I would have preferred to be a cyclist	Yes

## Conclusion

According to the demographic characteristics, participants are between the ages of 35 and 47 and they have at least undergraduate education. Three of the participants are married, the others are single. Three of the employees work in the private sector and the other two work in public organizations. Two participants have triathlon (running-swimming-cycling) licences, other participants have a license in duathlon, cycling and running. Participants have been working in their organizations for at least 10 years.

The participants stated that they prefer sports because it provides psychological relief and prepares them for being healthy and fit. They stated that they do sports for at least 2 hours per day and they concentrate more on training after work hours. Especially those who are engaged in triathlon and cycling sports expressed that they go to work by bicycle. Participants stated that they participated in official sports organizations in spring and autumn. Participants working in the private sector stated that they did not get any permission from the organization in order to participate in these organizations and that the public sector employees received permission when necessary. Employees reported that their income is not sufficient to engage in the sport, and that the majority of sports organizations are expensive and therefore expect their organizations to encourage.

It was seen that the participants' families and colleagues supported and even affected them in sports. In terms of the organizations they work for, it was seen that public organizations do not support, and private sector provides support in various branches. Employees stated that the support provided by organizations increases self-esteem and motivation and participating in competitions with corporate uniform provides organizational commitment. It is observed that the participation of the company participating in Sportive Organizations is higher in certain sub-dimensions of organizational commitment and quality of life than those who do not participate (Togo, 2018). It can be said that it is both individual and organizational benefit that institutions support sports employees.

Although the employees make cyber loafing such as correspondence with friends during the working hours and browsing the internet, they consider these situations as an element of motivation and their performance in the work increases. After the organizations, they said that they were more motivated.

It was determined that sport is the only and most effective tool for coping with work stress, anger control, and contributing to problem solving in an easy and constructive way. In addition, it was that individuals achieve a balance in both business, family and sports life and thus are successful in time management. It was concluded that they work mentally more comfortably and motivated during sports. Especially when supported by the organization, it was determined that this provides job satisfaction and they work more efficiently.

All participants stated that sport improves life satisfaction, quality of life and facilitates social relations. Participants see sports as equivalent to happiness. It can be stated that it would be beneficial for individuals to exercise for physical and psychological well-being.

The studies conducted in the related literature about the employees engaged in sports support the findings obtained at the end of the interviews. It was found that job satisfaction levels of the participants in social activities were higher than those who spent their leisure time relaxing (Aydın, 2017). In some researches, it was found that individuals who do sports are right and fast in making decisions, have high risk-taking levels and are successful in using emotions positively (Aktaş & Erhan, 2015; Ardahan, 2012). In studies conducted on cyclists and trekkers, it has been found that individuals are happy when they do sports, personal satisfaction and self-confidence increase and they work more efficiently (Ardahan & Yerlisu-Lapa, 2011; Koçak, 2016).

It is stated that individuals who do sports have more anger control than those who do not do sports, and those who do not do any sports are in constant anger (Üzüm & Orhan & Karlı & Duş & Yerlikaya & Gökgöz, 2016: 466). In the study conducted on the members of the police, it was concluded that the satisfaction of life and job satisfaction of the employees doing sports were higher than those who did not (Polat, 2014). Alfermann and Stoll (2000) stated that physical exercise is one of the strategies used to improve mental health.

It was seen that doing sports provides physical and mental benefit at individual level and organizational level. For this reason, the happiness, well-being, life satisfaction and reflections of the employees who do sports are worthy of research. In addition, comparative research is needed between employees who do sports and those who do not.

## References

- Aktaş, İ. & S.E. Erhan (2015), "Spor Yapan ve Spor Yapmayan Bireylerin Benlik Saygısı ve Risk Alma Düzeylerinin İncelenmesi (Erzurum İli Örneği)", *Sportif Bakış: Spor ve Eğitim Bilimleri Dergisi*, 2(2), 40-51.

- Alfermann, D. & O. Stoll (2000), "Effects of Physical Exercise on Self-Concept and Well-Being", *International Journal of Sport Psychology*, 31(1), 47-65.
- Ardahan, F. (2012), "Duygusal Zekâ Ve Yaşam Doyumu Arasındaki İlişkinin Doğa Sporü Yapanlar Örneğinde İncelenmesi", *Pamukkale Journal of Sport Sciences*, 3 (3), 20-33.
- Ardahan, F. & T. Yerlisu-Lapa (2011), "Açık Alan Rekreasyonu: Bisiklet Kullanıcıları ve Yürüyüşçülerin Doğa Sporü Yapma Nedenleri ve Elde Ettikleri Faydalar", *Uluslararası İnsan Bilimleri Dergisi*, 8(1), 1327-1341.
- Aydın, E. (2017), "Spor Yapan Üniversite Personelinin İş Doyum Düzeylerinin Belirlenmesi", *Turkish Journal of Educational Studies*, 4(1), 89-113.
- Doğan, B. & S. Moralı (1999), "Üniversite Öğretim Elemanlarının Sporla İlgili Tutumları ile Yaşam ve İş Doyum Düzeylerinin Spor Yapma Alışkanlıkları İle İncelenmesi", *CBÜ Beden Eğitimi ve Spor Bilimleri Dergisi*, 3(1), 16-27.
- Koçak, F. (2016), "Türkiye’de Bisiklet Kullanımı: Bisiklet Kullanma Nedenleri ve Elde Edilen Faydalar", *Journal of Human Sciences*, 13(3), 5760-5771.
- Üzüm, H. & M. Orhan & Ü. Karlı & M.K. Duş & G. Yerlikaya & H. Gökgöz (2016), "Spor Yapan ve Yapmayan Bireylerin Öfke Kontrol Tarzlarının İncelenmesi", *AİBÜ Sosyal Bilimler Enstitüsü Dergisi*, 16(1), 453-469.
- Polat, A. (2014), "Egzersiz Yapan Ve Yapmayan Emniyet Mensuplarının Yaşam Doyumu İş Tatmini ve Tükenmişlik Düzeylerinin İncelenmesi (Sakarya İli Örneği)", *Basılmamış Yüksek Lisans Tezi*, Sakarya Üniversitesi Eğitim Bilimleri Enstitüsü, Sakarya.
- Taylor, P. & L. Davies & P. Wells & J. Gilbertson & W. Tayleur (2015), "A review of the Social Impacts of Culture and Sport", *Department for Culture, Media and Sport*, <[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/416279/A\\_review\\_of\\_the\\_Social\\_Impacts\\_of\\_Culture\\_and\\_Sport.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/416279/A_review_of_the_Social_Impacts_of_Culture_and_Sport.pdf)>, 28.08.2019.
- Togo, O.T. (2018), "Kurumsal Spor Organizasyonların Örgütsel Bağlılık ve Yaşam Kalitesine Etkisinin Değerlendirilmesi", *Basılmamış Doktora Tezi*, Marmara Üniversitesi Sağlık Bilimleri Enstitüsü.
- Wheatley, D. & C. Bickerton (2017), "Subjective Well-Being and Engagement in Arts, Culture and Sport", *Journal of Cultural Economics*, 41(1), 23-45.

## Determinants of Second-Hand Car Prices: Empirical Evidence from İstanbul

**Ebru ÇAĞLAYAN-AKAY** (<https://orcid.org/0000-0002-9998-5334>),  
Marmara University, Turkey; e-mail: [ecaglayan@marmara.edu.tr](mailto:ecaglayan@marmara.edu.tr)

**Hoşeng BÜLBÜL** (<https://orcid.org/0000-0002-4541-8916>), Marmara  
University, Turkey; e-mail: [hoseng.bulbul@marmara.edu.tr](mailto:hoseng.bulbul@marmara.edu.tr)

**Derya TOPDAĞ** (<https://orcid.org/0000-0002-9998-5334>), Bandırma Onyedi  
Eylül University, Turkey; e-mail: [dtopdag@bandirma.edu.tr](mailto:dtopdag@bandirma.edu.tr)

### Abstract

Since used cars have a massive market in the automotive sector, it is essential to determine the factors affecting the pricing of used cars and the significance of these factors. The hedonic price model establishes the relationship between the price of second-hand cars and the structural features of the car. In the study, İstanbul's second-hand car market was to determine the factors affecting the prices of the second-hand car by using parametric and semiparametric additive regression. The findings of the study show that fuel type, transmission type, kilometer, engine volume, engine power and guaranteed have an important effect on the second-hand car prices. Results of the study also show that engine volume, engine power variables have a nonlinear relationship with second-hand car prices. The results of the analysis support that the semiparametric additive model is better than a parametric model to analyze second-hand car prices.

**Keywords** : Hedonic Price Model, Second-Hand Car Price, Semiparametric Additive Model.

**JEL Classification Codes** : C12, C14, D40.

### Introduction

The automotive industry has a large share in sectoral and economically and has always played an essential role in the global economy. The reason for this is that this industry is one of the most critical indicators of industrialization of national economies. While it is easy to determine car prices in times of limited production and competition, today's production has increased competition in the car market, which has led to the production of cars with very different characteristics, priced at different prices. Also, the increase in the amount of production led to the second-hand car market to grow. For example, in the US economy, the new car market volume is half the volume of the second-hand car market (Lee, 2006: 120). In Germany, the failure to sell new cars due to the 2008 global crisis led to a more than 14% increase in second-hand car sales between 2009 and 2012 (Kihm and Vance, 2016: 1250). In Turkey, the automobile industry has nearly 50 years of history and has an unsaturated market compared to the world economy. This sector has great importance in terms of contribution to the economic growth of Turkey. In this context, the determination of second-hand car prices arouses increasing interest in terms of businesses and policymakers.



Among the vehicles, each with different technology and performance-dependent features, choosing the right car has become increasingly complex. Therefore, it is essential to determine the factors that affect the pricing of used cars for parties who want to buy and sell their cars at real prices. For this purpose, price theory is used.

Price theory digitizes the price change depending on the properties of a product. Each structural feature has value for consumers, and this value appears as an implicit price. The consumer tries to maximize the benefit, and the benefit is based on the property of a product. Therefore, the price of a product is determined by the benefit of the product for the consumer. In this context, the hedonic price model expresses the price of a product as the sum of the prices arising from the different properties of the product (Lancaster, 1966: 133).

The aim of the study to analyze the relationship between the price of second-hand cars and the structural features of the car in the light of the hedonic price model. In the estimation of the hedonic price, models are generally used to parametric approaches based on the Ordinary Least Squares Method (OLS). In this study, factors affecting car prices in the second-hand car market were examined by the semiparametric method. This method allows us to analyze the relationship between variables without making a restricted assumption about distribution. In the literature, it is seen that semiparametric estimations about the second-hand car market are quite a few. Therefore, the study is expected to fill this gap in the literature. The next parts of the study include the hedonic price model, literature, data set and application, and the conclusion section.

### Hedonic Price Model

Hedonic price theory is one of the economic methods that help to determine the implicit price of the product according to the benefit of each feature by correlating the prices of products with their structural characteristics in the car market where various products are present. The hedonic price model is used to include the different properties of the car in the estimation of used car prices. The first pioneers of this approach are Haas (1922) and Waugh (1928). Lancaster (1966) and Rosen (1974) developed the theoretical basis of hedonic pricing. According to Rosen (1974), the hedonic price model theory aims to determine the effects of these properties on the price by establishing a relationship between the features and price of a product (Rosen, 1974: 34). The price of a product is determined by the price of the structural features that make up it. In applied studies, coefficients in the semi-logarithmic functional form are associated with structural properties and price.

$$\ln P_i = \alpha_0 + \sum_{j=1}^J \beta_j x_{ij} + u_i \quad (1)$$

where,  $P_i$ , the price of the product  $i$ th,  $\alpha_0$  is the standard regression constant.  $x_{ij}$ ,  $j$ th structural characteristic of the  $i$ th product,  $\beta_j$  is the regression coefficient for the  $j$ th structural feature (Baltas & Saridakis, 2010: 288).

### Literature

The hedonic price model generally is used to assess the price of the housing market, the car market, and various products. In the literature, hedonic price estimations by nonparametric methods are quite a few. Most studies of these studies focus on the housing market, and there are few studies for used car markets. For example, Hartog and Bierens (1988), Pace (1995), Anglin and Gencay (1996), Gencay and Yang (1996), Martins-Filho and Bin (2005), Clapp (2004), Bontemps, et al. (2008), Heckman, et

al. (2010), McMillen and Redfearn (2010) estimated the hedonic price model for housing prices by the semiparametric methods.

In the use of the hedonic price model in the second-hand car market, Cowling and Cubbin (1972), Mertens and Ginsburgh (1985), Bajic (1993), Arguea et al. (1994), Couton et al. (1996), Murray and Sarantis (1999), Andersson (2005), Reis and Silva (2006), Matas and Raymond (2009), Hadinejad and Shabgard (2011), Abounoori and Rezvani (2012) and Balce (2016) studies come to the fore. There are a few studies examine second-hand car prices in Turkey. For example, Asilkan and Irmak (2009), Erdem and Şentürk (2009), Ecer (2013), Akçi (2016), Daştan (2016), Ulutaş et al. (2016), Özçalıcı (2017), Yayar and Yılmaz (2017), Çağlayan Akay et al. (2018) among others. They used different statistic and econometric methods such as data mining, decision trees, genetic algorithm, Markov Chain, Artificial Neural Networks, robust and resistant methods, descriptive methods, ARDL and Granger causality, regression analysis in their studies. We couldn't find any study in the literature about hedonic price theory on second-hand car prices focus on nonparametric methods.

### **Semiparametric Additive Regression**

Hedonic price models are generally estimated by the OLS method, which has severe limitations in distribution. However, parametric methods assume the distribution of the population, this forces the distribution of the data to normal distribution. The only assumption of nonparametric methods is that the variable is continuous, and this method does not make assumptions about the distribution of data. Instead, it aims to obtain the distribution of data appropriate to its structure. Therefore, nonparametric methods are more flexible than parametric methods.

The semiparametric estimation method was proposed by Robinson (1988) and Stock (1989). It is one of the nonparametric estimation methods and is more flexible than the OLS method. This method incorporates the parametric and nonparametric portion into the model simultaneously. The semiparametric method has no restrictive parametric assumptions. It can also be easily interpreted in the hedonic price model regardless of the number of features of the product. Therefore, the use of the semiparametric approach will be useful for analysis which a large number of features in the model such as hedonic models (Bin, 2005: 597).

Parametric methods put the functional form into a pattern due to the strict assumptions about the distribution of the data. Nonparametric methods provide flexibility in functional form by eliminating the problem of misspecified functional form. To get rid of this problem, the nonparametric hedonic model can be used. The nonparametric hedonic model allows us to analyze the relationship between the price of the second-hand car and its features using a flexible nonlinear form. However, two main problems are encountered when using nonparametric models. First, it is difficult to interpret such models if the number of independent variables is large. Second, nonparametric estimators tend to be less sensitive if the number of observations is small or the number of independent variables is large (Kwong et al., 2011: 366). In nonparametric methods, the large number of independent variables causes the curse of dimensionality. To solve the curse of dimensionality problem, the additive models are recommended for analyses. However, in these models, some of the independent variables may have a linear relationship with the dependent variable while some of the independent variables may have a nonlinear relationship with the dependent variable. Semiparametric model should be used in this situation. Semiparametric model, which is a special case of the additive model, consists of a combination of parametric and nonparametric methods. It has been developed to benefit from a known parametric relationship and an unknown functional relationship in economic models. The

semiparametric model, where some of the independent variables are parametric, and the other is nonparametric, is expressed as follows;

$$y = X\beta + m(Z) + \varepsilon \quad (2)$$

where,  $X$  is the matrix of parametric independent variables and  $Z$  is the matrix of nonparametric independent variables.  $\beta$  is the parameter vector of parametric variables and  $m(\cdot)$  is the function of nonparametric variables.  $\varepsilon$  denotes the error term, assuming that the error term is distributed independently and normally with constant variance. If the semiparametric model includes more than one parametric and nonparametric variables, the equation can be shown as follows:

$$y_i = \alpha + \beta_1 x_{i1} + \dots + \beta_r x_{ir} + m_1(z_{i1}) + \dots + m_k(z_{ik}) + \varepsilon_i \quad (3)$$

This model is called semiparametric additive model (Çağlayan Akay and Kangallı Uyar, 2017: 272-273). When the Equation (2) is rearranged;

$$y - E(y|Z) = [X - E(X|Z)]\beta + \varepsilon \quad (4)$$

is obtained. Where,  $E(y|X)$  is the conditional mean of  $y$  dependent on  $X$ . Robinson (1988) obtained a consistent estimator of  $\beta$  using the Robinson's Double Residual Method. In the first step, conditional mean estimations ( $\hat{E}(y|Z)$  and  $\hat{E}(X|Z)$ ) are obtained by using Kernel estimator in the nonparametric method. In the second step, the least-squares method is applied and the estimation  $\hat{\beta}$  of  $\beta$  in Equation (2) is obtained.

$$y - \hat{E}(y|Z) = [X - \hat{E}(X|Z)]\beta + \varepsilon \quad (5)$$

The expression  $y - \hat{E}(y|Z)$  on the left side of equation (5) is the residuals of the nonparametric Kernel regression on  $Z$  of  $y$ . Similarly,  $X - \hat{E}(X|Z)$  on the right-hand side of Equation (5) is the residuals of the Kernel regression of  $X$  on  $Z$ . Where, the estimated value of  $y$  is obtained as follows (Kwong et al., 2011: 366-367);

$$\hat{y} = \hat{E}(y|Z) + [X - \hat{E}(X|Z)]\hat{\beta} \quad (6)$$

Robinson (1988) stated that the additional information provided by the linear part of the semiparametric model leads to the consistent estimation of linear parameters and reduces the dimension problem. The benefit of a semiparametric model compared to a nonparametric model is that if the model is indeed partially linear, the estimates obtained from this model give more accurate results than a nonparametric model (Parmeter et al. 2007: 696).

## Data

The data set used in the study was obtained from the website [www.sahibinden.com](http://www.sahibinden.com), which features and prices of 1449 used cars<sup>1</sup> in May 2019. Used car ads in Istanbul were used to examine the factors

---

<sup>1</sup> Sample size ( $n$ ) was calculated by this formula:  $n = (NpqZ^2)/((N-1)d^2 + pqZ^2)$ , here  $N$ : population size,  $Z$ : Normal distribution critical value at the  $(1-\alpha)$  confidence level,  $d$ : significance level,  $p$ : The probability of preferring to buy automobile,  $q$ =The probability of not preferring to buy automobile. Despite the fact that the number of observations is 382 according to the given sample size calculation formula, it has been worked out with a greater number of observations.

affecting second-hand car prices. There are two reasons why we analyze the car market in Istanbul. First, the statistics report that about half of all new cars in Turkey are first registered in the Istanbul area. Second, a major part of the second-hand car trading market is in Istanbul. Logarithmic car price is considered as the dependent variable. To describe the detail of the variables used in the models, we created Table 1.

**Table: 1 - Variable Definition**

Variables	Definition
lnF	Logarithmic second-hand carsales price (TL)
LPG	1 if fuel type is LPG, otherwise 0
BNZ	1 if fuel type is gasoline, otherwise 0
DIZ <sup>1</sup>	1 if fuel type is diesel, otherwise 0
MN	1 if transmisson type is manuel, oterwise 0
OT <sup>2</sup>	1 if transmisson type is automatic, otherwise 0
GNT	1 if car is guaranteed, otherwise 0
KM	Kilometer of the car
MG	Engine power of the car
MH	Engine capacity of the car

### Empirical Results

In order to determine the factors affecting the prices of used cars, the possible effects of factors such as fuel type, transmission type, kilometer, engine volume, engine power, guarantee on the price of the car, which reflect the properties of the car within the framework of hedonic price model, were determined by using parametric and semiparametric methods. The semiparametric additive regression determining the functional form through the distribution of data set without any restrictive assumptions about functional forms between variables was used.

The parametric and semiparametric additive hedonic price model for second-hand car prices can be determined as follows, respectively:

$$\ln F_i = \beta_0 + \beta_1 LPG_i + \beta_2 BNZ_i + \beta_3 MN_i + \beta_4 GNT_i + \beta_5 KM_i + \beta_6 MG_i + \beta_7 MH_i + \delta_i \quad (7)$$

$$\ln F_i = \alpha_0 + \alpha_1 LPG_i + \alpha_2 BNZ_i + \alpha_3 MN_i + \alpha_4 GNT_i + \alpha_5 KM_i + m_1(MG)_i + m_2(MH)_i + \varepsilon_i \quad (8)$$

Using the equations (7) and (8), both of the parametric and semiparametric additive regression were estimated and their results were given in Table 2.

---

<sup>1</sup> These variables were not included in the model because they were statistically insignificant in the models.

**Table: 2 - The Results of Parametric and Semiparametric Additive Regression**

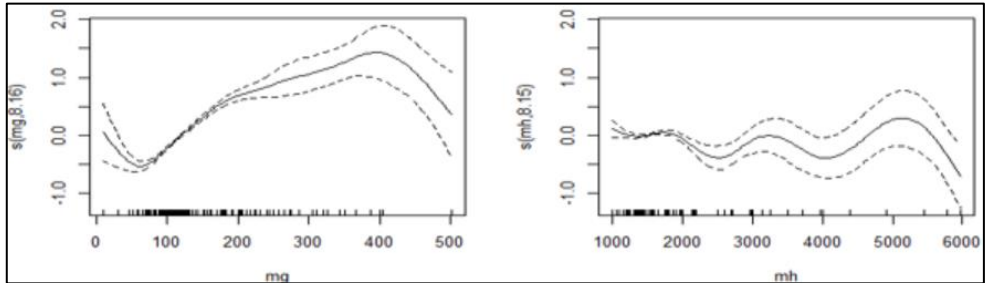
Variables	Parametric Estimation (OLS)	Semiparametric Additive Estimation
Constant	1.1180* (0.0439)	1.1840* (0.0237)
LPG	-0.4662* (0.0345)	-0.4711* (0.0329)
BZ	-0.2125* (0.0229)	-0.2286* (0.0243)
MN	-0.3909* (0.0222)	-0.2902* (0.0229)
GNT	0.0696** (0.0212)	0.0711* (0.0201)
KM	-0.000003* (0.0212)	-0.000003* (0.000000)
MG	0.0077* (0.0003)	See Figure 1. F Statistics: 54.104* [0.0000]
MH	-0.0001* (0.00003)	See Figure 1. F Statistics: 3.487* [0.0002]
Adjusted R-square	0.703	0.737
Multiple R-square	0.7044	
Residual standard error	0.3533	
F-statistics	490.7 [0.0000]*	
Deviance explained		74.1%
Scale est.		0.11062
GCV		11235

**Notes:** (i) Dependent variable is logarithmic automobile prices.  
(ii) \*, \*\* and \*\*\* indicate significance at 1%, 5% and 10% statistical levels, respectively.  
(iii) Numbers in parentheses are standard errors and in square brackets are p-values.  
(iv) Edf is the effective degrees of freedom.

The results of the parametric and semiparametric additive models show that all coefficients are statistically significant. However, the F test statistics show that MG and MH in the nonparametric form are statistically significant for the semiparametric additive model. According to the Figure of the variables in the nonparametric form, it was concluded that motor power and motor volume variables included in the model as a nonparametric form. If these variables are added in the model as a linear form, identification error will occur because the functional form of the relationship is determined incorrectly. This situation causes the parameter estimators are biased and inconsistent. The findings also show that kilometers variable should be included in parametric form. Since other variables are dummy variables, they should be included in the model as a parametric form.

According to Table 2, it was observed that the semiparametric form explains car prices better than the parametric form. While the changes in independent variables explain 73.7% changes in the prices for the semiparametric model, the changes in independent variables explain 70.3% of changes in the prices for the parametric model, respectively. Findings show that LPG, BZ, MN, and KM variables have a negative impact on second-hand car sales prices. Holding constant the other variables, a one-unit increasing in the kilometer will decrease the second-hand car prices by 0.0003%. Second-hand car prices of the car have LPG is less than the car which has not LPG by 37%. Among the independent variables, only the GNT variable has a positive impact on the prices. The sales price of the car guaranteed is higher (than the car which is not guaranteed) 7 by percent.

For the semiparametric additive models, the partial impact of each nonlinearly related variable on logarithmic second-hand car sales prices is depicted in Figure 1. The estimated coefficients of nonparametric terms in the semiparametric model were shown by figures in the Figure. While the values of the nonparametric variables are shown on the horizontal axis and the coefficient estimates are located on the vertical axis.

**Figure: 1 - Nonparametric Part of the Semiparametric Additive Model**

\* Dashed lines indicate 95% confidence interval.

Figure 1 shows that there is no linear relationship between car sales prices and the variables (MG and MH) included in the model in nonparametric form. According to Figure 1, the engine volume and engine power variables should be included in the model as nonparametric. According to the findings, the coefficient of determination of the semiparametric regression model is higher than the parametric model. In addition, it is concluded that not all variables should be parametrically included in the model.

Partial F test which gives information about whether the effect of each nonparametric variable on the dependent variable is statistically significant for engine power and engine volume variables, Partial F Test and the Likelihood Ratio (LR) Test shows which parametric model and nonparametric model better explain the relationship. The results of these tests are summarized in Table 3.

**Table: 3 - Partial F Test and Likelihood Ratio (LR)**

<b>MG</b> Model 1: $\ln F \sim \text{LPG} + \text{BE} + \text{MA} + \text{GNT} + \text{KM} + \text{m}(\text{MH})$ Model 2: $\ln F \sim \text{LPG} + \text{BE} + \text{MA} + \text{GNT} + \text{KM} + \text{m}(\text{MG}) + \text{m}(\text{MH})$	<b>Partial F Test I</b> F-statistic: 54.928* [0.0000]
<b>MH</b> Model 1: $\ln F \sim \text{LPG} + \text{BE} + \text{MA} + \text{GNT} + \text{KM} + \text{MG} + \text{m}(\text{MH})$ Model 2: $\ln F \sim \text{LPG} + \text{BE} + \text{MA} + \text{GNT} + \text{KM} + \text{m}(\text{MG}) + \text{m}(\text{MH})$	<b>Partial F Test II</b> F-statistic: 13.084* [0.0000]
<b>MH</b> Model 1: $\ln F \sim \text{LPG} + \text{BE} + \text{MA} + \text{GNT} + \text{KM} + \text{m}(\text{MG})$ Model 2: $\ln F \sim \text{LPG} + \text{BE} + \text{MA} + \text{GNT} + \text{KM} + \text{m}(\text{MG}) + \text{m}(\text{MH})$	<b>Partial F Test I</b> F-statistic: 4.0389* [0.0000]
<b>MH</b> Model 1: $\ln F \sim \text{LPG} + \text{BE} + \text{MA} + \text{GNT} + \text{KM} + \text{MH} + \text{m}(\text{MG})$ Model 2: $\ln F \sim \text{LPG} + \text{BE} + \text{MA} + \text{GNT} + \text{KM} + \text{m}(\text{MG}) + \text{m}(\text{MH})$	<b>Partial F Test II</b> F-statistic: 3.9316* [0.0001]

Notes: (i) \*, \*\* and \*\*\* indicate significance to 1%, 5% and 10%, respectively.  
(ii) Numbers in square brackets are p-values.  
(iii) The critical value of F Table is  $F_{1,1042} = 3.84$ .  
(iv) The critical value of Chi-Square is  $\chi^2_{0.05} = 16.91$ .

The results of the Partial F Test I indicate the null hypothesis that MG and MH variables have no effect on car sales prices (F) is rejected. The variables MG and MH affect car sales prices. According to Partial F test II, the hypothesis that MG and MH variables are included in the model in linear form is rejected. It is concluded that these variables should be included in the model in nonparametric form. Finally, the results of the LR test shows the null hypothesis that the parametric model and the nonparametric model does not differ in explaining the relationship is rejected.

## Conclusion

This study examines the factors affecting on second-hand car sales in Istanbul using both parametric and semiparametric additive regression in the light of the hedonic price theory. It focuses on the functional form of second-hand car prices equation to get rid of the misspecification problem. All findings of the study support that the semiparametric additive model is better than the parametric model for the analysis of the second-hand car prices. The results of the study also show that while the other variables used in the analysis have a linear relationship with prices, the engine volume and engine power variables have a nonlinear relationship with second-hand car prices.

Fuel type, transmission type, guarantee, kilometer, engine power, and engine volume have an important effect on the car's selling price. The fuel type, transmission type, and kilometer have a negative impact on the prices of the cars while having the guarantee increase the second-hand car prices. LPG variable has a negative impact on the prices of cars, which explains that the prices of gasoline automobiles are higher than the prices of automobiles with LPG. This situation stems from the fact that LPG cars have limited parking spaces and is caused by the security concern.

## References

- Abounoori, E. & A. Rezvani (2012), "Using Hedonic Prices to Estimate Quality Changes Concerning Iranian CarMarket", *Iranian Journal of Economic Studies*, 1(1), 1-12.
- Akçi, Y. (2016), "Second-Hand Car: With the Consumer Perspective", *Adiyaman University Journal of Institute of Social Sciences*, 2016(22), 329-362.
- Andersson, H. (2005), "The Value of Safety as Revealed in the Swedish Car Market: An Application of the Hedonic Pricing Approach", *J Risk Uncertain*, 30, 211-239.
- Anglin, P.M. & R. Gencay (1996), "Semiparametric Estimation of a Hedonic Price function", *Journal of Applied Econometrics*, 11(6), 633-648.
- Arguea, N.M. & C. Hsiao & G.A. Taylor (1994), "Estimating Consumer Preferences Using Market Data-an Application to US CarDemand", *Journal of Applied Econometrics*, 9, 1-18.
- Asilkan, Ö. & A.G.S. Irmak (2009), "Forecasting the Future Prices of The Second-Hand Automobiles Using Artificial Neural Networks", *Süleyman Demirel University Journal of the Faculty of Economics and Administrative Sciences*, 14(2), 375-391.
- Bajic, V. (1993), "Automobiles and Implicit Markets: An Estimate of a Structural Demand Model for CarCharacteristics", *Applied Economics*, 25, 541-551.
- Balce, A.O. (2016), "Factors Affecting Prices in a Second-hand Car e-Market", *Jornal of Internet Applications and Management*, 7(2), 5-20.
- Baltas, G. & C. Saridakis (2010), "Measuring Brand Equity in the Car Market: A Hedonic Price Analysis", *J. Oper. Res. Soc.*, 61, 281-293.
- Bin, O. (2005), "A Semiparametric Hedonic Model for Valuing Wetlands", *Applied Economics Letters*, 12(10), 597-601.
- Bontemps, C. & M. Simioni & Y. Surry (2008), "Semiparametric Hedonic Price Models: Assessing the Effects of Agricultural Nonpoint Source Pollution", *Journal of Applied Econometrics*, 23(6), 825-842.
- Cağlayan, E.A. & Ö.F. Bolukbasi & E. Bekar (2018), "Robust and Resistant Estimations of Hedonic Prices for Second Hand Cars: An Application to the Istanbul Car Market", *International Journal of Economics and Financial Issues*, 8(1), 39-47.
- Cağlayan, E.A. & S.G.K. Uyar (2017), *R Applied Nonparametric Econometrics*, Der Publication, Istanbul.

- Clapp, J.M. (2004), "A Semiparametric Method for Estimating Local House Price Indices", *Real Estate Economics*, 32(1), 127-160.
- Couton, C. & G. Gardes & Y. Thepaut (1996), "Hedonic Prices for Environmental and Safety Characteristics and The Akerl off Effect in The French Car Market", *Applied Economics Letters*, 3(7), 435-440.
- Cowling, K. & J. Cubbin (1972), "Hedonic Price Indexes for United Kingdom Cars", *The Economic Journal*, 82(327), 963-978.
- Daştan, H. (2016), "Determination of The Factors That Effect Second-Hand Automobile Prices in Turkey by Using Hedonic Pricing Model", *Gazi University Journal of Faculty of Economics and Administrative Sciences*, 18(1), 303-327.
- Ecer, F. (2013), "Forecasting of Second-Hand Automobile Prices and Identification of Price Determinants in Turkey", *Anadolu University Journal of Social Sciences*, 13(4), 101-112.
- Erdem, C. & İ. Şentürk (2009), "A Hedonic Analysis of Second-hand carPrices in Turkey", *International Journal of Economic Perspectives*, 3(2), 141-149.
- Gencay, R. & X. Yang (1996), "A Forecast Comparison of Residential Housing Prices By Parametric Versus Semiparametric Conditional Mean Estimators", *Economics Letters*, 52(2), 129-135.
- Haas, G.C. (1922), "A Statistical Analysis of Farm Sales in Blue Earth County", Minnesota, *as a Basis for Farmland Appraisal*, The University of Minnesota, Minneapolis.
- Hadinejad, M. & B. Shabgard (2011), "Hedonic Price for Car in Iran", *Sosyal Bilimler Dergisi*, 2, 118-127.
- Hartog, J. & H.J. Bierens (1988), "Estimating a Hedonic Earnings Function With A Nonparametric Method", *Empirical Economics*, 13(3-4), 267-294.
- Heckman, J.J. & R.L. Matzkin & L. Nesheim (2010), "Nonparametric Identification and Estimation of Nonadditive Hedonic Models", *Econometrica*, 78(5), 1569-1591.
- Kihm, A. & C. Vance (2016), "The Determinants of Equity Transmission between the New and Second-hand Car Markets: A Hedonic Analysis", *Journal of the Operational Research Society*, 67(10), 1250-1258.
- Kwong, L.M. & D. Cyr & J. Kushner & T. Ogwang (2011), "A Semiparametric Hedonic Pricing Model of Ontario Wines", *Canadian Journal of Agricultural Economics/Revue canadienne d'agroeconomie*, 59(3), 361-381.
- Lancaster, K.J. (1966), "A New Approach to Consumer Theory", *J. Polit. Econ.*, 74(2), 132-157.
- Lee, J. (2006), "Empirical Analysis of Wholesale Second-hand Car Auctions", California: *A Dissertation in University of California*, 120-121.
- Martins-Filho, C. & O. Bin (2005), "Estimation of Hedonic Price Functions via Additive Nonparametric Regression", *Empirical Economics*, 30(1), 93-114.
- Matas, A. & J.L. Raymond (2009), "Hedonic Prices for Cars: An Application to the Spanish Car Market 1981-2005", *Applied Economics*, 41(22), 2887-2904.
- McMillen, D.P. & C.L. Redfearn (2010), "Estimation and Hypothesis Testing for Nonparametric Hedonic House Price Functions", *Journal of Regional Science*, 50(3), 712-733.
- Mertens, Y. & V. Ginsburgh (1985), "Product Differentiation and Price Discrimination in the European Community: The Case of Automobiles", *The Journal of Industrial Economics*, 34(2), 151-166.
- Murray, J. & N. Sarantis (1999), "Price Quality Relations and Hedonic Price Indexes for Cars in the United Kingdom", *International Journal of the Economics of Business*, 6(1), 5-27.
- Özçalıcı, M. (2017), "Predicting Second-Hand Car Sales Price Using Decision Trees and Genetic Algorithm", *Alphanumeric Journal*, 5(1), 103-114.
- Pace, R.K. (1995), "Parametric, Semiparametric, and Nonparametric Models", *The Journal of Real Estate Finance and Economics*, 11(3), 195-217.



- Parmeter, C.F. & D.J. Henderson & S.C. Kumbhakar (2007), "Nonparametric Estimation of a Hedonic Price Function", *Journal of Applied Econometrics*, 22(3), 695-699.
- Reis, H.J. & J.M.C. Santos Silva (2006), "Hedonic Price Indexes for New Passenger Cars in Portugal (1997-2001)", *Econ Model*, 23, 890-908.
- Robinson, P.M. (1988), "Root-N-consistent Semiparametric Regression", *Econometrica: Journal of the Econometric Society*, 931-954.
- Rosen, S. (1974), "Hedonic Prices and Implicit Markets: Product Differentiation in Pure Competition", *Journal of Political Economy*, 82(1), 34-55.
- Stock J. (1989), "Nonparametric Policy Analysis", *Journal of the American Statistical Association*, 84, 567-575.
- Ulutaş, E.B. & H. Boztoprak & G.G. Emel (2016), "A Dutch Auction Method Analysis and Markov Chain Application on Web Based Used-Car Market", *Dokuz Eylul University Journal of the Institute of Social Sciences*, 18(2), 227-253.
- Waugh, F.V. (1928), "Quality Factors Influencing Vegetable Prices", *J. Farm Econ.*, 10(2), 185-196.
- Yayar, R. & E. Yılmaz (2017), "Regression Analysis of Used Car Demand Price: The Case of TR83 Region", *Eskişehir Osmangazi University Economic and Administrative Sciences*, 13(1), 39-52.

## Holiday, Tourism and Tourist in Primary School Textbooks

**Semra AKTAŞ-POLAT** (<https://orcid.org/0000-0002-2324-2200>), *Istanbul Medeniyet University, Turkey; e-mail: saktaspolat@gmail.com*

### Abstract

The main purpose of this study is to determine how holiday and tourism issues are handled in the education process. In this context, the frequency of the use of the concepts of holiday, tourism, and tourists in primary school textbooks, which are basic educational materials, and the changes seen in the use of these concepts in grade levels were examined in the Life Science and the Social Studies textbooks. As a result of the study, it was determined that the concepts of holiday and tourists are used in the Life Science textbooks for the recognition and protection of historical and touristic values as well as for the expression of some social values. On the other hand, in the Social Studies textbooks, it was determined that tourism is interpreted as a human, economic, and cultural activity.

**Keywords** : Holiday, Tourism, Tourist, Textbook, Education.

**JEL Classification Codes** : I20, Z30.

### Introduction and Background

Tourism is an economic and socio-cultural phenomenon. Tourism is also defined by visitors' activities and tourists are defined as visitors those participation in tourism exceeding 24 hours (UNWTO, 2019a). Tourism describes the activities of people during their temporary departure from the places where they inhabit (Burkart & Medlik, 1988). Tourism is one of the largest industries in the world (Goeldner, Ritchie, & McIntosh, 2000) with employment opportunities and income impact (Nunkoo & Ramkisson, 2012). Furthermore, holiday and tourism have become a cultural tradition over time. It attracts the attention of policy makers especially because of the economic returns to the regions and countries. Therefore, tourism is included in the development plans of the countries. Turkey is one of these countries and the emphasis on tourism has also been reflected in educational institutions.

It is estimated that over 60 million jobs worldwide are generated directly and indirectly by foreign visitors and domestic travelers. Moreover, thirty-three thousand jobs are created for every \$1 billion of spending in the OECD countries, while the same amount generates fifty thousand jobs in the rest of the world (Mill, 1990: 160). Therefore, it can be said that the Global Code of Ethics for Tourism proposed for responsible and sustainable tourism has an important role in the conduct of such a large activity. According to the UNWTO (2019b), "The Global Code of Ethics for Tourism (GCET) is a comprehensive set of principles designed to guide key-players in tourism development. Addressed to governments, the travel industry, communities and tourists alike, it aims to help maximize the sector's benefits while minimizing its potentially negative impact on the environment, cultural heritage and societies across the globe." This set of codes consists of ten articles. One of these articles states that tourism uses the cultural heritage of humanity and contributes to its development. In another article, the contribution of tourism to mutual understanding and respect between peoples and societies is

specified. Hence, it is thought that it is important for the societies to be conscious about tourism. The most effective way to raise awareness about the importance of tourism is education (İlhan & Şeker & Kapıcı, 2015: 42).

Education is a social institution that shapes the future of a country without breaking the connection with the past. The number of high schools, associate, bachelor, and graduate degree programs (i.e. master and PhD) has increased in tourism. One of the basic educational materials used in educational institutions is a textbook. Textbooks contribute to the generation, transmission, consolidation, and reproduction of knowledge of the social sphere (Gümüsoğlu, 2013: 502). The transfer of cultural values is one of the primary objectives of educational institutions. The transfer of cultural values is of particular interest to social studies. Curriculum, especially in social studies, plays a major role in the implementation of national education policies (Öztürk & Deveci, 2011: 1). In Turkey, social studies education at primary level is given in 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> grade by Life Science course, in 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup>, and 7<sup>th</sup> grade by Social Studies course, and in 8<sup>th</sup> grade by Atatürk's Principles and History of Turkish Revolution course.

### **Materials and Methods**

The main purpose of this study is to determine how holiday and tourism issues are handled in the education process. In this context, the frequency of the use of the concepts of holiday, tourism, and tourists in primary school textbooks, which are basic educational materials, and the changes seen in the use of these concepts in grade levels were examined in the Life Science and the Social Studies textbooks.

In this study, it is aimed to answer the following two questions;

- (i) What is the usage frequency of holiday, tourism, and tourist concepts in primary school textbooks?
- (ii) Which subjects are related to the concepts of holiday, tourism, and tourists in primary school textbooks?

### **Data Collection and Analysis**

In this study, the document analysis method was used to achieve the purpose. According to (Bowen, 2009: 27) "Document analysis is a systematic procedure for reviewing or evaluating documents-both printed and electronic (computer-based and Internet-transmitted) material... Documents contain text (words) and images that have been recorded without a researcher's intervention." In this research, 3 Life Science and 4 Social Studies textbooks used in the primary schools affiliated to the Ministry of National Education were analyzed through document analysis. The textbooks were accessed through Educational Informatics Networks, which is an online platform for teaching materials (e.g. textbooks, videos, and journals) for teachers, students and parents. The textbooks examined in the study are listed below as follows:

- 1<sup>st</sup> grade (Demir, 2018),
- 2<sup>nd</sup> grade (Kuşkaya, 2018),
- 3<sup>rd</sup> grade (Çelikbaş & Gürel & Özcan, 2018),
- 4<sup>th</sup> grade (Tüysüz, 2018),

- 5<sup>th</sup> grade (Şahin, 2018),
- 6<sup>th</sup> grade (Yılmaz & Bayraktar & Özden & Akpınar & Evin, 2018),
- 7<sup>th</sup> grade (Gültekin & Akpınar & Nohutçu & Özerdoğan & Aygün, 2018).

While examining the textbooks, first of all, a general concept review was conducted. Afterwards, for Life Science textbooks, an assessment was made within the framework course achievements of the topic of “Life in Our Country”. For Social Studies textbooks, an assessment was made within the framework of the achievements of learning areas which are “Culture and Heritage”, “Production, Distribution, and Consumption” and “Global Connections”.

### **Results**

It was determined that tourism related subjects were emphasized in Life Science and Social Studies course achievements. When the Life Science course programs in the primary schools affiliated to the Ministry of National Education (2018a) were examined, it was seen that the tourism related concepts were among the achievements aimed to be given in the topic of “Life in Our Country”. Some examples can be given from the achievements for the topic of Life in Our Country for 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> grade respectively: “Notifies the historical, natural, and touristic places in the vicinity.”, “Investigates the cultural heritage elements in the vicinity.”, and “Introduces the characteristics of historical, natural, and touristic places in the vicinity.” Furthermore, it can be expressed that the “sensitivity” issue, which is among the values given in the Social Studies Curriculum of the schools affiliated to the Ministry of National Education (2018b: 8), can be interpreted in the context of tourism. It is seen that culture and heritage learning area, production, distribution and consumption, and global connections learning area are directly related to tourism in terms of learning areas in which Social Studies Course Curriculum is established. For example, the following achievements can be given for global connections learning area for 4<sup>th</sup> grade, “Compares the cultural elements of our country with the cultural elements belonging to different countries.” and for 5<sup>th</sup> grade, “Explain the importance of tourism in international relations.”

#### **Holiday, Tourism and Tourist in Life Science Textbooks**

Table 1 presents the frequencies of holiday, tourism and tourist concepts according to the units in Life Science textbooks.

**Table: 1 - Frequencies of Holiday, Tourism, and Tourist Concepts in Life Science Textbooks**

Grade	Concept	UNIT						
		Life in Our School	Life in Our Home	Healthy Life	Safe Life	Life in Our Country	Life in Nature	Other (Dictionary, worksheets)
1 <sup>st</sup> grade	Holiday	-	1	-	-	1	1	-
	Summer Holiday	-	-	-	-	-	-	-
	Tourism	-	-	-	-	-	-	-
	Tourist	-	-	-	-	1	-	-
	Touristic	-	-	-	-	6	-	-
2 <sup>nd</sup> grade	Holiday	-	-	-	-	-	-	-
	Summer Holiday	-	-	-	-	-	-	-
	Tourism	-	-	-	-	-	-	-
	Tourist	-	-	-	-	-	-	-
	Touristic	-	-	-	-	-	-	-
3 <sup>rd</sup> grade	Holiday	-	-	-	-	-	-	-
	Summer Holiday	-	-	-	-	-	2	-
	Tourism	-	-	-	-	-	-	-
	Tourist	-	-	-	-	1	-	1
	Touristic	-	-	-	-	4	-	-

According to Table 1, it can be stated that the concepts of holiday, tourism, and tourists were not given much attention in Life Science textbooks at 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> grade levels in the Primary Schools. It was determined that the concepts on the basis of units were mainly used in Life in our Country and Life in Nature.

In 1<sup>st</sup> grade Life Science textbook;

- Tourism was used as an auxiliary concept to relate some values such as love and respect keeping a family together in the unit of Life in Our Home. For example; “Deniz often calls her grandmother and grandfather and asks how they are. She likes to visit them during the holidays.” (Demir, 2018: 64).
- Holiday was also used as an auxiliary concept in subject of recognizing the plants around us in the unit of Life in Nature. For example; “We went on holiday to the village where my father was born. I’ve seen many fruit trees there. Cherries, mulberries and apples were some of these trees.” (Demir, 2018: 174).

In 2<sup>nd</sup> grade textbook examined there was no concept related to holiday, tourism, and tourists.

In 3<sup>rd</sup> grade Life Science textbook;

- The concepts of holiday and tourists in the unit “Life in our Country” were used in the context of knowing where we live, preserving historical values in the vicinity, and sightseeing. In this unit, it is emphasized that tourists come to our country to see historical monuments; therefore, these values should be preserved.
- The concept of holiday in the unit Life in Nature was used as an auxiliary concept in the context of the importance of plants and animals in our lives. For example, “Our summer holiday at my uncle’s farm was very nice. We learned better the importance of plants and animals in our lives” (Çelikbaş et al., 2018: 157).
- In the dictionary given at the end of the textbook a tourist is defined as “Anyone who travels for recreation, sightseeing, recognition etc.” (Çelikbaş et al., 2018: 186). In addition, the concepts of travel and consumer are defined in this dictionary. Travel is defined as “Coming from a country and going to another country or within a country from a place to another place”

(Çelikbaş et al., 2018: 185). A consumer defined as, “Anyone who uses, purchases, and consumes goods and services” (Çelikbaş et al., 2018: 186).

### Holiday, Tourism, and Tourist in Social Studies Textbooks

Table 2 presents the frequencies of holiday, tourism, and tourist concepts according to the units in Social Studies textbooks.

**Table: 2 - Frequencies of Holiday, Tourism, and Tourist Concepts in Social Studies Textbooks**

Grade	Concept	UNIT							
		Individuals and Society	Culture and Heritage	People, Places and Circles	Science, Technology and Society	Production, Distribution and Consumption	Effective Citizenship	Global Connections	Other (Dictionary, worksheets)
4 <sup>th</sup> grade	Holiday	-	-	-	-	-	-	-	-
	Holiday Village	-	-	-	-	1	-	-	1
	Summer Holiday	3	-	-	-	1	-	-	-
	School Holiday	-	-	-	-	-	-	-	-
	Tourism	-	-	-	-	5	-	5	4
	Tourist	-	-	-	-	2	-	1	-
	Touristic	-	-	-	-	-	-	1	1
5 <sup>th</sup> grade	Tourist Guide	-	-	-	-	2	-	-	1
	Holiday	-	-	-	-	-	1	-	-
	Holiday Village	-	-	-	-	1	-	-	-
	Summer Holiday	-	1	-	-	-	-	2	-
	School Holiday	-	-	2	-	-	1	-	1
	Tourism	-	-	1	-	21	2	26	18
	Tourist	-	7	-	-	9	-	21	3
6 <sup>th</sup> grade	Touristic	-	2	1	-	4	-	2	-
	Tourist Guide	-	3	-	-	2	-	-	-
	Holiday	-	-	-	-	-	-	-	-
	Holiday Village	-	-	-	-	-	-	-	-
	Summer Holiday	-	-	-	-	-	-	-	-
	School Holiday	-	-	-	-	-	-	-	-
	Tourism	-	-	6	-	3	-	-	-
7 <sup>th</sup> grade	Tourist	-	1	-	-	8	-	-	-
	Touristic	-	-	1	-	1	-	-	1
	Tourist Guide	-	-	-	-	-	-	-	-
	Holiday	-	-	-	-	1	-	-	-
	Holiday Village	-	-	-	-	-	-	-	-
	Summer Holiday	-	-	-	-	-	-	-	-
	School Holiday	-	-	-	-	-	-	-	-
7 <sup>th</sup> grade	Tourism	-	-	9	-	1	-	-	-
	Tourist	-	-	1	-	-	-	-	-
	Touristic	-	-	2	-	-	-	-	-
	Tourist Guide	-	-	-	-	-	-	-	-

According to Table 2, the researched concepts were used most in the Social Studies-5 textbooks. The reason of this can be stated that one of 5<sup>th</sup> grade course subjects is tourism.

In 4<sup>th</sup> grade textbook;

- Tourism is considered as an economic activity and profession in the unit of Production, Distribution and Consumption. In addition, tourism related occupations such as tourist guide, tour operator, animator, and cookery are introduced in the unit.
- Tourism is used as the subject of bilateral relations with other states that Turkey shares history, language and culture in the unit of Global Connections.

- A tourist guide and tourists are mentioned in the unit of Culture and Heritage. It is mentioned that tourists have information about the places they visit. Furthermore, it is stated that the tourist guide provides information for local and foreign tourists about the natural and historical places of the country.

In 5<sup>th</sup> grade textbook;

- It is stated that the places where the service sector develops will increase the tourist facilities and the climate may affect the tourism activities positively or negatively in the unit of People, Places and Circles. In addition, it has been mentioned that tourism activities cause population growth and increase employment opportunities.
- Tourism has been described as an economic activity in the unit of Production, Distribution and Consumption. It is emphasized that tourism provides job opportunities, tourist is a consumer, tourism brings foreign exchange, tourism improves settlements, tourist mobility increases tourism investments, and tourism related professions are emerged such as receptionist, tour guide, tour operator, and cooks.
- Local government units of tourism are introduced in the unit of Effective Citizenship. Accordingly, it is mentioned that Provincial Directorate of Culture and Tourism Directorate works under the Governor of the city. In the unit, the institutions connected to the Ministry of Transport and Infrastructure were introduced as responsible for infrastructure and transport, which are mandatory for travel.
- The unit of Global Connections unit emphasizes the importance of tourism in international relations. The contribution of tourists to the country's economy, the contribution of tourism to international trade, recognition of new cultures and intercultural communication, and preservation of the natural and historical values of the country were emphasized in this unit.

In 6<sup>th</sup> grade textbook;

- The effect of developments in transportation on the mobility of people is explained with a sample project in the unit of Culture and Heritage.
- Tourism has been discussed in context of geographical location and the effects of climate and landscapes on tourism in the unit of People, Places and Circles. For example, it was emphasized that winter tourism could develop in a place where elevation is high. Moreover, tourism is shown as one of the research areas of human geography in the unit.
- Tourism is shown in the service sector, which is one of the three main economic sectors, in the unit of Production, Distribution and Consumption. In the unit, it is informed that the rich resources of the country attract tourists; therefore, the citizens have some duties to protect the resources. Tourism increases investments that provide job opportunities for local people. Moreover, short-term domestic tourism tours have increased in recent years and Turkey is the 6<sup>th</sup> in the world in terms of number of international arrivals (Yılmaz et al., 2018: 163).

In 7<sup>th</sup> grade textbook;

- Tourism is given as one of the factors that affect the choice of settlement in the unit of People, Places and Circles. It is also informed that tourism provides job opportunities, affects the development of cities, influences population growth depending on development. Furthermore, tourism is mentioned in terms of temporary migration (seasonal migration).

- Tourism and Hotel Management has been stated as one of the occupations within the scope of Vocational and Technical Anatolian High Schools in the unit of Production, Distribution and Consumption. In the unit, holidays are provided as the products that people can buy through e-commerce.

### Discussion and Conclusion

This study examined the concepts related to tourism in primary school textbooks and tried to determine how tourism activity was evaluated from the perspective of primary education in Turkey. The course achievements of Primary School Life Science and Social Studies course programs were examined. It was determined that tourism concept was not included in the course achievements of Life Science courses, but historical and touristic places were mentioned in this course achievements. On the other hand, in the Social Studies course achievements, it was observed that tourism concept was only included in 5<sup>th</sup> grade course acquisitions while national subjects of culture, resources, and intercultural communications were included in 4<sup>th</sup>, 6<sup>th</sup>, and 7<sup>th</sup> grades.

It was determined that holiday concept was not included in Life Science and Social Studies course achievements and it did not have sufficient place in textbooks. Tourism concept has not been found in the textbooks of Life Science. However, it was determined that tourist concept was included in the Life in our Country and Life in Nature units. In these units, related concepts have been used for the recognition and protection of historical and touristic values in addition to the expression of some social values.

In the Social Studies textbooks, it was observed that tourism was especially focused in 5<sup>th</sup> grade. Similarly, it was seen that tourism was given more weight in Social Studies 5<sup>th</sup> grade course achievements. In addition, it was observed that tourism was considered as a separate subject under the title of Tourism and International Relations in the unit of Global Connections of the Social Studies-5 textbook. Moreover, it was determined that tourism was included in the units of Production, Distribution and Consumption, Global Connections, and People, Places and Circles in the Social Studies textbooks. On the other hand, it was determined that tourist concept was included in the units of Cultural Heritage, Production, Distribution and Consumption, and Global Connections in the Social Studies textbooks. In these units, tourism has been interpreted as a human, economic, and cultural activity.

Although tourism was one of the elements of luxury consumption in the early days, it is considered as a need today. Increase in personal income, technological developments, improvements in leisure and welfare have contributed to tourism understanding. However, it should be remembered that students who participate in tourism activities with their parents will participate in tourism activities alone or with their own children in the future. In this context, it is suggested that tourism should be included more in the education curricula in order to ensure that these students are sensitive and responsible tourists of the future.

### References

- Bowen, G.A. (2009), "Document analysis as a qualitative research method", *Qualitative Research Journal*, 9(2), 27-40.
- Burkart, A.J. & S. Medlik (1988), *Tourism, Past, Present and Future*, Second Edition, London: Heinemann.



- Çelikbaş, E. & F. Gürel & N. Özcan (2018), *İlkokul Hayat Bilgisi 3 Ders Kitabı*, F. Gürel, (ed.), Milli Eğitim Bakanlığı.
- Demir, E. (2018), *İlkokul Hayat Bilgisi 1 Ders Kitabı*, Ankara: Kök-e Yayıncılık.
- Goeldner, C.R. & B. Ritchie & R.W. McIntosh (2000), *Tourism Principles, Practices, Philosophies*, Eighth Edition, New York: John Wiley and Sons, Inc.
- Gültekin, G. & M. Akpınar & M. Nohutçu & P. Özdoğan & S. Aygün (2018), *Ortaokul ve İmam Hatip Ortaokulu Sosyal Bilgiler 7 Ders Kitabı*, M.A. Kapar & E. Yüksel & M. Akpınar (eds.), Milli Eğitim Bakanlığı.
- Gümüüşoğlu, F. (2013), “2003-2013 yılları arasında ders kitaplarında toplumsal cinsiyet”, in: M. Tuna (ed.), *VII. Ulusal Sosyoloji Kongresi: Yeni Toplumsal Yapılanmalar: Geçişler, Kesişmeler, Sapmalar*, 2-5 Ekim 2013, Muğla Sıtkı Koçman Üniversitesi, Bildiri Kitabı II, 501-517.
- İlhan, G.O. & M. Şeker & H.Ö. Kapıcı (2015), “Sosyal Bilgiler beşinci sınıf ders kitaplarında turizm kavramının yeri”, *International Journal of Field Education*, 1(1), 42-62.
- Kuşkaya, Ç. (2018), *İlkokul Hayat Bilgisi 2 Ders Kitabı*, Ankara: SDR İpekyolu Yayıncılık.
- Mill, R.C. (1990), *Tourism, the International Business*, New Jersey: Prentice Hall Englewood Cliffs.
- Ministry of National Education (2018a), *Hayat Bilgisi Dersi Öğretim Programı* (İlkokul 1, 2, ve 3. Sınıflar), Ankara.
- Ministry of National Education (2018b), *Sosyal Bilgiler Dersi Öğretim Programı* (İlkokul ve Ortaokul, 4, 5, 6, ve 7. Sınıflar), Ankara.
- Nunkoo, E. & H. Ramkisson (2012), “Power, trust, social exchange and community support”, *Annals of Tourism Research*, 39(2), 997-1023.
- Öztürk, C. & H. Deveci (2011), “Farklı ülkelerin sosyal bilgiler öğretim programlarının değerlendirilmesi”, in: C. Öztürk (ed.), *Farklı Ülkelerin Sosyal Bilgiler Öğretim Programları*, Ankara: Pegem Akademi, 1-41.
- Şahin, E. (2018), *Ortaokul ve İmam Hatip Ortaokulu Sosyal Bilgiler 5 Ders Kitabı*, Ankara: Anadol Yayıncılık.
- Tüysüz, S. (2018), *İlkokul Sosyal Bilgiler 4 Ders Kitabı*, Ankara: Tuna Matbaacılık.
- United Nations World Tourism Organization (2019a), *Understanding Tourism: Basic Glossary*, <<http://cf.cdn.unwto.org/sites/all/files/docpdf/glossaryenrev.pdf>>, 27.08.2019.
- United Nations World Tourism Organization (2019b), *Ethics, Culture and Social Responsibility*, <<http://ethics.unwto.org/en/content/global-code-ethics-tourism>>, 27.08.2019.
- Yılmaz, F.G. & H. Bayraktar & M.K. Özden & M. Akpınar & Ö. Evin (2018), *Ortaokul ve İmam Hatip Ortaokulu Sosyal Bilgiler 6 Ders Kitabı*, E. Yüksel & M.A. Kapar & M. Akpınar (eds.), Milli Eğitim Bakanlığı.

**25 October 2019 Friday**

**Session: V-A / 09.30-11.00**

## **ECONOMIC DEVELOPMENT & PUBLIC ECONOMICS**

Room: *GASTON*

Chair: **Aleksandra GÓRECKA**

- The Effect of Financial Development on Income Inequality: Which Governance Institutions Make A Difference?

**Cristiano PERUGINI & İpek TEKİN**

- New Indicators Developed for Assessing Reserve Adequacy in Emerging Market Economies: Analysis on Turkey and Brazil

**Esra Nazmiye KILCI**

- How Does Education Affect Income Inequality?

**Hande KUL-GELAL**

- Conjectural Evaluation of Public Expenditures in the European Union

**Tuğay GÜNEL & Mehmet Fatih ÇAPANOĞLU**



**25 October 2019 Friday**

**Session: V-B / 09.30-11.00**

## **ECONOMIC DEVELOPMENT & PUBLIC ECONOMICS**

Room: *TIN TIN*

Chair: **Zeynep ÇOPUR**

- Level of Health Spending: A Conceptual Framework  
**Cevat TOSUN**
- Global Public Good: Food Safety  
**Melek AKDOĞAN-GEDİK**
- Investigation of the Relationship Between Selected Primary Health Indicators and Per capita GDP and Health Expenditures: OECD and Turkey  
**Erdinç ÜNAL & Eda Özlem ÜNAL**
- National Wealth Fund Applications in the World and Turkey  
**Mustafa SAKAL & Burcu DURAK-OLDAÇ**



## National Wealth Fund Applications in the World and Turkey

**Mustafa SAKAL** (<https://orcid.org/0000-0003-4527-0605>), Dokuz Eylül University, Turkey; e-mail: [mustafa.sakal@deu.edu.tr](mailto:mustafa.sakal@deu.edu.tr)

**Burcu DURAK-OLGAÇ** (<https://orcid.org/0000-0001-8711-7057>), Dokuz Eylül University, Turkey; e-mail: [burcu.durak@deu.edu.tr](mailto:burcu.durak@deu.edu.tr)

### Abstract

The National Asset Funds, which date back to the 1950s and captured a remarkable increase in numbers, particularly in the 2000s, can be defined as the state-owned companies established for accomplishing various purposes. The source of the asset fund is generally composed of income surpluses realized as a result of natural resource exports, balance of payments surpluses, financial surpluses, foreign exchange transactions and privatization revenues. As of the year 2019, the total size of this fund is approximately \$ 7.9 trillion. Our country has also harmonised with asset fund trend globally and Turkish Wealth Fund Incorporation has been established by the Law No. 6741 in the year 2016. In this study, first of all, it will be mentioned about the concept of national asset fund, its targets and its development in the World, then it will be referred to Turkish Wealth Fund Incorporation established by the Law No. 6741 in a broad scope.

**Keywords** : Fund, National Asset Fund, Turkish Wealth Fund, Globalization.

**JEL Classification Codes** : F30.

### Introduction

According to the Turkish Language Association, the fund is described as the money or resource which is allocated and operated to be spent when considered necessary for a particular business. In other words, we can define the fund as money that is allocated for carrying out a specific purpose and as money made available in one account, whenever necessary, in order to be able to fulfill that purpose. Besides this, the National Asset Fund has been established with the idea that countries with a current account surplus are intended to utilize these reserves profitably. Governments with national wealth funds have mobilized to contribute to economic growth, to ensure financial stability and to transfer existing resources into future generations.

Examples of the first asset fund in the world can be come across in the Permanent School Fund established in Texas in 1854 and then the Permanent University Fund in Texas in 1876. However, the first National Asset Fund in the modern sense has been established in 1953 in Kuwait. This asset fund, called the Kuwaiti Investment Authority, has been established in order to utilize excess oil revenues in productive areas. In particular, asset funds which have seen a rapid increase in numbers since the 2000s are currently 78 in total as of February 2019 and total value of these funds are \$ 8.1 trillion according to the information obtained by the National Asset Fund Institute (SWFI). Although the great majority of these 78 national asset funds is based on oil or export surplus, it has been seen that national asset funds have been established in some countries that do not have these two sources of income.

Turkish Wealth Fund Incorporation founded in 2016 in Turkey by the Law No. 6741 is an example of this.

In this study, general information about the national asset fund in the World will be presented and then Turkish Wealth Fund Management Corporation will be addressed in a comprehensive manner.

### **The Concept of National Asset Fund**

With globalization, not only the balance of power between the US and the rest of the world has deteriorated, but also the balance of power between the public and private sectors has changed. One of the channels in which the public sector will have an impact on financial markets is the National Asset Funds (NAF). The National Asset Fund is a state investment instrument which invests in foreign currency assets and whose management is different from official reserves (Jen, 2007: 1). National asset funds, generally referred to as public investment agencies that manage the assets of national states, have recently attracted significant attention and become important players in global financial markets. (Beck & Fidora, 2008: 6). NAFs are defined as a special purpose investment fund or regulation of the general government. NAFs created by the government for macroeconomic purposes hold, manage, or use a range of investment strategies that involve investing in foreign financial assets to achieve financial objectives. NAFs are mainly composed of balance of payments surpluses, official foreign exchange transactions, privatization revenues, financial surpluses and gains obtained from commodity exports. Having the capacity to work on a long-term investment horizon, NAFs are less risky when compared with those managing traditional foreign exchange reserves. The common feature of these funds is that they have public ownership and are often established to fulfill a macroeconomic objective (Das & Lu & Munder & Sy, 2009: 5). NAF plays an important role in terms of macroeconomic management and global financial sustainability. The activities of the NAFs are closely related to public finance, monetary policy and external accounts (Hassan & Papaioannou & Skancke & Sung, 2013: 3).

When looked at the history of NAFs, the first national asset fund is the Permanent School Fund established in Texas in the year 1854. Then, in 1876, the Permanent University Fund has been established again in Texas (Yalçınır & Sürekli, 2015: 2). In the modern sense, the first National Asset Fund is the Kuwaiti Investment Authority, which was established in 1953 with the aim of evaluating via the investments in excess oil revenues in Kuwait. Then, Kiribati established Income Equalization Reserve Fund of Kiribati as the second state which develops NAF in 1956 and this fund has been mostly financed by phosphate mining revenues (Buteica & Petrescu, 2017: 149). Especially after the 2000s, significant increases have been realized in the numbers of NAFs. The policies followed as a result of the terrorist attack on the US on September 11, 2001 caused an increase in oil prices. While the barrel price of crude oil was 24 dollars in 2002, with the US invasion of Iraq, prices rose and in 2008, the price of crude oil reached 147 dollars.

When we look at the sources of national asset funds, we see in general that it is either based on a commodity or created with money gained from foreign trade surpluses without a commodity. The sources of the funds based on commodities consist of budget surpluses obtained from natural resources such as oil, natural gas and diamond (See: Yereli & Yaman, 2017; Yaman & Yereli, 2019). Examples of funds established on the basis of a commodity are funds from the Gulf countries, Russia, Malaysia, Brunei and Norway. The sources of the funds which are not based on the commodities are comprised of especially foreign trade surplus, foreign exchange reserves, pension funds and other assets (See: Yaman & Yereli, 2017). Funds covering Singapore, Korea, China and other East Asian exporters are

examples of funds established without a commodity base (Bortolotti & Fotak & Megginson, 2014: 4-5).

The objectives of the National Asset Fund can be listed as follows;

- The main aim of the Stabilization Funds is to protect the budget and economy against fluctuations that will be able to occur in commodity prices, especially oil.
- The purpose of the saving funds in terms of future generations is to transfer the welfare to future generations by converting non-renewable assets into a diversified asset portfolio and to reduce the effects of Dutch disease.
- The purpose of the reserve investment funds is to increase the return on reserves.
- The objective of development funds is to help finance socio-economic projects or to develop industrial policies that will support the potential output growth of a country.
- Pension reserve funds have been established with the aim of providing support for unexpected pensions in the government budget (Allen & Caruana, 2009: 5).

We can divide national welfare funds into five types based on their objectives. These are;

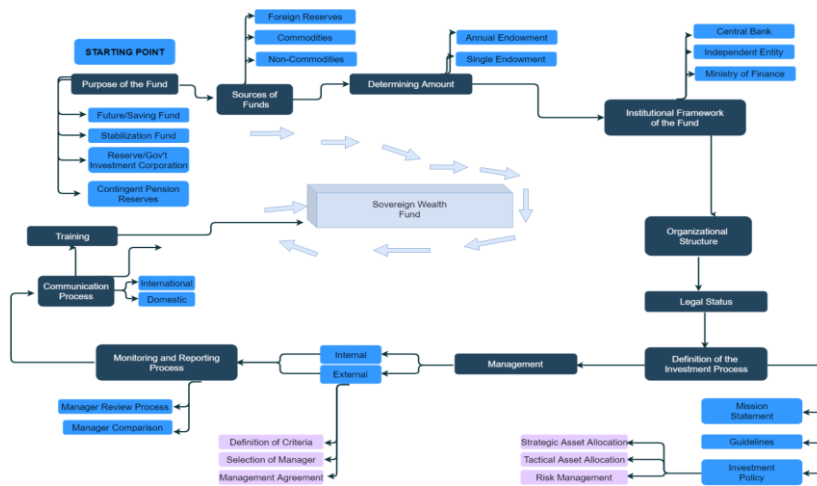
- 1) Stabilization Fund
- 2) Savings and Future Generations Fund
- 3) Strategic Development National Welfare Fund
- 4) Reserve Investment Funds
- 5) Pension Reserve Fund

**Table: 1 - Macroeconomic Targets of National Asset Funds**

Mission	Purpose	Description
<b>Capital Maximization:</b> Creating a capital base for the protection and growth of national welfare	Balancing intergenerational prosperity	Investing to ensure intergenerational equality. For example, converting non-renewable assets into diversified financial assets for future generations
	Financing future obligations	Increasing and maintaining the real value of capital to meet future obligations such as pensions
	Investing in funds	Investing in potentially high yielding assets that aim to achieve higher returns in the long run and reducing the negative transport costs of holding funds
<b>Stability:</b> Macroeconomic Management And Economic Recovery	Providing financial stability	Utilizing from cyclical financial instruments to isolate the economy from internal and/or external shocks
	Balancing foreign exchange rate	Using fund resources to balance large capital inflows and outflows in the short term, to avoid bubbles in asset prices and to reduce price fluctuations
		Using the fund to manage the amount of capital entering the domestic economy in the long run and to ensure that the exchange rate is kept at a level that allows for other export activities
<b>Economic Development:</b> Investing to improve the long-term efficiency of a country	Investing in infrastructure	Investing in many other areas, such as transport, energy, water management and communications
	Investing in social infrastructure	Investing in human capital and socio-economic projects such as education and health that will improve human capital
	Implementing industrial policy	Creating a diversified economy to reduce dependence on a resource.

Source: PWC, 2015.



**Figure: 1 - Purpose of National Asset Funds, Fund Source, Organization and Investment Process**

Source: Citi.

**Table: 2 - Rankings of 30 Asset Funds with Highest Shares in the World**

Rank	Country	Wealth Fund	Total Assets (Billion USD)	Foundation Year	Fund Source	Transparency Index
1	Norway	Norway Government Pension Fund Global	1074.60	1990	Oil	10
2	China	China Investment Corporation	941.4	2007	Non-Commodity	8
3	UAE - Abu Dhabi	Abu Dhabi Investment Authority	697	1976	Oil	6
4	Kuwait	Kuwait Investment Authority	592	1953	Oil	6
5	China - Hong Kong	Hong Kong Monetary Authority Inv. Portfolio	522.6	1993	Non-Commodity	8
6	Saudi Arabia	Sama Foreign Holdings	515.6	1952	Oil	4
7	China	Safe Investment Company	441	1997	Non-Commodity	4
8	Singapore	Investment Corporation	390	1981	Non-Commodity	6
9	Singapore	Temasek Holdings	375	1974	Non-Commodity	10
10	Saudi Arabia	Public Investment Fund	360	1971	Oil	5
11	Qatar	Qatar Investment Authority	320	2005	Oil And Gas	5
12	China	National Social Security Fund	295	2000	Non-Commodity	5
13	UAE - Dubai	Investment Corporation of Dubai	233.8	2006	Non-Commodity	5
14	UAE - Abu Dhabi	Mubadala Investment Company	226	2002	Oil	10
15	South Korea	Korea Investment Corporation	134.1	2005	Non-Commodity	9
16	Australia	Australian Future Fund	103	2006	Non-Commodity	10
17	Iranian	National Development Fund of Iran	91	2011	Oil And Gas	5
18	Russia	National Welfare Fund	68.5	2008	Oil	5
19	Libya	Libyan Investment Authority	66	2006	Oil	4
20	USA - Alaska	Alaska Permanent Fund	65.7	1976	Oil	10
21	Kazakhstan	Samruk-Kazyna Jsc	60.9	2008	Non-Commodity	10
22	Brunei	Brunei Investment Agency	60	1983	Oil	1
23	Kazakhstan	Kazakhstan National Fund	57.9	2000	Oil	2
24	Turkey	Turkey Wealth Fund	40	2016	Non-Commodity	9
25	Malaysia	Khazanah Nasional	38.7	1993	Non-Commodity	9
26	USA - Texas	Texas Permanent School Fund	37.7	1854	Oil And Others	9
27	UAE - Federal	Emirates Investment Authority	34	2007	Oil	3
28	Azerbaijan	State Oil Fund Of Azerbaijan	33.1	1999	Oil	10
29	New Zealand	New Zealand Superannuation Fund	26.6	2003	Non-Commodity	10
30	Ireland	Ireland Strategic Investment Fund	24.5	2001	Non-Commodity	10

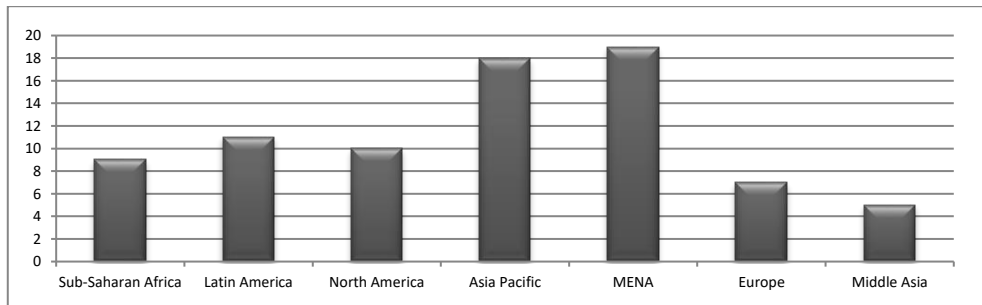
Source: Sovereign Wealth Fund Rankings, 2019.

Table 1 shows the world's top 30 asset funds as of February 2019. According to the information obtained by SWFI, as of February 2019, there are 78 national asset funds in the world. The total value of these asset funds is 8 trillion 144.71 billion dollars. Out of the 78 national asset funds, 43 funds are composed of oil and natural gas, while the remaining 35 funds consist of non-commodity revenues.

When the size of the funds is considered, it is seen that the Norwegian State Pension Fund ranks first with 1074.60 billion dollars. The Norwegian State Pension Fund is followed by the Chinese Investment Authority with \$ 941.4 billion. On the other hand, Turkey ranks 24<sup>th</sup> with \$ 40 billion with Turkish Wealth Fund Incorporation which was established with the Law No. 6741 on 19th August 2016. When we look at the distribution of fund sizes by country, it is seen that China has the highest fund value. China is followed by the United Arab Emirates and Norway.

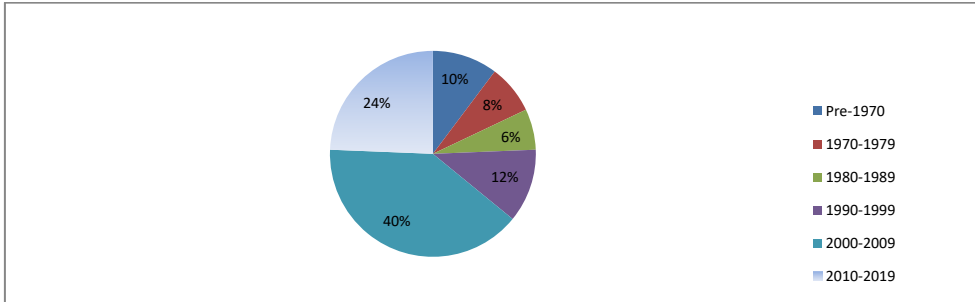
When we look at the countries in terms of funding sources, countries such as Norway, United Arab Emirates, Kuwait, Saudi Arabia, Qatar, Iran and Russia hold the largest oil-based funds in the world, while countries such as China (at first), Singapore and South Korea-that have the highest export rates-have funds obtained from large non-commodity sources.

**Figure: 2 - Distribution of National Asset Funds by Region**



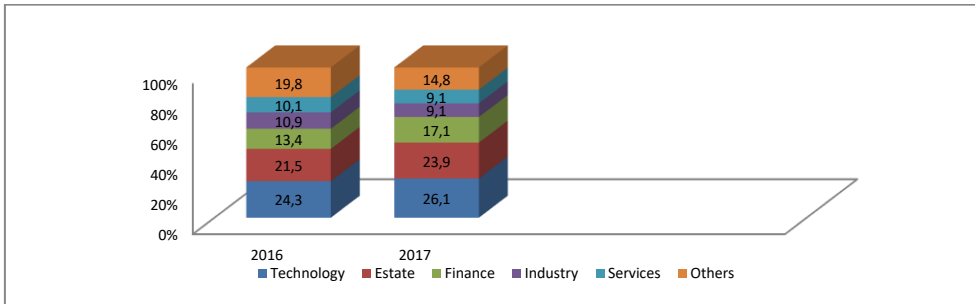
Source: *Sovereign Wealth Fund Rankings, 2019.*

Figure 2 shows the distribution of National Asset Funds by region. When we look at the distribution of National Asset Funds by region, it is seen that approximately half of the national asset funds are in MENA and Asia Pacific regions.

**Figure: 3 - Distribution of National Asset Funds by Year of Establishment**

Source: This figure has been created by us based on data from Sovereign Wealth Funds Institute.

When the distribution of national asset funds by years is examined, the ratio of NAFs established before 1970 to total NAFs is 10% while it remained around 8% in 1970-1979 period and 6% in 1980-1989 period. The ratio of NAFs established in 2010-2019 period to total NAFs is around 24%. As a result of the crises in 2000s in the global context, the number of national asset funds has increased significantly. Approximately 64% of national asset funds worldwide have been established after the 2000s.

**Figure: 4 - Distribution of Investments in 2016 and 2017 by Sectors**

Source: Invest in Spain.

Figure 4 shows the sectors invested by national asset funds in the years 2016 and 2017. In 2016, while the investment ratios were 21.5% for the real estate sector, 24.3% for technology, 13.4% for finance, 10.9% for industry, 10.1% for service sector and 19.8% for other sectors; for the year 2017, these ratios are like that: real estate (23.9%), technology (26.1%), financial sector (17.1%), industry (9.1%), service sector (9.1%) and other sectors (14.8%).

### **Turkish Wealth Fund Incorporation**

In our country, Turkish Wealth Fund Incorporation has been expressed as “along with the Law No. 6741 on 19<sup>th</sup> August 2016 -the Certain Laws Amendment Act with the Establishment of Turkey Assets Funds Management Corporation-, Turkish Wealth Fund Incorporation has been established with the

purpose of providing contribution to the instrument diversity & depth in capital markets; domestic assets belonging to the state to the economy; outsourcing and participating in strategic & large-scale investments. Turkish Wealth Fund -whose main activity issue was expressed through this law and which depends on the Presidency- and Turkey Asset Fund Management Incorporation-which is subject to private law provisionsthrough the establishment and management of sub-funds mentioned by this law and which is managed according to the principles of professional management- have been established”.

The main objectives of the Turkish Wealth Fund as expressed in the Law No. 6741 can be listed as follows:

- To contribute to the instrument diversity and depth in capital markets,
- To make domestic assets available to the economy,
- To provide outsourcing,
- To participate in strategic & large-scale investments,
- To establish and manage Turkish Wealth Fund and sub-funds based on this fund (Law No. 6741, 2016),
- To increase the growth rate by 1.5% annually in the next decade,
- To accelerate the growth and deepening of capital markets,
- To expand the use of Islamic finance assets,
- To provide additional employment of approximately hundreds of thousands of people for the investments to be made,
- To support domestic companies in technology-intensive strategic sectors such as defense, aviation & software on capital and project basis and to ensure that they become global players,
- To provide financing to major infrastructure projects such as Motorways, Canal Istanbul, Third Bridge and Airport, Nuclear Power Plant without increasing public sector debt,
- To increase the share of participation finance sector,
- To make direct investments to the strategic sectors abroad like natural gas and oil which is of great importance for Turkey without based on legal and bureaucratic restrictions with the aim of ensuring security of supply (Law No. 6741, General Justification).

When we look at the source of national asset funds in the world, it is generally seen that it is either based on a commodity or consists of foreign trade surpluses. That is, in essence, national asset funds are a tool used by countries that provide savings surplus. However, when we look at the Turkey, the source of the funds is not based on a commodity or trade surplus. The source of fund is provided from privatization revenues (Konukman & Şimşek, 2017: 1937).

The source of Turkish Wealth Fund (TWF) has been expressed as follows (Türkiye Varlık Fonu);

- Institutions & assets that are decided to be transferred to the TWF by Privatization High Council in the scope and program of privatization and the cash surplus to be transferred from the Privatization Fund,
- Income, resources and assets surpluses that are decided to be transferred to the TWF by the Council of Ministers,

- Fundings and resources provided regardless of permits and approvals which take place within the scope of the relevant legislation permits from domestic and foreign capital and money markets by TWF,
- Fundings and resources provided by other means outside money and capital markets.

**Table: 3 - Sources of Turkish Wealth Fund**

<b>Portfolio of Turkish Wealth Fund</b>
" 49.12 percent stake in Turkish Airlines Inc.
6.68 percent stake of the Turkish Telecommunication Inc. belonging to the government shares
All of the shares belonging to the Treasury in Ziraat Bank Capital
51.11% of the shares of Turkish Halk Bank
All of the shares belonging to the Treasury in the capital of Turkey Petroleum Inc.
All of the shares of the Treasury in the capital of Pipelines and Petroleum Transportation Inc. (BOTAS)
All of the shares belonging to the Treasury in the capital of Turkish Post and Telegraph Organization (PTT)
All of the shares belonging to the Treasury in the capital of Türksat Satellite Communication Cable TV and Operation Inc. (TURKSAT)
All of the shares belonging to the Treasury in the capital of Borsa Istanbul A.Ş.
License for games that could allow new games to be made for Lottery, Win-Win, Digital Lotto, Chance Ball, Number Ten and Super Lotto games played with cash (for 49 years)
It has been decided that TCDD İzmir Port will remain in the management of TCDD and continue to be operated by TCDD until the transfer of İzmir Port transfer operations is completed.
49% stake in the capital of Turkey Maritime Organization Inc.
General Directorate of Eti Mine Businesses
10% stake of Kayseri Sugar Factory Inc.
General Directorate of Tea Enterprises (ÇAYKUR)
Organizing horse races in the country of Turkey Jockey Club, licenses related to rights and privileges for accepting mutual betting from domestic and international sources on horse races held inside and outside (collectively for 49 years from January 1, 2018)
Some of the immovable properties in Antalya, Aydın, İstanbul, Isparta, İzmir, Kayseri and Muğla which are owned by the Treasury".

Source: <<http://www.turkiyevarlikfonu.com.tr/TR/Portfoy/5>>, 27.08.2019.

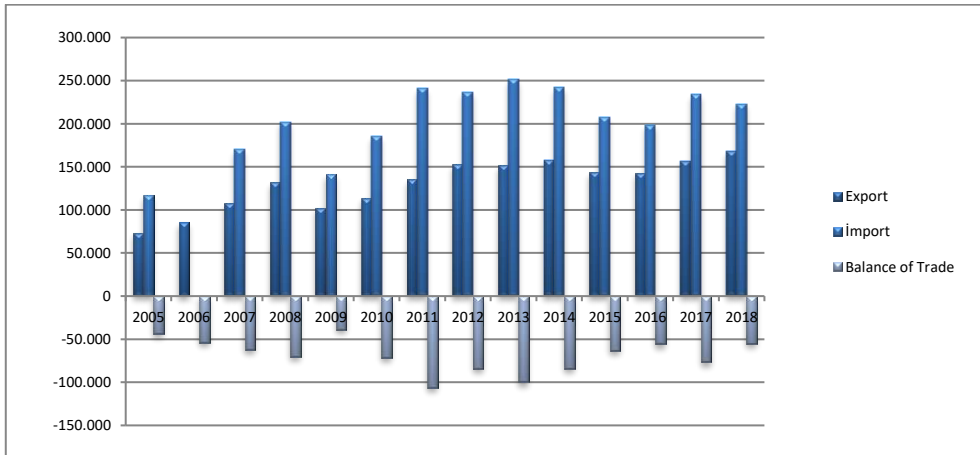
The size of some of the treasury lands transferred to the Asset Fund in which the majority of it is comprised of tourism regions and which is owned by the public, is given as follows:

- 700 thousand 910 square meters in Aksu, Merkez, Kemer and Manavgat districts of Antalya,
- 959 thousand 713 square meters in Didim and Kuşadası districts of Aydın,
- 22 thousand 866 square meters in Bakırköy district of İstanbul,
- 556 thousand 891 square meters in Selçuk and Menderes districts of İzmir,
- 11 thousand 334 square meters in Muğla Bodrum Gündoğan,
- 38 thousand 958 square meters in Isparta and Kayseri (Üstün, 2017: 8).

**Table: 4 - Amount Paid-in Capital Transferred to Turkey Wealth Fund**

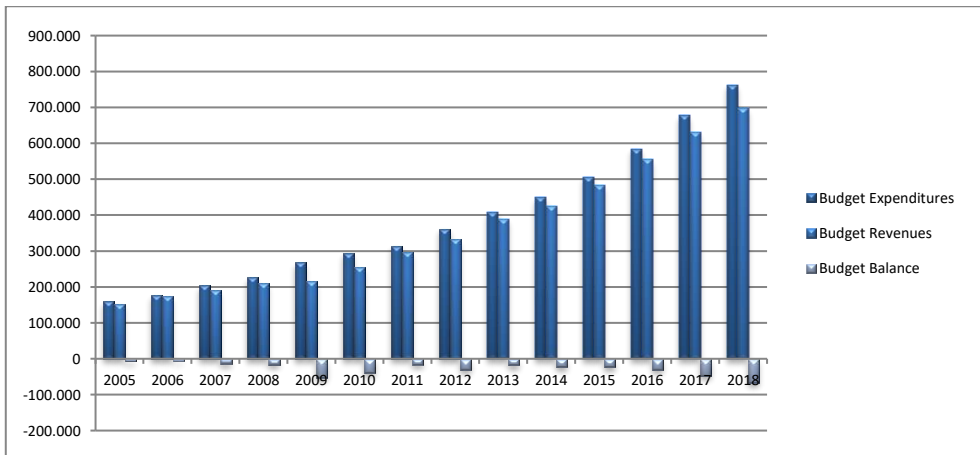
	Treasury Share (%)	Paid-in Capital (TL)
THY	49.12	1,38 billion
Halkbank	51.11	1,25 billion
Ziraat Bank	100	5 billion
Borsa İstanbul	73.6	423,2 million
PTT	100	981,5 million
BOTAS	100	4,15 billion
ETİ Maden	100	600 million
TPAO	100	3 billion
Türksat	100	1,47 million
Türk Telekom	6.7	3.5 billion
Çaykur	100	1.49 billion"

Source: <<https://www.aa.com.tr/tr/info/infografik/3806>>, 27.08.2019.

**Figure: 5 - Trade Balance of Turkey by the Year**

Source: Turkish Republic Trade Ministry (2019).

Figure 5 shows Turkey's foreign trade balance between the years 2005-2018. In the thirteen-year period from 2005 to 2018, foreign trade deficits have been observed.

**Figure: 6 - Budget Balance of Turkey by the Year**

Source: BUMKO.

Figure 6 shows the budget balance of Turkey between 2005-2018 years. In the period of 2005-2018, the budget has experienced a continuous deficit. When looked at the audit of Turkey Wealth Funds, Turkey Wealth Fund and sub-funds to be established in the framework of Turkey Wealth Fund are subject to independent audit. Audited annual financial statements and their activities have been

audited within the framework of independent auditing standards by at least three central auditors who are assigned by the President and specialized in capital markets, finance, economy, finance, banking and development and the report to be prepared as a result of the audit is submitted to the President by the end of June each year.

The financial statements of the previous year and their activities are discussed and monitored via audit reports prepared under the first and second paragraphs by the Turkish Grand National Assembly Planning and Budget Commission and submitted by the President in the month October of every year (Law No. 6741, 2016). As stated in Law No. 6741, Turkey Wealth Fund will be overseen by at least three central control staff to be sent by the President. The audit of the Turkey Wealth Fund is outside the audit scope of Court of Auditors.

### **Conclusion and Discussion**

Turkey Wealth Fund Management Inc. has been established in 2016 with the capital of 50 million TL that is transferred by the Privatization Administration with the purposes of contributing to the diversity and depth of the instruments in the capital markets, providing domestic public assets to the economy, providing outsources and participating in strategic and large-scale investments. Turkey Wealth Fund which is the debate topic since its establishment has included various concerns. Some of the concerns in our country, which have had bitter experiences in the past, especially on extra-budgetary funds, are as follows:

Wealth funds in the world have been established with the aim of transferring more savings in general to future generations and in evaluating these savings. However, Turkey Wealth Fund includes some concerns with respect to not depending on any commodity or a revenue surplus. Due to the fact that our country is a country with a current account deficit and foreign trade deficit, various questions have appeared regarding the point that TWF has not been established with the aim of investing, rather it has been founded in order to run into debt.

There are some concerns in the point that budget revenues will decline with the transfer of privatization revenues to the Fund and with the allocation of the share from budget revenues to the Fund; this situation will give rise to the increase of budget deficits; a budget will be created other than the budget; the principle of unity as one of the principles of the budget will be damaged and financial discipline will be disrupted by creating a parallel budget.

It is argued that the appointment of both the board of directors and the auditors by the president, who is the chairman of the board of directors, will compromise the reliability of the audit.

It should be established as a joint stock company subject to private law in Turkey assets of the fund and therefore court of accounts is excluded from the audit that the Audit members who assigned the Turkey fund asset management, board chairman of the President and the inspections of audit reports prepared at the end again be presented to the President. The audit has concerns that it will destroy the effectiveness of the audit by jeopardizing the control mechanism. It is argued that the appointment of both the board of directors and the auditors by the president, who is the chairman of the board of directors, will compromise the reliability of the audit.

There are concerns that if the Fund derives its funding from domestic capital markets, the private sector's use of capital markets will be limited, and this will hinder the progress of capital markets.

Turkey Wealth Funds and to their financing and funds to be established in order to ensure the company raises an unlimited borrowing authority given the next budget integrity would undermine the transparency of public accounts and concern matters will not have the financial discipline provided they pledged themselves transferred public assets. In addition, the fact that TWF, which is obliged to publish annual reports every year, has not been published since the day it was established, strengthens the concerns about the lack of transparency and makes it difficult to conduct an investigation on TWF.

## References

- Allen, M. & J. Caruana (2008), *Sovereign Wealth Funds - A Work Agenda*, IMF, <<https://www.imf.org/external/np/pp/eng/2008/022908.pdf>>, 12.02.2019.
- Anadolu Ajansı (2017), *Türkiye Varlık Fonu 'dev' kuruluşlarla güçlendi*, <<https://www.aa.com.tr/tr/info/infografik/3806>>, 12.12.2018.
- Beck, R. & M. Fidora (2008), *The Impact of Sovereign Wealth Funds on Global Financial Markets*, No: 91, 1-32, <<https://www.ecb.europa.eu/pub/pdf/scpops/ecbocp91.pdf>>, 27.09.2019.
- Bortolotti, B. & V. Fotak & W.L. Megginson (2014), "The Rise of Sovereign Wealth Funds: Definition, Organization, and Governance", *SSRN Electronic Journal*, <<https://www.unibocconi.eu/wps/wcm/connect/fbd0c50e-0402-4992-9a2f-0a46d3105261/SWF-PPP-Palgrave-1.pdf?MOD=AJPERES>>, 11.10.2018.
- BUMKO Bütçe ve Mali Kontrol Genel Müdürlüğü (2019), <<http://www.bumko.gov.tr/TR.185/merkezi-yonetim-butcesi.html>>, 21.07.2019.
- Buteică, A.C. & C.M. Petrescu (2017), "The Rise of Sovereign Wealth Funds: An Overview of the Challenges and Opportunities Ahead", *Hyperion International Journal of Econophysics & New Economy*, 10(1), 147-158.
- Capapé, J. & J. Santiso (2017), *Sovereign Wealth Fund*, ie foundation, <<http://www.investinspain.org/invest/wcm/idc/groups/public/documents/documento/mde4/nzc5/~edis/doc2018779750.pdf>>, 24.11.2018.
- Das, U.S. & Y. Lu & C. Mulder & A. Sy (2009), "Setting up a Sovereign Wealth Fund: Some Policy and Operational Considerations", *IMF Working Paper Monetary and Capital Markets Department*, <<https://www.imf.org/external/pubs/ft/wp/2009/wp09179.pdf>>, 01.03.2019.
- Hassan, A.A. & M. Papaioannou & M. Skancke & C.C. Sung (2013), "Sovereign Wealth Funds: Aspects of Governance Structures and Investment Management", *IMF Working Paper*.
- Jain, S. (2011), "Integrating Hedge Fund Strategies in Sovereign Wealth Portfolios", *Citi Capital Advisors*, <[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1769222](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1769222)>, 17.08.2018.
- Jen, S. (2007), "Sovereign Wealth Funds, what they are and what's happening", *World Economics*, 8(4) 1-7.
- Konukman, A. & O. Şimşek (2017), "Ulusal Varlık Fonları ve Türkiye Uygulaması", *Çalışma ve Toplum*, 4, 1913-1944.
- PWC (2015), *The taxonomy of Sovereign Investment Funds*, <<https://www.pwc.com/gx/en/sovereign-wealth-investment-funds/publications/assets/pwc-the-taxonomy-of-sovereign-investment-funds.pdf>>, 11.10.2018.
- Sanlı, U. (2010), "Körfezin Görünmeyen Elleri: Ulusal Varlık Fonları", *Ortaadoğu Analiz*, 2(23), 18-24.
- SWFI Sovereign Wealth Fund Institute (2019), <<https://www.swfinstitute.org/sovereign-wealth-fund-rankings/>>, 18.03.2019.
- SWFI Sovereign Wealth Fund Institute (2019), <<https://www.swfinstitute.org/sovereign-wealth-fund-profiles/>>, 18.03.2019.
- SWFI Sovereign Wealth Fund Institute (2019), <<https://www.swfinstitute.org/sovereign-wealth-fund/>>, 19.02.2019.



- T.C. Ticaret Bakanlığı (2019), <<http://risk.gtb.gov.tr/data/572b3a8a1a79f50cd8a22b1a/1-Yillara%20Gore%20Dis%20Ticaret.pdf>>, 27.08.2019.
- Türkiye Varlık Fonu (2019), <<http://turkiyevarlikfonu.com.tr/tr/icerik/51/hakimizda>>, 11.10.2018.
- Türkiye Varlık Fonu (2019), <<http://www.turkiyevarlikfonu.com.tr/TR/Portfoy/5>>, 12.04.2019.
- Üstün, N. (2017), *Ulusal Varlık Fonları ve Türkiye Varlık Fonu*, Konya Ticaret Odası, <<http://www.kto.org.tr/d/file/ulusal-varlik-fonlari-ve-turkiyede-varlik-fonu---nazli-ustun.pdf>>, 19.10.2018.
- Yalçiner, K. & A.M. Sürekli (2015), “Ekonominin Çeşitlendirilmesinin Bir Aracı Olarak Ulusal Refah Fonu Modelinin Türkiye Ekonomisi Açısından Uygulanabilirliği”, *Gazi Üniversitesi İ.İ.B.F. Dergisi*, 17(3), 1-29.
- Yaman, İ. & A.B. Yereli (2017), «Understanding Sovereign Wealth Funds: Investment Activities and the Political Dimension», 4<sup>th</sup> International Annual Meeting of Sosyoekonomi Society, *Proceedings Book*, Hacettepe University Centre for Market Economics and Entrepreneurship & Sosyoekonomi Journal, Hotel Imperial - A Luxury Collection Hotel, October 27-28, Vienna-Austria, 242-243.
- Yaman, İ. & A.B. Yereli (2019), “Ulusal Varlık Fonlarının Politik Boyutu”, *Sosyoekonomi*, 27(41), 263-282.
- Yereli, A.B. & İ. Yaman (2017), “Ulusal Varlık Fonlarını Anlamak: Fırsat Mı, Tehdit Mi?”, *Sosyoekonomi*, 25(34), 69-86.

**24 October 2019 Thursday**

**Session: VI-A / 11.30-13.00**

## **TAX & PUBLIC FINANCE**

Room: *GASTON*

Chair: **Ayşen SİVRİKAYA**

- Interaction between Taxation Power and the Right of Property  
**Özge MUTLU-KAYA**
- An Evaluation of Tax Burden on Salaries in the Context of Direct and Indirect Taxes: Turkish Case  
**Oğuzhan DEMİRHAN**
- Changes in Calculating the Excise Tax Relief for Beer and Benefits for Polish Micro and Small Breweries  
**Wiktor MASZKOWSKI**
- The Effects of Public Expenditure on Income Distribution in Turkey  
**Tuba DEMİRYÜREK-ÜLKER & Serkan ERKAM**



## **An Evaluation of Tax Burden on Salaries in the Context of Direct and Indirect Taxes: Turkish Case**

**Oğuzhan DEMİRHAN** (<https://orcid.org/0000-0003-3055-8155>), *Social Security Institution, Turkey; e-mail: oguz\_Han1982@hotmail.com*

### **Abstract**

The aim of this study is to find out the proportion of indirect taxes and its tax burden on employee which disrupt income distribution in Turkey. There has been many statistics in order to find out the tax burden. We believe that reducing the share of indirect taxes and the tax burden on employee is crucial for leading happy life in Turkey. In this study; even it has been seen that tax burden is under OECD average, it is clearly understood that the real is the opposite.

**Keywords** : Tax Burden, Tax Wedge, VAT.

**JEL Classification Codes** : D12, D63, H21, H23.

### **Introduction**

Satisfying human needs is the main goal of production. Using and managing more than one factor of production for the same purpose in order to produce goods and services is crucial. In classifying factors of production in economics literature, labor has been accepted as one of the most important components. As a matter of fact; after labor is included in the production process there will be a cost for employer, an increase in total demand and tax revenue for government, and a wage for employee. On the other hand; taxation of this revenue has some social, political, and economic problems. Since employees' sources of income depend on their salaries, in respect to obtain and use the goods and services which they need, there is an issue to decrease tax burden on salaries.

Not only spreading tax into the lower level but also spreading it into upper level is necessary for having social justice. By analyzing the effects on tax from past to present, we can clearly say that having tax burden mostly on labor creates unwillingness for entering economic activities and it results in a social problem. With the purpose of solving these issues, there has been main tax principles which have been added as topics to the constitution for a long time.

In this study; we are going to discuss tax burden on employees of indirect taxes which has a great percentage out of total tax in Turkey and give some recommendations in order to decrease this burden.

### **Tax Structure in Turkey**

Tax structure is used for describing the sources of tax revenues. Classifying tax structure depends on the functions of taxation and changes in these functions. Therefore; new classification methods have arisen, and some methods haven't make sense anymore (Kılıçaslan & Yavan, 2017: 35).

The classification which takes account the source of tax has been commonly used. In modern tax systems; together with diverse and advanced taxes, a general classification which takes account the sources such as wage, wealth, and expenses can be made. Another major classification is taking account into economic activities like direct and indirect taxes. While indirect taxes are the taxes on expenses, direct taxes are the taxes on wage and wealth. Tax can be classified into two different structure in Turkey: direct and indirect taxes (Kılıçaslan & Yavan, 2017: 35).

OECD has three types of classification for the source of tax; wage, expense, and wealth. Taxes on expenses are called indirect taxes and taxes on wage are called direct taxes. Social security contributions are classified as tax-like revenues (OECD, 2018).

### **Indirect Taxes**

It is a type of tax which the liable and payer is different people in terms of the incidence of a tax. This kind of taxes are Value Added Tax (VAT), Customs Duty, and Banking and Insurance Transactions Tax (BITT). Wage level, marital status, and personal stats are not taken into consideration.

The share of indirect taxes in tax revenues, specifically consumption taxes, is quite high in Turkey when compared to other OECD economies. This emphasis on indirect taxes in Turkey, as well as other developing economies, is argued to emerge from the inability of the government to collect direct taxes because of the existence of a large informal sector that is not easily taxable. It has been suggested that the recent increase in the indirect taxes puts the burden on mostly the poor, raising concerns of inequality (Ardıç & Burcay & Soydan, 2010). The indirect tax percentage rose up to 62.8% from 48% between 1990 and 2018.

Turkey distinguishes from developed countries with this tax structure. This deterioration is a result of increased value added tax rate like excise tax rate (Helhel & Demir, 2012: 34).

Special Consumption Tax (SCT) is a type of tax on specific goods and products. In the table follows; Collection amounts of SCT on motor vehicle are shown year by year.

**Table: 1 - Special Consumption Taxes (1000 TL)**

<b>2002</b>	<b>738.858</b>
2012	8.439.144
2013	10.595.745
2014	12.891.414
2015	17.069.848
2016	18.938.538
<b>2017</b>	<b>22.148.428</b>

*Source: GIB (2018), GIB Statistics.*

Table has been prepared according to Turkish Revenue Administration. SCT increased 29.6 times between 2002 and 2017.

Another type of indirect tax is Value Added Tax (VAT) which is charged on goods and services and it has a huge tax burden in the total. It is preferred because of the low cost for tax administration and highly invisible for customers.

Indirect taxes are the major revenue sources for underdeveloped countries since they are easy to collect, creates less reaction, are low-cost, and has high efficiency.

**Table: 2 - Collected VAT**

Years	Total Taxation	Total VAT Revenue	Share of VAT in Total Tax Revenues (%)
2009	196.313.308	60.169.248	30,6
2010	235.714.637	75.649.986	32,1
2011	284.490.017	95.550.463	33,6
2012	317.218.619	103.155.875	32,5
2013	367.517.727	123.878.363	33,7
2014	401.683.956	130.538.554	32,5
2015	465.229.389	153.844.174	33,1
2016	529.607.901	168.808.352	31,9
2017	626.082.415	206.679.678	33,0
2018	737.954.270	250.511.421	33,9

Source: GIB (2018), GIB Statistics.

The share of VAT in the total has been increasing but its share has been decreasing in indirect taxes. On the other hand; the share of SCT in the total has been stable but its share has been decreasing in indirect taxes. It seems there is a paradox, but it arises from the decrease of two other major taxes; Income and Corporate Taxes.

In OECD countries; tax burden on expenses, in other words taxes charged on goods and services, has been passed OECD average by 2018; while Turkey average is 43.44%, OECD average is 32.7% (OECD, 2018).

### Direct Taxes

There is not any incidence of a tax in this type. The main tax payers are the people who earns revenue. Wage level, marital status, and personal stats are taken into consideration. Revenue Tax and Corporate Tax are the examples for this type of tax.

It is significant to have a justice in tax to know the tax structure in a country. In the countries where indirect taxes have the biggest part, there is mostly injustice in income distribution and tax burden is in the employees.

In Turkey, indirect tax has a share around 60-70% within the total tax revenue and tax burden is generally on employees. Tax balance between direct and indirect tax shows that tax justice goes to the wrong side. Besides; informal economy decreases the capacity to collect tax and makes the system to concentrate on indirect taxes.

**Table: 3 - Collected Direct and Indirect Taxes**

Years	Total Indirect Tax Revenue	Total Direct Tax Revenue	Total Taxation	Indirect Tax Rate in Total Taxtr	Direct Tax Rate in Total Tax
2010	143.994,7	66.565,7	210.560,4	68,4	31,6
2011	171.752,3	82.056,9	253.809,2	67,7	32,3
2012	186.231,4	92.519,7	278.751,1	66,8	33,2
2013	225.727,6	100.441,6	326.169,2	69,2	30,8
2014	238.092,7	114.421,7	352.514,5	67,5	32,5
2015	279.290,5	128.527,9	407.818,5	68,5	31,5
2016	308.821,4	150.180,3	459.001,7	67,3	32,7
2017	359.768,2	176.849,0	536.617,2	67,0	33,0
2018	389.886,6	231.424,0	621.310,6	62,8	37,2

Source: GIB (2018), GIB Statistics.

### Tax Burden in Turkey

Tax burden is used to explain the share of the tax collected within the income. This term is among the important indicators in evaluating the justice and equality in tax system. Tax burden calculations are based on for the fair and balanced distribution of tax. There are many tax burden calculations such as Total Tax Burden, Personal Tax Burden, Objective Tax Burden, and Regional and Sectoral Tax Burden.

$$\text{Total Tax Burden} = \text{Tax Revenue/GDP}$$

In Turkey, tax burden is below the OECD average but tax and social security contribution burden on employment, tax wedge, is above the OECD average. In the OECD study named “Revenue Statistics 2018”, tax burden has been calculated as 34.2 for OECD average and 24.9 for Turkey.

**Table: 4 - Tax Burden Rate in OECD Countries Chosen**

Countries	1965	1990	2000	2007	2010	2012	2014	2015	2016	2017
Belgium	30,6	41,2	43,5	42,7	42,6	44,2	45,1	44,8	44,1	44,6
Canada	25,1	35,2	34,8	32,6	31,1	31,3	31,3	32,7	32,7	32,2
France	33,7	41,2	43,4	42,5	42,1	44,4	45,4	45,3	45,5	46,2
Germany	31,6	34,8	36,2	34,9	35,0	36,4	36,7	37,0	37,4	37,5
Greece	17,1	25,2	33,4	31,2	32,0	35,5	35,7	36,6	38,8	39,4
Italy	24,7	36,4	40,6	41,7	41,9	43,9	43,5	43,1	42,6	42,4
Netherlands	30,5	39,7	36,9	35,7	35,7	35,6	37,0	37,0	38,4	38,8
Norway	29,4	40,2	41,9	42,1	41,9	41,5	38,8	38,4	38,7	38,2
Poland	..	..	32,9	34,6	31,4	32,1	31,9	32,4	33,4	33,9
Spain	14,3	31,6	33,2	36,4	31,2	32,1	33,6	33,6	33,2	33,7
Sweedden	31,4	49,5	49,0	45,0	43,2	42,6	42,6	43,1	44,0	44,0
<b>Türkiye</b>	<b>10,6</b>	<b>14,5</b>	<b>23,6</b>	<b>23,1</b>	<b>24,8</b>	<b>24,9</b>	<b>24,6</b>	<b>25,1</b>	<b>25,3</b>	<b>24,9</b>
England	30,1	32,9	32,9	33,0	32,3	32,4	31,8	32,2	32,7	33,3
USA	23,5	26,0	28,2	26,7	23,5	24,1	26,0	26,2	25,9	27,1

Source: OECD, 2017c.

Personal tax burden, corporate tax burden, and wealth tax in Turkey are below the OECD average. Taxes which are charged on salaries and expenses and tax wedge are higher in Turkey than OECD average.

Tax burden has a positive correlation with the tax paid but has a negative correlation with the power of payment. As tax paid increases, tax burden increases as well; but as power of payment increases, tax burden decreases (Esra & Kasa, 2017: 30-38).

The share of tax burden is not important, the pressure of tax burden on usable real income is important. If a person or company is able to make consumption, saving or investment after the tax payments, tax burden will not be high. Otherwise; no matter the percent happens, tax burden will be high (Ay, 2018: 13).

The distribution of tax burden is also important. While some sectors are excised extremely high, having exemptions in favor of others causes unfair competition and disruption income distribution.

### Tax Burden on Employees and Tax Wedge

Tax wedge, which describes tax burden on employees, is the sum of taxes paid and social security contribution per employee. The increases in tax and contribution have negative effects on employment as informal employment increases and as a result tax wedge increases (Nar, 2015: 686).

According to Turkish Statistical Institute; 43% of employees earns minimum wage and 83% has a wage between 2,029 TL and 3,500 TL. In the table below; tax and contribution charged on a minimum waged employee is shown. According to the table; 28.5% of his/her wage is charged as tax and contribution. This burden creates revenue effect for employee and tax burden increases because of the tax and contribution paid for employee.

**Table: 5 - Wage and Withholdings Belongs to Minimum Wage Employer**

Defination	Withholdings Rate	01.01.2018-31.12.2018
Minimum wage		2.029,50 TL
Social Security Contribution	14	283,13 TL
Unemployment Contribution	1	20,30 TL
Personel Income Tax	15	258,76 TL
Stamp Tax	Binde 7,59	15,40 TL
Wage		1.450,91 TL
Minimum living allowance	Bekar %50	152,21 TL
Take Home Pay		1.603,12 TL

In the chapter before; it was mentioned that general tax burden in Turkey is below OECD average. But; it can be concluded that tax burden will be low, if there is the possibility to make consumption, saving, or investment with the wage remained. In the table follows; tax burden is shown for the selected OECD countries. As seen in the table; Turkey is over the OECD average.

Table 5 shows that the tax wedge between total labour costs to the employer and the corresponding net take-home pay for single workers without children, at average earnings levels, varied widely across OECD countries in 2018. Decreases in the tax wedge were also derived for the most part from lower income taxes.

**Table: 6 - Tax Wedge Rate in OECD Countries Chosen**

Country	2010	2011	2012	2013	2014	2015	2016	2017	2018
Austria	48,17	48,54	48,84	49,18	49,42	49,62	47,33	47,42	47,63
Belgium	55,93	56,09	55,99	55,66	55,59	55,28	53,95	53,76	52,67
Canada	30,39	30,64	30,79	31,01	31,58	31,54	31,37	30,60	30,71
Estonia	40,09	40,26	40,41	39,92	40,03	39,05	38,99	39,01	36,47
Finland	42,29	42,35	42,49	43,11	43,60	43,51	44,11	42,70	42,30
France	49,90	49,96	50,10	48,81	48,39	48,41	48,05	47,60	47,63
Germany	49,05	49,68	49,65	49,26	49,31	49,45	49,54	49,58	49,50
Greece	40,06	42,99	42,93	41,30	40,41	39,14	40,49	40,78	40,93
Hungary	46,61	49,49	49,52	49,03	49,03	49,03	48,25	46,15	45,04
Latvia	44,04	44,21	44,27	43,72	43,02	42,51	42,61	42,91	42,31
Lithuania	40,60	40,71	40,92	41,11	40,98	41,21	41,29	41,07	40,63
Luxembourg	35,27	37,26	37,08	38,22	38,64	39,49	39,58	37,79	38,17
Netherlands	38,10	38,03	38,62	40,65	38,97	36,95	37,25	37,36	37,67
Norway	37,29	37,57	37,41	37,35	36,90	36,78	36,25	35,95	35,81
Poland	34,21	34,32	35,51	35,57	35,68	35,73	35,58	35,66	35,75
Spain	39,75	39,99	40,62	40,66	40,72	39,39	39,38	39,26	39,38
Sweden	42,76	42,81	42,86	43,01	42,46	42,61	42,84	42,93	43,06
Switzerland	22,10	22,30	22,11	22,21	21,87	21,86	22,07	22,10	22,24
<b>Turkey</b>	<b>36,98</b>	<b>37,03</b>	<b>37,13</b>	<b>37,36</b>	<b>38,09</b>	<b>38,19</b>	<b>38,24</b>	<b>38,99</b>	<b>38,87</b>
United Kingdom	32,58	32,46	32,09	31,36	30,96	30,81	30,91	31,00	30,90
United States	30,75	29,91	29,84	31,45	31,64	31,44	31,58	31,78	29,58

Source: OECD, 2018.

### Regulations to Do in Order to Have Fair and Balanced Tax Burden Distribution

- Identifying the Tax Payment Capacity Accurately and Taxation Prorty is Crucial



It is necessary to find the accurate payment capacity of people who have different income and wealth levels. Principle of tax payment capacity is one of the main taxation principles and is a significant principle to estimate the taxation of people based on their capacity.

Taxation of property is crucial to reduce the tax burden on the wages. It is obvious that the tax burden on wages in Turkey is quite high when compared to OECD average. Tax burden on Property within GDP in OECD average is 5.66%, in Turkey this rate is 4.51%. Therefore, Turkey has a great potential taxation of property. Property holders have especially take great share in periods of national welfare so that they have to contribute much responsibility on tax sharing.

- Decreasing Tax Expenses

Tax expense is a term which includes the tax revenues that can not be collected because of exemptions and deductions. Increase in tax expense means that there are many special benefits in the advantage of some people, groups, and sectors. Especially in the tax systems which tax gap is getting deeper, indirect taxes are the common way to create income.

In the Tax Spending Estimation Reports published by Ministry of Treasury and Finance; tax spending amounts are estimated to increase by years. In the table below; tax spending estimations have been increasing year by year. This amount is around 24% of Tax Revenue estimations (Ministry of Finance and Treasury, 2019).

**Table: 7 - Report of Tax Spending Amount Estimation**

Tax Law	2017	2018	2019	2020	2012
Income Tax	49.284	57.954	68.267	78.619	87.800
Corporation Tax	19.567	23.560	28.031	32.435	36.159
Value- Added Tax	34.806	41.909	49.797	57.469	64.084
Special Consumption Tax	17.619	21.215	24.903	27.970	31.190
Others	5.373	6.470	7.698	8.907	9.932
Total	126.650	151.108	178.696	205.401	229.165

- Cancelling Tax Amnesty and Holiday

Tax Amnesty means the waiver of the taxes which can not be partly or totally collected. Tax Amnesty creates a resistance against tax by destroying the willingness and capacity for tax payment. It also harms tax justice and social peace by making fair taxpayers unhappy.

There have been 33 tax amnesties in 92 years.  $92 \text{ Yıl} \times 12 \text{ Months} / 33 \text{ Times regulations} = 33.45$  tax amnesty in a month. In other words, there has been one tax amnesty in 1,003 days as an average.

- Struggle against Informal Economy

Informal economy is still a huge problem in Turkey. Informal economy affects the usage and distribution of sources negatively and decreases tax revenues. Having high informality makes tax administration to collect the indirect taxes which are easy to collect. As a result; it causes the tax burden to be on the spenders since this kind of taxes do not take the personal and marital status.

Increase in informal activities tightens actual tax base in Turkey causes an increase of tax burden on taxpayers who do not have the possibility for tax evasion because of the deduction at source. High deductions on wage increases labor cost for employer. High unemployment rate and unqualified labor force directs employer to the informal employment because of the high labor cost (Tansöker, 2017: 325).

In the Labor Statistics Journal published by Turkish Statistical Institute; the informal employment average is found as 32.7%. It means that each employee out of 3 employees works under informal production (Turkish Statistical Institute, 2019).

- Using Tax Incentives for the Purpose of Decreasing Tax Burden

Tax incentive can be defined as tax exemptions for specific revenues or tax holidays (Tekin, 2016: 1). Developing countries, which has to develop insufficiently in terms of capital stock, may try to attract foreign investors by tax incentives or make them invest for a long time in their countries.

Tax incentives are used for various purposes. Incentivizing incentives and attracting direct foreign investments are the top purposes. But; tax incentives can be used for different purposes as well like decreasing unemployment, incentivizing specific sectors and activities, and decreasing income and development gaps between regions (Tekin, 2016: 3).

The neoclassical growth model which was introduced by Solow, 1956, suggested that the long-run growth rate is driven by the rate of technical progress and population growth. The incentive to invest in human or physical capital may be affected by productive government expenditures or distortionary taxation (Bujang & Hakim & Ahmad, 2013).

Determining the correlation accurately between the purpose of incentives and results will be significant for the balanced distribution of tax burden. As it can be seen in the table below; increase in real sector incentives has been rising more than the increase in reduction for employees. Unfortunately; since this increase can not help to solve the unemployment problem and increase domestic income, tax burden stays on indirect taxes.

**Table: 8 - Share of Tax Break and Incentives in GDP**

Years	GDP	Total Tax Break for Employee	Share in GDP	Total Tax Incentives for Employer	Share in GDP	Other Breaks	Share in GDP
2010	1.160.013.978	7.415.838	0,6	9.507.718	0,8	8.982.355	0,8
2011	1.394.477.166	8.792.065	0,6	12.914.568	0,9	9.703.187	0,7
2012	1.569.672.115	10.873.893	0,7	15.708.096	1,0	12.843.208	0,8
2013	1.809.713.087	12.811.281	0,7	16.806.821	0,9	12.693.449	0,7
2014	2.044.465.876	14.611.530	0,7	19.940.702	1,0	15.938.531	0,8
2015	2.338.647.494	17.256.441	0,7	22.486.743	1,0	18.623.632	0,8
2016	2.608.525.749	23.864.050	0,9	25.250.399	1,0	22.959.013	0,9
2017	3.106.536.751	27.919.796	0,9	32.778.319	1,1	29.664.141	1,0
2018	3.700.989.489	32.453.354	0,9	48.259.104	1,3	37.626.724	1,0

- Implementing Proportional Tax System

In progressive tax system; different tax rate is applied for people who have different economic abilities. Herein; we believe that progressive tax system is against the equality principle unlike traditional fiscal economists (Aktan, 2018: 44).

In the table follows; it can be seen that people having different income pays more amount of tax. But; substitution effect occurs in above levels because of income tax levels. Besides; bracket creep happens because of nominal wage increases in inflationist periods. As a result; justice principle is eroded since people are excised in above levels despite their income doesn't have a real increase.

**Table: 9 - A Sample of Progressive Taxation**

Employee	Employee's Wage	Personel Income Tax Rate	Tax Payment
A	100	10	10
B	500	20	25

Proportional tax means excising in only one rate. In this system; fiscal drug problem disappears. In proportional tax system; since competition power increases, general tax burden decreases. As it can be seen the table below, a person who earns more, is excised more different from the case above.

**Table: 10 - A Sample of Progressive Taxation**

Employee	Employee's Wage	Personel Income Tax Rate	Tax Payment
A	100	10	10
B	500	10	50

In case of transitioning from progressive tax system to proportional tax system; not only tax rate will be lower but also implementations like exemptions and reductions will disappear. Therefore; tax base will widen, implementing lower tax rate on a wider tax base will not affect taxpayers' adaptation negatively, and as a result number of taxpayers will be higher and tax revenue will be higher. Implementing lower tax rate will decrease the tendency of tax evasion and avoidance (Birinci & Akyazı, 2017: 58).

### Conclusion

The number of employees who earn minimum wage in Turkey has a share around 43% in the total employees according to Turkstat. These employees earn minimum wage but pays maximum tax because of indirect taxes. Besides; in the case of the wage increase over efficiency, inflation happens. According to the calculations, an employee who earns minimum wage has to work 128 days out of 365 for taxes and 106 days for rent. We believe that tax rate in wealth should be deregulated in order to increase the welfare of the employees who earn minimum wage.

Indirect taxes cause injustice of tax, since they do not take their personal and marital status into consideration. These types of taxes make poor people poorer. In e report published by Turk Is; living expense of an employee who is single and doesn't have children is calculated as 2,451.97 TL per month. In the same report; food expenses per month for a four membered family is calculated to be at least 2,008 TL. Turkish revenue administration should regulate property and wealth taxes in order to decrease the effect of indirect taxes. Taxation must be accelerated in these areas.

Informal economy is one of the biggest factors for the tax burden to be on the employees and it has to be decreased by having efficient tax system and inspection. Tax gap increases in Turkey because of informal economy. Tax administration looks for fast and easy ways for taxation. That is the reason for high indirect taxes. Besides; Turkey is located in the middle of Middle East but pays higher for gas all over the World. While an average minimum waged German can buy 1,078 liters of gas, a Turkish minimum waged employee can buy 301 liters. Main reason is tax administration can not excise its tax potential accurately. Besides; government budget is poor because it finances its budget by the taxes charged from poors, not from riches.

## References

- Aktan, C.C. (2018), *Vergi Teorisi ve Vergileme İlkeleri*, Seçkin Yayınevi, Ekim, Ankara.
- Ardıç, O.P. & E. Burcay & G. Soydan (2010), *An Evaluation of Indirect Taxes in Turkey*, <<http://www.econ.boun.edu.tr>>, 21.08.2019.
- Ay, H. (2018), "The Analysis of Tax Burden and Income Distribution in Turkey during the Republican Era", *Sosyoekonomi*, 26(38), 53-70.
- Birinci, N. & H. Akyazı (2017), "Economic Effects of Flat and Progressive Personal Income Tax Rates", *Ekonomik ve Sosyal Araştırmalar Dergisi*, 13(1), 45-60.
- Helhel, Y. & Y. Demir (2012), "The Relationship between Tax Revenue and Economic Growth in Turkey: The Period of 1975-2011", *3<sup>rd</sup> International Symposium on Sustainable Development*, May 31 - June 01, 2012, Sarajevo.
- Imbarine, B. & T.A. Hakim & I. Ahmad (2013), "Tax structure and economic indicators in developing and high-income OECD countries: Panel cointegration analysis", *Procedia Economics and Finance*, 7, 164-173.
- Kılıçaslan, H. & S. Yavan (2017), "Evaluation of Tax Burden in Turkey: A Comparison with OECD Countries", *Journal of Economic and Social Research*, 13(2), 33-51.
- Merter, M.M. & İ.A. Acar & E. Arslan (2007), "Türk Vergi Sisteminde KDV Uygulaması ve Etkinliğinin Analizi", *Maliye Dergisi*, 153, 24-50.
- Ministry of Finance and Treasury (2019), *Tax Spending Estimation Reports*, April 2018, Ankara, <<https://www.hmb.gov.tr>>, 27.08.2019.
- Nar, M. (2015), "Tax Burden on Wage Revenues: The Tax Wedge", *International Journal of Human Sciences*, 12(1), 685-705.
- OECD (2018), *Revenue Statistics*, <<http://www.oecd.org>>, 21.08.2019.
- Tansöker, R.L. (2017), "Assessment of Informal Employment in Turkey in terms of Tax Wedge", *Yönetim Bilimleri Dergisi*, 15(30), 309-339.
- Tekin, A. (2016), "Vergi Teşviki ve Politikaları", *Dumlupınar Üniversitesi Sosyal Bilimler Enstitüsü Dergisi*, 16, 301-316.
- Turkish Statistical Institute (2019), *İşgücü İstatistikleri ve Hanehalkı İşgücü İstatistikleri*, <<http://www.tuik.gov.tr/Start.do>>, 27.08.2019.
- Uygun, E. & H. Kasa (2017), "Tax Burden Concept: Comparison of Turkey and Other OECD Countries (1965-2014 years)", *International Journal of Academic Value Studies*, 3(14), 30-38.



**24 October 2019 Thursday**

**Session: VI-B / 11.30-13.00**

## **FINANCE & BANKING**

Room: *TIN TIN*

Chair: **İsmail GÜNEŞ**

- Performance Ranking of the Commercial Banks Which Operating in Turkey with Multi Criteria Decision Making Methods

**Yiğit Han GAZEL & Serpil ALTINIRMAK**

- Analysis of Competitiveness in Turkish Banking Sector by Indicative Rate

**Nuray İSLATİNCE**

- Evaluation of Individual and Corporate Customers Regarding the Use of Deposit Bank Internet Services: Eskisehir Sample

**Nuray İSLATİNCE**

- Debate Between the Currency School and the Banking School

**Hasan İSLATİNCE**



## Analysis of Competitiveness in Turkish Banking Sector by Indicative Rates

*Nuray İSLATİNCE* (<https://orcid.org/0000-0002-1552-3504>), Anadolu University, Turkey; e-mail: [nislatince@anadolu.edu.tr](mailto:nislatince@anadolu.edu.tr)

### Abstract

Banks operating in the Turkish financial system are immensely important in terms of their contribution to the development and sustainability of the Turkish economy. The efficiency of the banking sector can be measured by the banks' efforts to provide the best service to their potential or existing customers at competitive prices. In all sectors, competition means being efficient within the sector as well as making maximum contribution to the social welfare within the country. However, one of the significant differences that distinguishes the banking sector from other sectors lies in its unique characteristics. The structure of banks may be affected by the economic environmental factors. This study was conducted with an aim to reveal the competitiveness of the banks operating in the Turkish banking sector by means of indicative rates. As a result, it was observed that the intermediation efficiency of the banks operating in the Turkish banking sector positively increased in line with their competitiveness. It was determined that the intense competition among the banks in the sector and their profitability were inversely proportional. This is because the banks think that marketing service at low prices will increase their shares in the market.

**Keywords** : Turkish Banking Sector, Competition, Restructuring Program.

**JEL Classification Codes** : G21, G29.

### Introduction

In today's world, the relationship between the stable and developing economies and the financial system is important. Investors with surplus funds will not be able to transfer their savings to individuals in need of funds without institutions with different structures and functions such as banks, insurance companies, and pension funds. If these financial intermediaries produce a benefit by bringing together fund suppliers and fund seekers in an efficient, less costly, and effective way, the economy can function smoothly and efficiently. The most important actors in the financial system in our country are, undoubtedly, the banks. As is known, banks are profit-oriented service providers. Offering financial services to potential or existing customers in accordance with the changing and developing system and with an innovative approach that is intertwined with technology will not only reduce banks' costs but also increase their profitability. In addition, the competitiveness and concentration degree of the sector in the international markets as well as in the national market are other factors affecting the profitability levels. The present study aims to reveal the competitiveness in the sector through the rates representing profitability and efficiency indicators related to the banks that carry out financial intermediation activities in the banking sector. The first part of the study focuses on the reflection of the positive changes, which took place in the financial structure of banks with the implementation of the



restructuring program after the 2001 crisis, on today's banking practices and the importance of competition in the banking sector. The competitiveness criterion in the Turkish economy and banking sector was tried to be revealed by means of the rates obtained in the 2010-2019 period through the tables created by using the BRSA's Banking Sector Data (<[www.bddk.org.tr](http://www.bddk.org.tr)>) with an aim to determine the competitiveness criterion in the Turkish banking sector.

### **Restructuring Process in the Turkish Banking Sector (2001-2010)**

In order to achieve economic growth, reduce and prevent inflation, it was decided to implement an expanded program at the beginning of 2000. With this program, which included a tight fiscal policy, structural reforms were brought to the agenda. The program also aimed to reduce public deficits. Among the structural reforms, the establishment of the Banking Regulation and Supervision Agency is the most important step taken for the change and supervision of the banking sector. This program led to a fall in interest rates and a significant slowdown in inflation, while at the same time improving production and increasing demand. Since these improvements did not go as planned; the current account deficit increased in 2000. Furthermore, problems arose in the regulations regarding state-owned banks and the increase in interest rates during the period, in which the banking sector's sensitivity to liquidity, exchange rate, and interest risks increased, increased the concerns of foreign investors about the continuity of this program. Due to a sudden increase in interest rates and an increase in the prices of bonds and stocks in mid-November, Demirbank, whose portfolio was composed of Government Domestic Debt Security, was unable to convert these securities into liquidity and had to borrow from the interbank market at high-interest rates. As a result, it had to be transferred to the SDIF (Saving Deposit Insurance Fund). The effects of the deepening crisis were manifested as foreign investors leaving the country, a decrease in the CBRT's foreign exchange reserves, high-interest rates, and deterioration in the financial structure of state-owned banks, which had to borrow in the overnight market. This crisis caused the banking sector to suffer severe losses due to interest and exchange rate risks. These problems in the financial system also limited the new loan possibilities demanded by the real sector. Naturally, loan repayment defaults were on the rise in the real sector. Following this crisis, which resulted in a complete collapse of the financial system and the economy, the authorities implemented the restructuring program which would make a great contribution to the revitalization of the economy and lessons were learned from the obvious mistakes that were made in the functioning of the system. The 2001 crisis brought to light the inadequacies of regulation, the moral collapse, administrative weaknesses, lack of supervision, and weaknesses in bank balance sheets in the banking sector; after the crisis, the sector entered a restructuring process. In this context, the banks were asked to strengthen their capital structures, and banks with assets and capital deficiencies were transferred to the SDIF. Within the framework of "Transition to the Strong Economy Program," the Banking Sector Restructuring Program was made public by the BRSA. The main priority was to improve the financial system and to accelerate the structural reforms. The main objectives of the program were as follows:

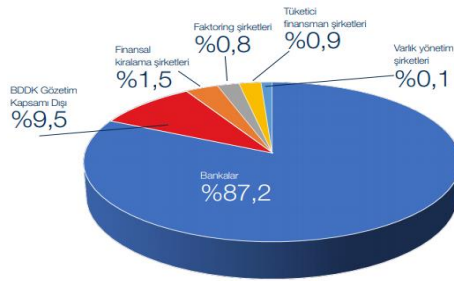
- Eliminating macroeconomic instability caused by the crisis,
- Reducing inflation,
- Providing a sustainable growth environment,
- Restructuring the banking sector so that it can effectively carry out intermediation activities,
- Balancing public finances,
- Establishing the legal framework that will allow structural reforms. In this context, banks with weak assets and capital deficiency were transferred to the SDIF, while other banks were asked

to take measures to strengthen their capital structures and increase their capital. In addition, the state provided liquidity support to the banks that fulfilled the required conditions. In the second stage, the weak banks that failed to strengthen their capital structures were encouraged to leave the sector. Finally, in the third stage, regulations were made to eliminate the lack of effective management and supervision, which had been the primary cause of the crises in the banking sector (Central Bank, 2015).

Transparent and reliable policies and the principle of accountability implemented after the 2001 crisis were the most influential factors in the liberalization process of financial markets. Thus, risks and uncertainty would be reduced, and more accurate predictions could be made for the banking sector. However, the 2008 crisis, which started in the USA and became a global financial crisis in a short period of time and affected all the countries of the world, also affected the Turkish economy negatively. Nevertheless, the lack of a mortgage system in Turkey and the fact that necessary lessons were taken from the 2001 crisis prevented a devastating impact on the Turkish financial system. Still, the fact that the crisis had a global impact caused unforeseen negative changes in the economy. As a result, the growth trend paused, investments decreased, consumption declined, Turkish Lira depreciated, inflation rate increased, and the savings deficit of public and private sectors increased. To remove the traces of the negative effects of the 2008 global crisis, world countries implemented financial precaution packages that were similar to those that had already been implemented in Turkey. Subsequent to the 2008 crisis, the balance sheet risks and liquidity needs of the Turkish banking sector increased and opportunities for funding from abroad decreased. Yet, an effective audit mechanism, increased performance in risk management, balanced distribution of risks, robust financial structures, and sufficient equity capital prevented the banking sector from becoming a public problem.

### **Current Banking Sector in Turkey**

The banking sector, which is the most important actor in the Turkish financial system, is also an essential factor for the Turkish economy. The reason is that banks perform the intermediary function in resource transfer in the economy. These functions constitute an important part of the economy. In different countries, the banking sector has a different share in the financial system. In Turkey, the banking sector has quite a significant share in the financial system.

**Figure: 1 - Shares of the Institutions Supervised by the BRSA in the Financial Sector**

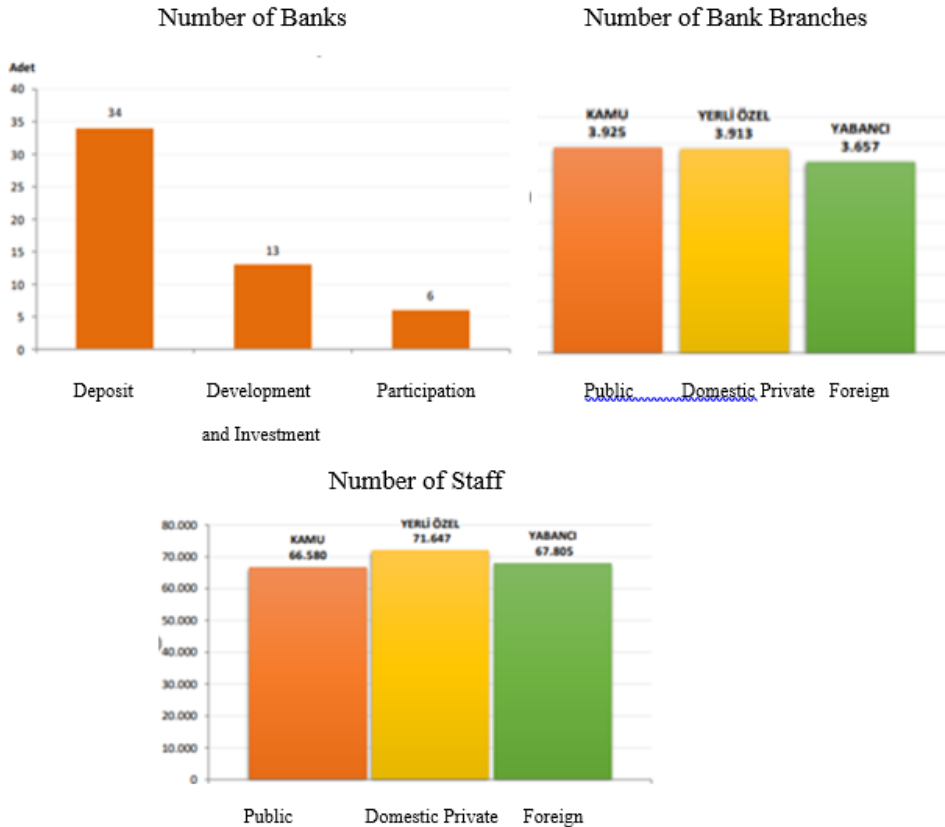
*Red color: BRSA Out of Scope*  
*Orange: Financial Leasing Companies*  
*Grey: Factoring companies*  
*Yellow: Consumer Finance Companies*  
*Light blue: Asset Management Companies*  
*Blue: Banks*  
*Source: BRSA, 2018.*

As seen in Figure 1, the share of banks in the financial sector is 87.2%. Although the shares of asset management companies, consumer financing companies, factoring companies, etc. in the financial system continued after the 2001 crisis, the weight of the banking sector has continued with a big difference.

**Table: 1 - Asset Size of Financial Institutions in Turkey (December 2018, billion TL)**

Sector	Sum	Share in Total
Banks	3867	83
Asset Management Companies	167	4
Insurance Companies	171	4
Unemployment Insurance Fund	127	3
Pension Mutual Funds	91	2
Real Estate Investment Trusts	77	2
Financial Leasing Companies	69	1
Factoring Companies	35	1
Finance Companies	40	1
Intermediaries	25	1
Reinsurance Companies	5	0
Venture Capital	1	0
Securities Investment Companies	0,5	0
<b>Total</b>	<b>4674</b>	<b>100</b>

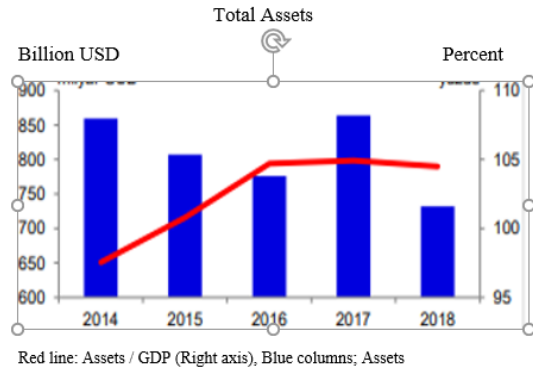
**Figure: 2 - Number of Banks, Branches, and Employees (June 2019)**



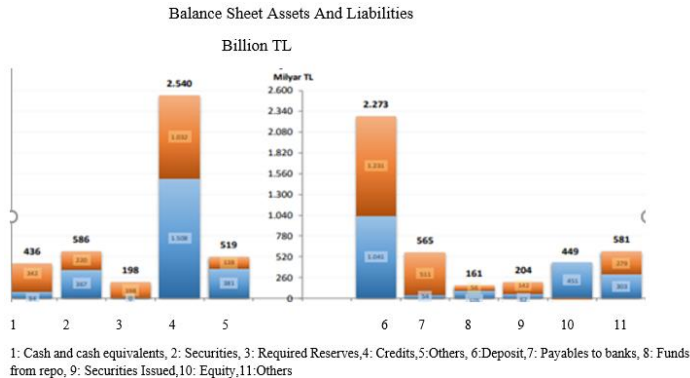
Source: BRSA, 2019.

As of June 2019, there are a total of 53 banks operating in the Turkish Banking Sector: 34 Deposit Banks, 13 Development and Investment Banks, and 6 Participation Banks. The number of branches decreased by 77, and the number of employees decreased by 325 compared to the previous quarter (March 2019). As of June 2019, the number of branches is 11.495, and the number of employees is 206.032 (BRSA, 2019.)

**Figure: 3 - Balance Sheet Size and Shares in Balance Sheet**



Source: *The Banks Association of Turkey, 2018-2019 Annual Report.*



Source: *BRSA, 2019.*

When we look at Figure 3, the rate of foreign currency assets to total assets in the balance sheet is 45%, and the rate of total foreign currency liabilities to total liabilities is 52%. The share of foreign currency loans in total loans is 41%, and the rate of foreign currency deposits to total deposits is 54%.

Total assets increased by 19%. Deposit banks grew by 16%, state-owned banks by 23%, private banks by 11%, and foreign banks by 15%.

**Table: 2 - Concentraten (Percent)**

	2005	2017	September 2018
<b>Top five banks</b>			
Active	63	56	55
Deposit	66	60	59
Credit	56	55	53
<b>Top ten banks</b>			
Active	85	85	85
Deposit	89	91	87
Credit	80	84	85

*Source: The Banks Association of Turkey, 2018-2019 Annual Report.*

The share of assets of the first five banks in the sector is 55%. The share in the total of the first five banks in terms of asset size and deposit volume decreased by one point, and their share in loans decreased by 2 points. The share of the top ten banks in total assets remained unchanged (85%). While the share of the top ten banks in total deposits decreased by 4 points to 81%; their share in loans increased by 1 point. The first five banks include two state-owned banks, two private banks, and one foreign-owned bank, while the first ten banks include three state-owned banks, three private banks, three foreign banks, and one development and investment bank. Banks, which achieved a healthy structure with the Restructuring Program implemented after the 2001 crisis, maintained their capital structures and did not have payment difficulties after the 2008 crisis. In other words, as a result of the reforms, positive developments were sustained.

### **Competition and Its Importance in the Banking Sector**

In the globalizing world, the banking sector is developing and changing day by day. Maintaining banking activities effectively in international markets and operating at the same time within the country requires separate efforts for the banks. Therefore, banks turn to different types of business while distributing their risks. In particular, liberalization, new technological products, changing intermediation activities, and the disappearance of geographical boundaries required the banking sector to acquire a new approach. This has also exacerbated the competitive environment.

Given the importance of banking, which is the largest sector in the financial system for the economy, and the expectations from the banking sector, the market structure becomes important. The most critical parameters that determine a market model are the number of firms operating in a given sector, the degree of restrictions on the entry and exit of firms into the industry, the number of people demanding the products of the industry, and the degree of homogeneity of the product produced. The values to be taken by these parameters will determine where the market will be located between the full competition and the monopoly market. The significance of the efficiency of the banking system manifests itself in providing quality services to its customers at competitive prices. Thus, the available funds will be allocated at competitive prices in the areas where they will be most effective. Therefore, another objective of bank regulation is to establish a regulatory framework that promotes efficiency and competition. If productivity is defined as achieving the most production and competition as the most effective way to achieve this efficiency, the market structure of the banking sector is an important factor determining efficiency in the whole economy (Coskun & Ardor et al., 2012).

There is no answer to what the right level of competition should be because it is necessary to ensure the efficiency and stability of the sector on the one hand and to increase the welfare of the society by making a positive contribution to the economy. However, while competition may reduce the cost of financial intermediation and contribute to the development of economic efficiency, it may also weaken

banks' ability to cope with adverse developments and thus reduce their market strength and profitability (Mamatzakakis & Staikouras et al., 2005). A decline in banks' profits can lead banks to risky and less qualified portfolio choices. Besides, high credit risk can lead to increased loan rates and financial instability. It has already been stated that there is too much concentration in the Turkish banking sector. A theory put forward for the banking system is that it is "too big to fail" or "too important to fail". This theory posits that a few large banks and a large number of small and medium-sized banks in the system should serve in the same competitive environment. Problems and bankruptcies of large-scale banks in the sector will also threaten the financial system. Even financial crises may arise as a result of bankruptcies. Bankruptcies impose systemic risks on the financial system. If large-scale banks feel secure and believe that they will not go bankrupt, they can assume high levels of risk in sectors with high concentration. This will also cause the system to become fragile. Depositors also trust more in large-scale banks because governments secure their deposits in these banks. Therefore, they can act more carelessly when deciding to open their deposit accounts.

### **Turkish Banking Sector and Factors Determining Competition**

The indicators used to measure the level of competition are linked to the structure of financial markets. The Banks Association of Turkey and BRSA measure the efficiency of the Turkish Banking System using many rates. In this study, it has been tried to reach the information about the competition in the Turkish Banking Sector by following the development of basic rates given below.

Banks market many financial services and serve in many financial markets. They target every possible customer, depending on the nature of the financial service. In other words, there is no geographical boundary of financial services. While evaluating the competitiveness of the banks, factors such as total deposits, return on equity, net profit/loss, total assets, and total capital items will be considered and the approach to technology and the use of technology in the banking sector will also be evaluated.

**Efficiency Indicators:** Loans/Total Assets and Loans/Deposit rates indicate the efficiency of intermediary activities. In a more general context, the efficiency of banks can be measured by the rate of Total Revenues/Total Expenses. Another measure representing their efficiency is the rate of Other Operating Expenses/Total Operating Income, which may indicate the market strength of banks.

**Profitability Indicators:** Active Profitability=Net Profit/Return on Assets (ROA), Return on Equity=Net Profit/Return on Equity (ROE) indicates banks' profitability. Net Interest Margin=(Interest Income-Interest Expenses)/Total Assets that indicates how much interest income a bank receives from its total assets is an indicator of competition and a low value of this rate indicates an intense competition in the sector. It is also an indicator of low efficiency and low profitability. Competition affects profitability negatively.

### **Findings**

#### **Efficiency Indicators:**

One of the indicators of efficiency in the banking sector is the rate of operating expenses to total operating income. This rate shows the amount of expenditure that will be made in order to earn 1 lira. If this rate is high, it can indicate an intense competition in the sector, and this means that the average profit of banks is low due to the high efficiency. In other words, banks have to take into account the competition factor when determining the interest rate, commissions, and expenses when giving loans

to customers. In order to be able to make a profit, banks' incomes in return for their service must be higher than the cost they bear.

**Table: 3 - Fees, Commissions and Banking Service Revenues/Operating Expenses (%)**

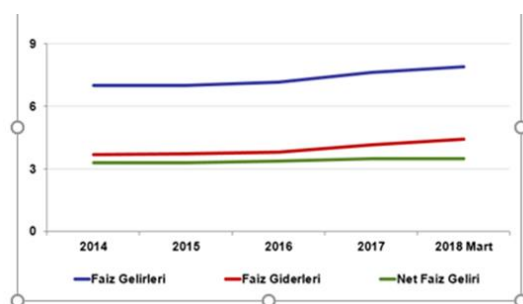
2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
62.05	65.60	65.49	66.10	66.15	64.19	63.41	67.18	72.21	88.03

Source: BRSA, 2019, Banking Sector Data.

Table 3 shows that there is an intense competition and the efficiency is high in the Turkish banking sector, and therefore banks operate with lower profits.

### Profitability Indicators:

**Figure: 4 - Interest Income, Interest Expenses and Net Interest Income/Total Assets**



Blue line: Interest Income

Red line: Interest Expenses

Green line: Net Interest Income

Source: The Banks Association of Turkey, The Banking Sector in Turkey March 2014-2018, 2018.

**Table: 4 - Net Interest Margin Sector Rates (%)**

	Sector	State-Owned Deposit Banks	Private Deposit Banks	Foreign Deposit Banks
2019	1.78	1.38	2.07	2.14
2018	1.94	1.68	2.07	2.24
2017	1.91	1.90	1.81	2.16
2016	1.77	1.73	1.71	1.96
2015	1.73	1.66	1.71	1.97
2014	1.69	1.61	1.67	1.91
2013	2.04	2.15	1.93	2.38
2012	1.97	1.98	1.79	2.63
2011	1.69	1.60	1.59	2.14
2010	2.34	2.12	2.31	3.09

Source: BRSA, 2019, Banking Sector Data.

The intense competition in the sector will put pressure on interest income, which is the main source of income for profit-oriented deposit banks. As seen in Table 4, the fact that net interest income/total assets, i.e., Net Interest Margin rates have been low as of 2010-2019, indicates that the prices are set in accordance with the competitive dynamics of the market. These low values indicate that competition is intense in the sector. In Table 4, the Net Interest Margin Rates of state-owned, private, and foreign deposit banks are considered by years. There have been no significant developments in the sector over



the years. However, this rate is higher for foreign deposit banks than for other banks. In the period between 2006 and 2010, rates were higher than average, compared to the following years. However, the rates have decreased and followed a stable course over the years. This intense competition can also be interpreted as low profitability.

In this intensely competitive sector, there is naturally a pressure on banks' profitability. Therefore, periodical changes in the profitability data of the banks in the sector will help us to obtain additional information about the competition.

**Table: 5 - Return on Equity (ROE) and Return on Assets (ROA)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Return on Assets (ROA)	1.41	0.97	0.93	0.95	0.69	0.64	0.79	0.88	0.84	0.60
Return on Equity (ROE)	11.10	7.98	7.88	7.65	6.26	5.93	7.20	8.31	7.95	5.86

Source: *BRSA, 2019*.

The data in Table 5 indicate that the competition in the Turkish banking sector has been intense in the 2006 - 2019 period. It is also seen that the rates have decreased in the process due to competition.

### Conclusion

With the liberalization, the Turkish banking system was introduced to domestic and international competition. In particular, the reforms implemented following the 2001 crisis enabled banks to achieve robust financial structures. Only through these reforms could the Turkish banking sector survive the 2008 global crisis. Based on the data on profitability indicators and efficiency indicators for the 2006-2019 period, the present study concludes that there is strong competition in the Turkish banking sector and that the sector is open to competition. The efficiency indicator that we take as the reference is the income that banks generate, which is the basis of banks' lower cost (expenses) and greater profitability. In this context, efficient banks are expected to be successful in reducing their expenses, and it is desirable that the difference between price and marginal cost be high. We evaluated the competition measure by making use of Net Interest Margin, Return on Equity, and Return on Assets, which are among the profitability indicators. In a highly competitive sector, banks might have to bear lower prices to achieve a higher market share. The study titled "Market Structure of the Banking Sector in Turkey, Firms' Behaviors, and Competition Analysis" conducted by Çoşkun N. et al. in 2012 presents the results of international comparison. Accordingly, the NFM values of some countries were evaluated, and it was concluded that the competition was high according to the results of Eurozone average of 1.6, USA 2.3, Japan 1.1, and Netherlands 1.7. Since the values in the Turkish banking sector in the period 2011-2019 are close to these results, it can be said that the competition in the sector is increasing. In a competitive sector, it is natural that banks have low profitability. The intermediation efficiency of the Turkish banking sector increases in direct proportion to the competition. More efficient banks can gain more market power.

### References

- Aloğlu, Z.T. (2005), "Bankacılık Sektörünün Karşılaştığı Riskler ve Bankacılık Krizleri Üzerindeki Etkileri", *TCMB Uzmanlık Tezi*, <<http://www3.tcmb.gov.tr/kutuphane/TURKCE/tezler/ziyatuncaloglu.pdf>>, 27.08.2019.
- Arabacı, H. (2018), "Türkiye'de Bankacılık Sektörünün Gelişimi", <<https://dergipark.org.tr/meric/issue/36930/422041>>, 27.08.2019.

- BDDK (2011), *Bankacılıkta Yapısal Gelişmeler*,  
<<https://www.bddk.org.tr/WebSitesi/turkce/Raporlar/BankaciliktaYapisaGelismeler/11085bygr2011.pdf>>,  
27.08.2019.
- BDDK (2018, 2019), *Temel Göstergeler Raporu*, <[www.bddk.org.tr](http://www.bddk.org.tr)>, 27.08.2019.
- Çoşkun, M.N. & H.N. Ardor et al. (2012), “Türkiye’de Bankacılık Sektörü Piyasa Yapısı, Firma Davranışları ve Rekabet Analizi”, <<https://www.tbb.org.tr/Content/Upload/Dokuman/796/rekabetKitap.pdf>>, 27.08.2019.
- Çoşkun, Ö.A. & M.H. Eken (2015), “2001 ve 2008 Krizlerinin Türk Bankacılık Sektörüne Etkilerinin Karşılaştırılması”, <<http://dergipark.gov.tr/download/article-file/412417>>, 27.08.2019.
- Kale, S. (2017) “Türk Bankacılık Sektörünün Aracılık Fonksiyonu”,  
<<https://dergipark.org.tr/fesa/issue/31589/350638>>, 27.08.2019.
- Mamatzakis, E. & C. Staikouras et al. (2005), “Competition and concentration in the banking sector of the South Eastern European region”, <<https://www.sciencedirect.com/science/article/pii/S1566014105000166>>,  
27.08.2019.
- TBB (2018), *Türkiye’de Bankacılık Sektörü 2014-2018*, <<https://slideplayer.biz.tr/slide/15159047>>, 27.08.2019.
- TCMB (2015), *Türkiye’de Finansal İstikrar Gelişmeleri*, <<http://www.tcmb.gov.tr>>, 27.08.2019.
- Türker-Kaya, Y. & E. Doğan (2005), “Bankacılık sektöründe aracılık maliyetleri”, *ARD Çalışma Raporları*,  
2005/9, <[https://www.bddk.org.tr/ContentBddk/dokuman/duyuru\\_0268\\_02.pdf](https://www.bddk.org.tr/ContentBddk/dokuman/duyuru_0268_02.pdf)>, 27.08.2019.



## Evaluation of Individual and Corporate Customers Regarding the Use of Deposit Banks' Internet Services: Eskişehir Application

Nuray İSLATİNCE (<https://orcid.org/0000-0002-1552-3504>), Anadolu University, Turkey; e-mail: [nislatince@anadolu.edu.tr](mailto:nislatince@anadolu.edu.tr)

### Abstract

One of the reflections of the rapid rise in the liberalization trend in the rapidly growing and globalizing world economy is that competition policies gain importance in the deposit banking service sector of our country. Deposit banks operating in the banking sector aim to reflect the technological developments to their services in the fastest way as required by the competition rules. In this way, providing banking services in line with the needs of their customers in a fast, easily accessible and cost-effective manner provides them with a significant competitive advantage. For this reason, banks give utmost importance to the internet banking services, which they have been trying to provide the common use of as an alternative distribution channel. With this study, it was particularly aimed to evaluate the customers who make use of the internet services of deposit banks. A survey was prepared to determine which factors affect the level of customers' utilization of e-banking services. While the survey was applied, customers were asked to answer all questions completely and correctly in order to ensure the reliability of the survey. In this way, 622 customers who participated in the survey were tried to be evaluated. The data obtained from the survey were analyzed with the SPSS 21 (Statistical Packet for Social Science) statistical package software. As the education levels of the customers increase, their level of utilization of internet banking services increases at the same rate. In this study, commercial enterprises stated its being a fast, cost effective and reliable method as reasons for their using internet banking services more. In addition, it was found that the customers in the young age group use internet banking more compared to those in the middle-age and the old age group. In this context, it was concluded that the customers with a high level of education, those in the young age group and the companies that closely follow the technology and employ expert personnel are the groups with the highest level of using internet banking.

**Keywords** : Deposit Banks, Bank Customers, Internet Services, Banking Services.

**JEL Classification Codes** : G21, G29.

### Introduction

Internet banking (e-banking) is a service that allows you to access your account information and make your transactions remotely from anywhere at any time if you have a computer, smartphone, etc. with internet connection. For many countries in the world, it can be said that the number of internet users has increased significantly in recent years. For this reason, banks are making efforts to develop their e-banking service, which is an easier and much faster method for their online customers and by which they can generate more revenue. Banks operating in the Turkish banking sector have recently started to market their modern e-banking services. Banking over the Internet can affect banks'

customer behaviors. This effect can be seen in two ways. Today, we can handle many of our current transactions more easily and quickly through banks. The first of these impacts is that online banking customers demand greater amounts of transactions to be made in less time and with lower costs. This situation means more income for banks. Secondly, as customers can access their accounts at any time and monitor every movement, the feeling of control over the account increases, resulting in more confidence. The greater confidence there is in the banks, the greater the willingness of the customers to entrust their savings in the banks will be. As it is understood from the studies (Anton, 2014) conducted, in the countries where e-banking services are widely used, the ratio of keeping money in banks is also high. In this case, the authority should support e-banking services and promote the spread of Internet access and Internet use. The widespread use of e-banking services provides benefits to both parties as it reduces transaction costs for customers and increases fees and commission income for banks. On the other hand, information about customer transactions that allows banking transactions to analyze the needs of customers can be easily collected. Online services can be the future of the banking sector. Not staying indifferent to the new technological period, the banking sector has introduced a virtual environment in which all transactions (EFT, tax and bill payments, credit cards and debit cards, foreign currency transactions) can be performed easily from bank accounts. Banks' high firewalls, flexible service concept such as time, appropriate fee and commission policies have contributed greatly to the spread of internet banking. With this study, it was tried to investigate customers' behaviors of using technological banking services by considering reasons such as their willingness to use e-banking applications, their level of knowledge and whether they trust the system or not. An investigation was made on the customers' evaluations of internet banking, by which they can get online service without going to bank branches, and their demands, fears, satisfaction, whether they want to use this service or not and whether the demographic and economic characteristics of the customer body have an effect on their choice of e-banking were researched. Eskişehir was chosen as the sample for the research. In 2018, face to face surveys were applied by means of students to 572 people and 50 large firms in food and industrial sectors selected randomly in the center of Eskişehir within a period of 1 month. Variables such as ease of use, perception of trust, social impact and saving from time and cost, which may be effective in the adoption of e-banking by existing and potential customers, were taken into consideration. As a result, the respondents put forth the ease of doing more transactions with less cost in the least time possible as their reason for preferring to use e-banking. However, e-banking transactions have been defined as complex and incomprehensible for those whose education levels are below secondary education. The use of e-banking is preferred more at undergraduate and graduate levels of education. Another focus in the research was whether gender is a determining factor. In this regard, in the individual answers, it was observed that women were more interested in the virtual environment and mostly (62%) performed e-banking transactions. However, a large majority of the individuals and institutions in both of the groups that participated in the survey stated that they were not adequately informed by banks. Some banking services are still unknown. Although the evaluation of e-banking services provided in connection with internet service out of the city center was excluded from our study, many participants stated that they could not benefit from e-banking services due to the inadequacy of internet service (48%). It is recommended that banks take a more active role and take responsibility in this regard. Almost all of the firms (93%) stated that e-banking services were used a lot by means of expert personnel through internet access within the institution, but that it was necessary to make discounts on fees and commissions on the basis of size principle.

### **Internet Banking**











The banking sector has started to market the services that can be realized in a virtual environment where there are no time and space constraints instead of manual services realized through its branches by taking advantage of the opportunities offered by technology today. The fact that the Internet came into our lives has brought a new understanding to traditional banking activities, and e-banking has spread rapidly as an alternative. The Internet banking system enables individuals to perform banking transactions over the Internet at home. Most internet banks are traditional banks offering online banking; others are only online and do not have a physical office. e-Banking refers to the ability to perform any transaction with confidence by providing online access to your bank accounts from home, office and even at any time and from anywhere thanks to smart phones.

Mu Yibin (2003) defined three types of functional internet banking. These are informational, transactional and communicative internet banking. Transactional internet banking is the most popular type and includes all of the traditional banking activities. It enables the making of transactions such as making a deposit to and withdrawals from deposit accounts, money transfers and online payments and provides full control over customer accounts. Communicative internet banking provides the interaction between the banking system and customers. Communication is limited to activities such as e-mail account, investigation in loan applications and static file updates. This type of internet banking does not include the transfer of funds. Informative internet banking is an activity in which banks provide basic information about banking products and services, just like a brochure aimed at marketing (Aydin, 2014).

Information technologies have played an important role in the development of the banking and financial sectors. This development has diversified the number of financial products and services offered by banks. e-Banking increases the competitive power of the banks operating in the sector and plays a strategic role in marketing.

Perhaps the most important factor in the spread of e-banking usage is the reduction in transaction costs. In contrast to the face-to-face service provided in branches, the cost of e-banking services is almost non-existent.

**Table: 1 - Bank Transfer Fees**

Banka	Şube	ATM	İnternet	Mobil
 Alternatif Bank	40 TL	-	Ücretsiz	-
 AKBANK	45 TL - 200 TL	5.25 TL	1.75 TL	1 TL
 alBaraka	5 TL - 500 TL	Ücretsiz	Ücretsiz	Ücretsiz
 Anadolubank	30 TL	-	2 TL	-
 BANK ASYA	20 TL	-	-	Ücretsiz
 BURÇAN BANK	25 TL	0 TL	-	-
 DenizBank	36 TL	6 TL	-	-
 Fibabanka	10 TL	Ücretsiz	Ücretsiz	Ücretsiz
 Garanti BBVA	25 TL	-	1.40 TL	1 TL
 HALKBANK	21 TL	-	0.90 TL	-

Source: Bankalar.org, 2019.

As can be seen in Table 1, the transfer fees of banks vary according to whether this transaction is made from branches, ATMs, internet or mobile phone. However, the fee between 45 TL- 200 TL requested from the branch is 1.75 TL for the Internet and 1 TL for mobile phone.

e-Banking services have increased to a great extent on the basis of technological facilities and customer satisfaction. Many transactions can be counted such as account balance and statement transactions, EFT, money transfer and remittances, transfers abroad, tax and bill payments, credit card transactions, investment transactions, purchase and sale of securities, foreign currency, purchase and sale of gold, repurchase agreements, opening deposit or drawing account with TL or foreign currency.

### Development of Internet Banking in Turkey

Like other sectors in our economy, the banking sector is also affected by the rapid expansion of the Internet service to the world. As a service sector, banking activities are based on customer satisfaction and making profit in return. Regardless of what kind of service they provide, the banks whose priority is to obtain revenue cannot physically provide a service to the customer. In this case, banks need to work meticulously on how they can reach their customers and with which services they can address them. The opportunities offered by the Internet service have relieved the banking sector in terms of the variety of services offered in Turkey and in the world. Banks provide information about internet banking services and products to their customers through their websites. In this way, customers can perform almost any kind of banking and other different transactions in a virtual environment. However, some operations like depositing and withdrawing money still necessitate branches or ATM machines. Banks operate both with branches and as e-banking or just with e-banking without any branches, depending on their activities and the properties of their transactions.

**Table: 2. - Number of Customers Using Internet Banking**

	July-September 2018	October-December 2018
<b>Number of individual customers (a thousand)</b>		
Active (A) (logged in once in the last 3 months)	11,334	11,258
Registered (B) (logged in at least 1 time)	59,403	61,119
Registered (C) (logged in at least once in the last year)	21,953	22,203
<b>Active (A) / registered (B) customer ratio (percent)</b>	<b>19</b>	<b>18</b>
<b>Number of corporate customers (a thousand)</b>		
Active (A) (logged in once in the last 3 months)	1,270	1,286
Registered (B) (logged in at least 1 time)	3,532	3,629
Registered (C) (logged in at least once in the last year)	1,721	1,744
<b>Active (A) / registered (B) customer ratio (percent)</b>	<b>36</b>	<b>35</b>
<b>Total number of customers (a thousand)</b>		
Active (A) (logged in once in the last 3 months)	12,604	12,544
Registered (B) (logged in at least 1 time)	62,935	64,748
Registered (C) (logged in at least once in the last year)	23,673	23,947
<b>Active (A) / registered (B) customer ratio (percent)</b>	<b>20</b>	<b>19</b>

Source: TBB (2018), Mobile Banking Statistics, <<https://www.tbb.org.tr>>, 27.08.2019.

As of December 2018, the number of individual customers who were registered in the system for online banking and who had logged in at least once was 61 million 119 thousand. The number of individual customers who had logged in at least once in the last year was 22 million 203 thousand. In the October-December 2018 period, the number of active individual customers who logged in for internet banking at least once was 11 million 258 thousand. This number constitutes 18 percent of the total number of registered individual customers.

### **An Application within the Scope of Eskişehir Center**

In this study, the aim was to reveal how the e-banking services offered online by the Turkish banking sector are evaluated by its customers. In the study, a survey was conducted in Eskişehir city center and the results were analyzed. While preparing the survey, the aim was to measure customers' level of knowledge about e-banking services, to determine whether their demographic characteristics are effective on benefiting from e-banking services, which of their characteristics are more effective and to identify customer satisfaction and needs. The results of this study may provide information about the new services that banks will offer and the ease of use and recognition of their existing services. The study was limited to the samples living in the center of Eskişehir. The survey was conducted face-to-face in 1 month. However, the desired number could not be reached due to the reluctance of the samples that would form our universe regarding the survey's being filled out and time problems. Therefore, sampling method was chosen to find the size of a smaller group that would provide data representing a large group and a survey was prepared according to the rating criteria. Of the 622 surveys answered, 501 were included in the study. SPSS 21 package program was used to analyze the obtained data.



## Demographic Characteristics of Customers Who Participated in the Survey and Benefited from e-Banking Services

**Table: 3 - Demographic Characteristics of Bank Customers**

Age	Frequency	%
Below 20	142	45.20
20-29	125	23.52
30-39	101	14.40
40-49	77	13.11
Above 50	56	3.77
<b>Total</b>	<b>501</b>	<b>100</b>
<b>Educational Status</b>		
Illiterate	5	2.12
Primary School	15	9.56
Secondary School	23	18.42
High School	155	25.13
University	166	40.17
Master's Degree and PhD	12	4.6
<b>Total</b>	<b>376</b>	<b>100</b>
<b>Gender</b>		
Male	327	61.47
Female	174	38.53
<b>Total</b>	<b>501</b>	<b>100</b>
<b>Marital Status</b>		
Single	176	31.58
Married	195	57.52
Divorced / separated	89	8.3
Widow/widower	41	2.6
<b>Total</b>	<b>501</b>	<b>100</b>
<b>Income Status</b>		
Below Minimum Wage	89	31.25
Minimum wage (Gross 2,558 TL)	156	52.36
3000 to 4000	77	12.36
Above 4001	26	4.03
<b>Total</b>	<b>403</b>	<b>100</b>

According to Table 3, the majority of the respondents who stated that they were bank customers and who answered the survey were below the age of 50 (83.12%), and they were high school (25.13%) and university graduates (40.17%). It is seen that e-banking services are mostly used by university graduates. The majority of the respondents (61.47%) were men. Regarding the marital status of the respondents, the percentages of the married and the single customers were close. However, it was found that married people benefited from e-banking services a little more. It was determined that the employees who worked with minimum wage benefited from e-banking services more.

## The Respondent Customers' Levels of Benefiting from e-Banking Services

**Table: 4 - Whether They Use e-Banking**

	Frequency	%
<b>Yes</b>	375	76.01
<b>No</b>	126	23.99
<b>Total</b>	<b>501</b>	<b>100</b>

The data in Table 4 showed that e-banking services were utilized at a high rate of 76.01%. This shows that the participants were aware of the e-banking services and performed their banking transactions in the internet environment.

**Table: 5 - Levels of Using e-Banking**

Frequency of Using e-Banking	Frequency	%
Never	12	4.20
Less than one hour per week	67	32.36
1-2 Hours per Week	52	27.56
2-3 Hours a Week	45	14.25
3-4 Hours a Week	37	12.65
More than 4 Hours a Week	26	8.98
<b>Total</b>	<b>239</b>	<b>100</b>

As can be seen from Table 5, when the participants were asked how many hours of e-banking services they utilized a week, the data obtained revealed that they utilized these services for less than 1 hour per week (32.36%) or for 1-2 hours per week (27.56%). It should be noted that 47.82% of this duration was institutional transactions. This can be attributed to the availability of fixed internet and high security in the workplace.

### **Which Banking Transactions the Survey Participants Performed Utilizing e-Banking Services**

**Table: 6 - Which Banking Transactions Are Performed Utilizing e-Banking Services**

e-Banking Service Type	Frequency	%
Money transfer (EFT, Send Money to Mobile and Transfer TL)	147	32.56
Investment Transactions (Mutual Funds, Gold Transactions)	21	4.50
Foreign Currency Transactions (Buying and Selling Foreign Exchange)	5	1.20
Credit Cards (Payments, Virtual Card Transactions, Credit card application)	101	21.36
Payments (Bill, SSI, Tax, Education Exam Payments, Municipality Payments, e-Government Payments, Donations, Institution Payments)	87	19.20
Agricultural Cards (Payments, Cash Withdrawal Transactions)	2	-
ATM Money Transactions	124	21.18
Merchant Transactions (Merchant reports, Monthly Statements)	2	-
Insurance Transactions (Policy formation)	1	-
Check Transactions (Checks in Clearing, Checks Given to Collection)	3	-
<b>Total</b>	<b>493</b>	<b>100</b>

*\* Survey Participants can select more than one option.*

The e-banking service products used by participants are seen in Table 6. According to the table, the most preferred product is money transfer transactions. This is followed by credit cards (21.36) and ATM money transactions (21.18). The reason why these transactions are mostly preferred is that the commissions and fees to be paid if they are made from branches are high. It was found that the Payments option (19.20%) was preferred for corporate participants. It may actually be asserted that this was the most preferred option on a percentage basis because the number of corporate participants was less than individual participants.

## Critical Approaches of Participants Regarding Their Utilization of e-Banking Services

**Table: 7 - Customer Judgments**

Positive Negative Thoughts	N	Avg.*	St. Deviation
I have full information about e-banking.	501	2.82	1.14
I Can Easily Perform e-Banking Transactions.	501	3.61	0.900
e-Banking Transactions Do Not Take My Time.	501	3.99	0.778
Using e-banking reduces my costs (fees, commissions).	501	3.72	0.856
I Perform my e-banking Transactions from Home/Office since I Consider It Safe.	501	4.01	1.10
I Find Banks' Websites Confusing in e-banking Transactions	501	1.89	0.401
Turkish Banks Offer Sufficient Product Variety in e-banking Transactions.	501	3.65	0.904
Security Steps of Banks when Logging in e-banking Transactions are Sufficient.	501	3.60	1.06
I Need Bank Staff Who I Can Get Help from with e-banking Transactions.	501	3.21	1.07
<b>Total</b>	<b>501</b>	<b>3.38</b>	<b>0.912</b>

\* Likert scale was used.

As can be seen in Table 7, it was found that home and office are the most preferred when utilizing e-banking services, because security is important. That the utilizing of e-banking service saves time was the second mostly shared view. While the product range of e-banking service was found to be sufficient, it was determined that transactions could be carried out easily and fees and commissions being low was satisfactory. It can be said that the participants used e-banking services and they were satisfied with this situation.

## Conclusion

According to the results of the survey conducted in the center of Eskişehir, it was determined that e-banking service products were known and utilized. It was determined that young people with high education level and men with minimum wage are those who utilize e-banking services the most. Among the e-banking service products, money transfers, ATM money transactions and credit card transactions were mostly preferred ones. While e-banking transactions are found to be advantageous and preferred in terms of time and fees, security is considered satisfactory. Although e-banking service products are already considered satisfactory for individual or corporate customers in terms of Turkish banking sector, it is a necessity to market newer, easier to use and diverse products with the use of technological facilities.

## References

- Aghdaie, F.A. & F. Faghani (2012), *Mobile Banking Service Quality and Customer Satisfaction (Application of SERVQUAL Model)*, <<http://ijmbr.srbiau.ac.ir/article1751a05834e971d1291fadba56cdc849624d.pdf>>, 27.08.2019.
- Anton, G. (2014), *The Impact of Internet Banking on the Use of Banking Services*, <<http://www.kse.org.ua/download.php?downloadid=390>>, 27.08.2019.
- Aydın, D. (2014), *Customer Perception towards the Internet Banking Services Performed by the Turkish Banking System*, <<http://i-rep.emu.edu.tr:8080/jspui/bitstream/11129/1623/1/AydinDilara.pdf>>, 27.08.2019.
- Çakmak, A.Ç. et al. (2011), *Bankaların Müşterilerine Sunduğu İnternet Bankacılığı Hizmetinin Müşteriler Tarafından Değerlendirilmesi: Karabük Şehir Merkezinde Uygulama*, <<http://www.acarindex.com/dosyalar/makale/acarindex-1423879560.pdf>>, 27.08.2019.
- Eroğlu, N. & İ.S. Yücel (2012), *Türkiye'deki Kurumsal Banka Müşterilerinin İnternet Bankacılığı Kullanım Eğilimlerini Belirleyen Başlıca Faktörler Üzerine Ampirik Bir Çalışma*, <<https://www.researchgate.net/publication/298212649>>, 27.08.2019.

- Gülmez, M. & O. Kitapçı (2006), *İnternet Bankacılığı ve Müşteri Davranışları: Cumhuriyet Üniversitesi Akademik ve İdari Personeline Yönelik Bir Uygulama*, <<http://eskidergi.cumhuriyet.edu.tr/makale/1331.pdf>>, 27.08.2019.
- Karaca, P. (2016), *Kamu Çalışanlarının İnternet Bankacılığı Kullanma Durumları Üzerine Bir Araştırma*, <<https://dergipark.org.tr/ejovoc/issue/36634/417044>>, 27.08.2019.
- Özkan, T. & O.B. İpekten (2017), *İnternet Bankacılığı Kullanımını Etkileyen Faktörler: Atatürk Üniversitesi Personeli Üzerine Bir Uygulama*, <<https://dergipark.org.tr/tr/download/article-file/474653>>, 27.08.2019.
- TBB (2018), *Mobil Bankacılık İstatistikleri*, <<https://www.tbb.org.tr>>, 27.08.2019.
- Uzun, U. & M. Berberoğlu (2019), *İnternet Bankacılığı Hizmetlerinin Banka Performansı Üzerine Etkisi*, <<https://dergipark.org.tr/tr/pub/fesa/article/532481>>, 27.08.2019.
- Vural, E. et al. (2019), *İnternet Bankacılığı ve Mobil Bankacılık Uygulamalarının Finansal Hizmet Kalitesi Açısından Müşteriler Tarafından Değerlendirilmesi*, <<https://dergipark.org.tr/tr/pub/fesa/article/532481>>, 27.08.2019.



## Debate between the Currency School and the Banking School

**Hasan İSLATİNCİ** (<https://orcid.org/0000-0001-8737-0124>), Anadolu University, Turkey; e-mail: [hislatin@anadolu.edu.tr](mailto:hislatin@anadolu.edu.tr)

### Abstract

Debates in the field of monetary theory intensified towards the end of 1830 and the banking/Currency debates began to take shape. During the crises that occurred every ten years from the 1820s to the 1960s, markets were in great panic, and the fear that the credit system could collapse led to the suspension of the convertibility of banknotes to gold. In order to explain these phenomena, different currents of thought that entered into competition were then divided into two groups as the Currency and the Banking School. The aim of this study is to reveal the contributions of cash and banking schools to modern money theory and shed light on current debates. In line with the aim of the study, firstly the classical monetary theory will be explained, then the basic ideas of cash and banking schools will be revealed, and the differences between them will be revealed. In the last part of the study, the validity of both schools' opinions about money in today's changing financial structure will be discussed. The quantity theory, formulated by David Hume, was one of the first theories to explain the relationship between money and economic activity and was widely accepted by economists. According to this theory, an increase in the amount of gold and silver does not affect real factors such as production in the economy, but only increases the prices of goods and services. In this theory, which posits that money is an external variable, the causality relationship between money and production is from money to production. The quantity theory, which is the main theoretical claim of the cash school led by David Ricardo, reveals the relationship in quantity theory as follows: the increase in the amount of money in circulation, while all other conditions are constant, changes the value of money and leads to the export or import of gold. While the cash school constructs the relationship between money and prices, only the banknotes of gold and central banks and provincial banks are included in the definition of (narrow) money (bank deposits are not regarded as money). According to the Currency School, the general increase in prices is due to the excessive supply of banknotes. In this respect, banknotes must be issued for 100% gold in order for the mixed money system to function like the paper money system. However, this is necessary but not sufficient. In order for the Bank of England to intervene in time in the melting of its gold reserves, the money must be provided according to a rule. In short, the cash school proposes rule-based monetary policies. Quantity theory has been criticized by Smith, Tooke, and some other economists. Smith rejected Hume's quantity theory and the price-cash flow mechanism, advocating the theory of real securities. Smith and Tooke differentiate between the external money (cash) and endogenous money (deposits) and argue that if banks limit their loans only to self-liquidating commercial transactions, bank loans will be internally determined. Advocates of the Banking School rejected the cash principle of the Cash School and criticized the introduction of strict rules into the banking system. In this respect, supporters of the Banking School prefer to apply discretionary monetary policies. According to them, the availability of convertibility is sufficient to maintain a regular and stable monetary system. In this context, the Banking School followed Smith's theory of "Real Bills" and revised this theory as a reflux law.

**Keywords** : Currency School, Banking School, Monetary Policy, External / Endogenous Money.

**JEL Classification Codes** : B22.

## **Introduction**

One of the most debated issues from the past to the present has been the money. Discussions can be taken back to the Napoleonic Wars between England and France. In the UK, the CB's removal of gold convertibility of banknotes at a fixed price was the main reason that started discussions on these issues. Following the removal of convertibility of banknote into the gold, inflation has increased and bullionist and anti-bullionist currents have begun as a result of the opinions coming from various segments about what will cause inflation. Smith's real bills doctrine contributed significantly to the development of the banking system in the 18th century, and greatly influenced the debate on the theoretical foundations of banking and money between the Currency School and the School of Banking. First of all, the historical background of the debates on money will be explained. Secondly, it will be revealed what lies at the basis of the Currency School/Banking School discussions. In the last part of the study, the contribution of the ideas put forward by the two schools to modern money thought will be explained.

## **Historical Background of Discussions on Money**

In the UK, the MB's shift to the currency standard by removing the convertibility between gold and banknote was due to the fact that banks in the UK bought gold with their cash, avoiding cash payments. Banks' possession of gold in stock made the UK's international gold standard ineffective. Because at that time, it was quite difficult to buy gold in the country, even at reasonable prices. The period in which the convertibility between banknotes and gold was abolished due to the speculation caused by the war and the gold standard became ineffective is called the restriction period covering 1797-1820 (Tokucu, 2008: 5). The fact that Britain's military expenditures due to the French war was closed with debts and wheat imports caused the CB to run out of gold reserves, make the gold payments difficult, and temporarily suspend the convertibility between gold and banknotes. MB, while trying to manage non-convertible banknote, began to be questioned because of the problematic policies such as gold transfer caused by war finance, rising inflation and depreciating exchange rates (Işık, 2008: 7).

## **Bullionist and Anti-Bullionist Discussion**

One of the sides of this debate is the Bullionists, who criticize the Central Bank of England and advocate the convertibility into the gold, while the other side is the Anti-Bullionists who support the suspension of the convertibility of the banknotes into the gold by the Central Bank of England. Bullionists basically advocate the quantity theory of money and criticize the central bank's excessive export of money. According to the Bullionists, led by Ricardo, the main reason for the rise in inflation and the depreciation of the money is the excessive issuance of money by the CB. According to them, excessive issuance of banknotes caused the depreciation of the pound and inflation. Because excessive banknote issuance accelerated spending flows and increased expenditures increased the domestic price level. The property of the banknote is the lack of convertibility to gold. According to the Bullionists, the CB can control both specially exported payment instruments (commercial bills and deposits subjected to check) and the banknote exports of provincial banks by simply checking their own

banknotes. There are two mechanisms that will provide this control: The first is that the provincial banks keep the CB notes as reserves by a certain proportion of their banknote obligations. The second is the increase in local prices compared to London prices as a result of excessive banknote issuance by provincial banks. Thus, this difference in prices will enable the banknotes to move from the provinces to the London CB notes through regional payments and the banknotes of the provincial banks will be reduced. As can be seen here, the Bullionists argue that the money supply is external. Their solutions are based on the externality of money supply. In today's terminology, the Central Bank can control the money supply by controlling the base money.

Anti-Bullionists, who advocate the policy of the Central Bank of England and argue that excessive banknotes cannot be issued, are largely based on the real bills doctrine developed by Smith (Laidler, 1989: 64). The Real Bills Doctrine is a theory that Anti-Bullionists use to demonstrate the impossibility of excessive money supply in the market. The theory is attributed to Adam Smith as the name. Adam Smith, in his book *The Wealth of Nations*, argued that the amount of credit required to be given by banks should be based on real bills in the market while explaining about banking. The deed is drawn by a real creditor onto a real debtor and, when due, the debtor pays his creditor. The market will be regulated when the bank bases its credit activities on real bills. This is because the majority of the exchange instruments in the system consist of nominal liabilities arising from credit activities. When loans are granted for the production and distribution of goods, the system will automatically be regulated. Therefore, there is no need for the intervention of CB (Tokucu: 7). Anti-Bullionists, who accept the real bills doctrine, theoretically reject the quantity theory of money and thus the determination of price and exchange rate by the amount of money (Perlman, 1989: 84-85). If the amount of money is determined depending on the aspect of demand, no excessive money issuance will occur and the changes in price and exchange rates will not result from excessive money issuance. Therefore, the anti-Bullionists argue that the Central Bank of England cannot be held responsible for changes in price and exchange rates, based on the real bills doctrine. According to anti-bullionists, the reason for the appreciation of the exchange rate is about real aspect. In the UK, the depreciation of the Pound was mainly due to the real shocks caused by the payments for the war between England and France and product shortages. (Martino, 2004: 4). Anti-Bullionists have accepted the internal nature of the money supply, based on the Real Bills Doctrine.

### **Cash School-Banking School Discussions**

After the Central Bank of England suspended the convertibility in 1821, England faced significant financial crises. The growth of the economy and the rise in prices afterwards triggered these financial crises. The Bank of England has been criticized for failing to take the necessary measures adequately and on time, thus allowing gold draws to last for months and to allow reserves to decline rapidly (Daugherty, 1942: 141-142; Humphrey, 1993a: 149). Therefore, the discussions on money started again and continued as the Currency School-Banking School Debate for this time. The Currency School was the successor of the Bullionists, and the Banking School was the successor of the Anti-Bullionists. The Currency School is represented by Lord Overstone, Robert Torrens and George Warde Norman, and the Banking School is represented by Thomas Tooke, John Fullarton and John Stuart Mill (Wray, 1990: 100-104).

### **Currency School**

The previous discussion was on banknotes that could not be converted to gold, while the new discussion is on banknotes that can be converted to gold. The main point of the discussion is this: how



can gold reserves be preserved while convertibility of banknotes into the gold continues? According to the opinion of the Currency School as a solution, if the banknotes change like in the pure coin system in the mixed money system where gold and banknotes coexist, the issue of banknotes will not cause any problems. (Langus & Lipatov, 2001: 8). This understanding was called the currency principle. The recommendations of the Currency School supporters were legalized in 1844 and strict rules were introduced into the banking system. With this law, the issuance of money could only be made by the central bank if there was 100% gold equivalent. As a result, the 'Currency School' rejects Smith's real bills doctrine and hence the view that money issuance is determined by the market, supporting the quantity theory of money and hence the idea that money is externally determined.

### **Banking School**

The Banking school rejected the theories of the Currency School and criticized the introduction of strict rules in the banking system. Tooke and Fullarton, prominent representatives of the Banking School, following the Smithian tradition, reject the one-to-one relationship between money supply and prices offered by Hume, Ricardo and the Currency School, suggesting that in the case of the convertibility of banknotes, commodity prices will not be significantly affected by the banknotes issued by banks (Wray, 1990: 102). According to Tooke, the overall level of prices in the long run depends not on the total amount of money in circulation, but on factor revenues. Factor incomes determine expenditures and expenditures determine prices. According to Tooke, the future expectations of the business world and the banking sector in the short run also determine producer (wholesale) prices (Daugherty, 1942: 149-50). Therefore, changes in profit expectations are considered as the main factor affecting prices. The main reason for the disagreement between the two schools is the differences between their definitions of money. The Banking School's definition of money is broader, and loans are included in the definition of money (Skaggs, 1999: 366). According to the supporters of the Banking School, the money issued by the Bank of England corresponds only to a fraction of the total amount of money in the market, and a bank has control over the money issued by itself but has no control over other currencies in the market (Daugherty, 1992: 149). Therefore, the Bank of England can only control the banknotes issued by itself. The checks and bills that function as money in the market, except for the banknotes issued by the Bank of England, enter and leave the market depending on the preferences of other actors in the market. As checks and bills enter and leave the market on general demand, they do not cause a problem such as excessive money supply, and the main reason for the increase in prices is the level of income obtained by people, not the money demand in the market (Daugherty, 1992: 150). As a result, the views of the Banking school are consistent with the view of the internal money supply.

### **The Effects of Currency School-Banking School Discussions on Modern Money Thought**

Ongoing debates over whether 'the supply of money can be controlled' between Keynes, Marx, Schumpeter, and Post Keynesian in the tradition of monetary analysis and the classical, neo-classical, monetary, new classical economists in the real analysis tradition are a continuation of the discussions that took place between The Currency School and the Banking School in the 19th century and before them, between the Bullionists and the Anti-Bullionists. Friedman put forward the claim of the monetarist approach which is based on the quantity theory of money. According to Friedman, money supply is external and depends only on the behavior of the money authority. Money directly affects nominal expenditures, in the short run if the economy is close to full employment, money alone affects the general level of prices, does not affect employment. If the economy is below the level of full

employment income, the increase in money stock affects real income; in the long run, the increase in money stock only affects the general level of prices (Friedman, 1987: 3-5).

Smith and the Banking School rejected the quantity theory of money, the price-cash flow mechanism and accepted the internality of money and the implicit determination of it by the market, which are the basic approaches that have now been accepted by representatives of many schools of thought. Today, the historical roots of Post Keynesian approaches to the banking and monetary system are largely based on Smith's real bills doctrine and the reflux law of the Banking School. Post Keynesian economists have argued that money supply is internal. They have contributed to the Keynesian school's views, claiming that money supply is an internal variable, not external, which is not created under the control of the monetary authority, but occurs through the banking and financial sector as a result of the effects of those seeking and supplying funds within the system. According to this understanding, money is not only created by increasing the reserves as said, but rather creating money causes the formation of reserves and the main source of monetary growth is the bank credit system. (Tobin, 1993: 408-419).

### Conclusion

It has been suggested that there is a close relationship between Currency School and Monetarists, Banking School and Keynesians, especially Post Keynesians, bringing the discussions between the two views above to the present day. As the internal money supply approach, the School of Banking emphasizes the importance of the use of credit in the financing of expenditures and rejects the view that strict monetary policies will shorten the money supply in the market and the decreasing money supply will reduce the general level of prices. Strict monetary policy will only indirectly affect interest rates and cause deterioration of credit markets. In this case, we can say that the discussions about whether the money supply is internal or external will continue.

### References

- Daugherty, M. (1942), "The Currency-Banking Controversy, Part I", *The Southern Economic Journal*, 9(10), 140-155.
- Friedman, M. (1987), "The Quantity Theory of Money", in: J. Eatwell & M. Milgate & P. Newman, *The New Palgrave: A Dictionary of Economics* (9<sup>th</sup> ed.), London, MacMillan, 1-40.
- Humphrey, T. (1993), "Kaldor versus Friedman in Historical Perspective", in: H. Thomas (ed.), *Money, Banking and Inflation: Essays in the History of Monetary Thought*, Aldershot: Edward Elgar: 144-157.
- Işık, S. (2008), "Modern Para Düşüncesinin Gelişiminde Adam Smith ve Bankacılık Okulu'nun Oynadığı Rol Üzerine Bir İnceleme", *Finans Politik & Ekonomik Yorumlar*, 45(521), 13.
- Laidler, D. (1989), "The Bullionist Controversy", in: J. Eatwell & M. Milgate & P. Newman, *The New Palgrave: A Dictionary of Economics* (9<sup>th</sup> ed.), London, MacMillan.
- Langus, G. & W. Lipotav (2001), *Assess the 'Real-Bills Doctrine' and the 'Principle of Reflux' which Figured Prominently in the Three-Cornered Debates between the Currency School, the Banking School, and the Free Banking School in Mid-Nineteenth Century England*, Central European University Department of Economics.
- Martino, P. Di. (2004), "Was the Bank of England Responsible for Inflation during the Napoleonic Wars (1897-1815)? Some Preliminary Evidence from Old Data and New Econometric Techniques", *Discussion Paper*, n. 33.
- Perlman, M. (1989) "Adam Smith and the Paternity of the Real Bills Doctrine", *History of Political Economy*, 21(1), 77- 99.

- Tobin, J. (1993), “Commercial Banks as Creators of Money”, in: D. Carson (ed.), *Banking and Monetary Studies*, Homewood: Richard Irwin, 408-419.
- Tokucu, E. (2008), “Yapısalcı Post Keynesyen İçsel Para Arzı Yaklaşımı ve Türkiye Ekonomisinde Geçerliliği: 1986-2005”, Marmara Üniversitesi Sosyal Bilimler Enstitüsü, Yayınlanmamış *Doktora Tezi*.
- Wray, R.L. (1990), *Money and Credit in Capitalist Economics: The Endogenous Money Approach*, Aldershot: Edward Elgar.

**24 October 2019 Thursday**

**Session: VII-A / 14.00-15.30**

## **PUBLIC ECONOMICS & DEVELOPMENT**

Room: *GASTON*

Chair: **Melek AKDOĞAN-GEDİK**

- Success Factors of Participative Budgeting: Case of New York  
**İsmail GÜNEŞ**
- Fiscal Policies in Resolving Transportation Problems in Turkey: Tax Methods  
**Mehmet Fatih ÇAPANOĞLU & Ahmet Burçin YERELİ**
- Regional Economics and State Programs in the Regional Development  
**Murtaza HASANOĞLU**
- Export Led Growth Strategy: A Case of Malaysia  
**Harun BAL & Koray YILDIRIM & Esma ERDOĞAN**



**24 October 2019 Thursday**

**Session: VII-B / 14.00-15.30**

## **GENDER & POPULATION & HOUSEHOLD ECONOMICS**

Room: *TIN TIN*

Chair: **Işıl Şirin SELÇUK**

- Research on the Relation of the Indicators Related to the Fertility with Socio-Economical Variables in Turkey, 1963-2013

**Deniz ACUNER & Mithat KIYAK**

- The Socio-Economic Characteristics of Turks in Germany

**Şenol YAPRAK**

- The Role of Gender in the Cycle of Militarism, Security and War

**Şeyda GÜDEK-GÖLÇEK**

- Criticism of Feminism on the Basic Concepts and Theories of International Relations: The Representation Problem of Women

**Şeyda GÜDEK-GÖLÇEK**



## The Socio-Economic Characteristics of Turks in Germany

**Senol YAPRAK** (<https://orcid.org/0000-0001-6086-882X>), *Turkish National Police Academy, Turkey; e-mail: senol.yaprak@pa.edu.tr*

### Abstract

Germany which takes place among the most developed countries in the world today, had been needed manpower for eliminating the negative effects of the Second World War. Germany had been signing labor recruitment agreements with various countries for that purpose. Germany also signed agreement with Turkey for the needed procuring labor 58 years ago, in 1961. Since then, Turkish workers are defined as guest workers started going to Germany with the idea to work, save money and come back. Since they went for a certain time and temporarily, they were defined as guest workers. Now, the concept of guest worker is forgotten, and Turks have been important force in all areas in Germany. The first generation as a guest worker retired today. And their grandchildren are not only working as workers but also take place in many areas such as the employer, artist, athlete, politician, administrator, scientist, and entrepreneur. In this study, experiences of Turks in Germany in the process from worker to employer for 58 years and the current situation of Turkish population in Germany in the social and economic life is analyzed.

**Keywords** : Migration, Turks in Germany, Turkish People in Germany.

**JEL Classification Codes** : J11, J15, J61.

### Introduction

The current population of Germany is close to 83 million and more than 10% are composed of foreigners. It is estimated that this population is more than 20% with immigrant originated people and one of the four people are foreigners in some states. Among foreigners, Turks form the largest group. In the first years, the number of Turkish workers that was expressed with thousands have reached to one hundred thousand over the years because of taking their families, the number of Turks in Germany gets close to three million in the current situation. Furthermore, more than half of this population were born in Germany.

Turks that have a dynamic, productive and young population became important for future policies of Germany. Nowadays, about 20% of population of Germany consist of older people who are over 65 age. Among Germans, the size of household is shrinking, child and young population is decreasing and need of foreign workforce is also becoming constant. Although there has been an increase in the number of immigrants from countries like Poland, Romania and Bulgaria in recent years, Turks maintains to take place in the first among foreigners. The Turkish population of Germany that never sever their strong bonds with Turkey, is accepted as significant power in Europe. Turkish people which involves in the production not only in food sector but also many fields. The workplaces that employs Germans and other foreigners are increasing day by day. The number of house owners increases in this process. Also, there is a significant number of Turkish population that generates, earns and giving tax.



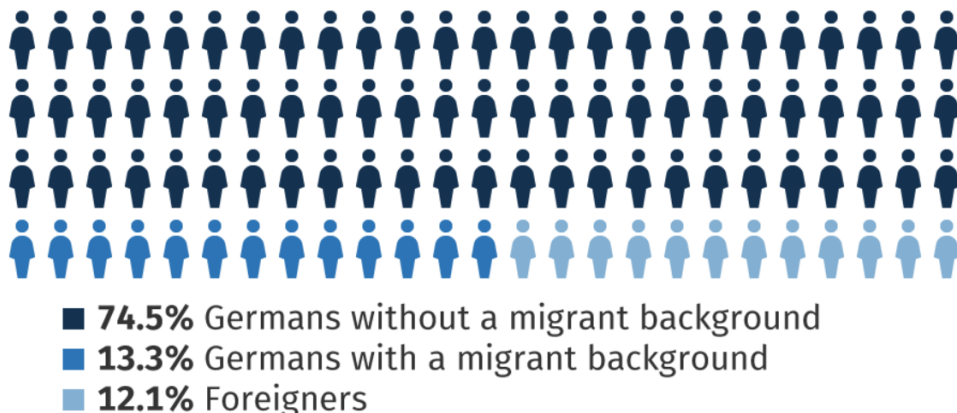
The characteristics of population of four generations that live in Germany have some differences. The first generation that migrated in 1961 could not speak German language and was comparatively more uneducated and migrated at a young age by aiming to work, save money and come back. The second generation is children of guest workers. One part of them was born in Germany, one part of them is a group which was born in Turkey but later attended their family. This generation is a mixed population with different characteristics. One part of them had to learn German afterwards while other part of them can speak German well since they were born in Germany. The third and fourth generation includes their children and grandchildren. These generations that is more educated, can speak a language, and is unaware of the experiences of the first ones.

After the Turks in Germany became permanent residents there, the important legal regulations are held for them to protect their relations and social bonds. Positive arrangements are held in many fields like staying longer of retired people in Turkey, driving their cars in our country, facilitating title deed transactions of possessions in Turkey, supporting to their retirement from Turkey, benefiting from health services easily. Besides, many projects is produced for strengthening bonds with Turkey and protecting cultural values, not forgetting Turkish language by young generation who was born and grew up there; and public institutions were established for making studies for these purposes.

### **Demographic Structure of Immigrants in Germany and Turks**

In 1961, with the labor agreement signed between the two countries, a large number of Turks started to apply to the office opened for this purpose. The applications for this office opened in Germany by Istanbul increased so much that there were times when the number of employees working in this office increased from 150 to 1961-1976. The number of people who went through the office, which first sent 68 workers to an automobile company in Cologne, rose to 18,000 in 1964. By 1966, the number had exceeded 30,000. In 1973, except for family members, the number of people who went to this country to work only reached 900,000. 700,000 of them were those who went through the offices in Ankara and Izmir in the course of time, while 200,000 were those who went on an individual request and were invited by their relatives (Çelik, 2012: 151-152).

With the Turkish population, which started to increase gradually in the 2nd years, there has been a significant increase in the immigrant population in Germany. Before the arrival of the Turks, the share of foreigners in the total population in Germany increased from only 1.2% to 4.9% in 1970. In 2000, the proportion of foreigners rose to 8.9% and the share of Turks among foreigners rose to 27.4% (Yıldırımoglu, 2005: 7).

**Figure: 1 - Population in 2018, by Migrant Status (%)**

Source: <[https://www.destatis.de/EN/Press/2019/08/PE19\\_314\\_12511.html](https://www.destatis.de/EN/Press/2019/08/PE19_314_12511.html)>, 27.08.2019.

It is understood that 1/3 of the people living in Germany somehow have a relationship with an immigrant. Only about three percent of the population have no immigration background. While 12% of the total population consists of foreigners, more than one population has some form of immigrant relationship. A large part of them are those who later became German citizens.

Turkish workers came to Germany to fill the demand for cheap labor in the post-war developing economy. Many never left and formed a society that permanently changed the demographics of Germany. Today, approximately 700,000 Turkish immigrants hold German citizenship. Unlike citizens of EU countries, Turks cannot have dual citizenship. When they reach the age of 23 they must choose between Turkish and German citizenship (<<https://www.dw.com/en/turkish-guest-workers-transformed-german-society/a-15489210>>, 27.08.2019).

**Table: 1 - Foreign Population in Germany by Nationality and Gender**

Nationality	31.12.2010			31.12.2012			31.12.2014			31.12.2016		
	Total	Gender		Total	Gender		Total	Gender		Total	Gender	
		Male	Female		Male	Female		Male	Female		Male	Female
<b>Europa</b>	<b>5374465</b>	<b>2748868</b>	<b>2625597</b>	<b>5725968</b>	<b>2957818</b>	<b>2768150</b>	<b>6394914</b>	<b>3338180</b>	<b>3056734</b>	<b>7073980</b>	<b>3715935</b>	<b>3358045</b>
<i>EU Countries</i>	2663402	1390707	1272695	3049477	1627285	1422192	3672394	1992997	1679397	4279770	2335520	1944245
Turkey	1629480	851741	777739	1575717	819096	756621	1527118	788895	738223	1492580	769155	723425
<i>EEA-Switzerland</i>	44661	19701	24960	46302	20491	25811	47481	21146	26335	48880	21905	26975
<i>Other</i>	612803	267013	345790	673803	295868	377935	735606	324161	411445	801140	355900	445240
<b>Africa</b>	<b>270962</b>	<b>153462</b>	<b>117500</b>	<b>287954</b>	<b>162607</b>	<b>125347</b>	<b>363745</b>	<b>216855</b>	<b>146890</b>	<b>510535</b>	<b>322240</b>	<b>188300</b>
<i>America</i>	215194	98631	116563	232148	107790	124358	245674	115706	129968	259840	122575	137265
<i>Asia</i>	821578	400015	421563	896931	441896	455035	1075035	550241	524794	2077330	1197135	880195
<i>Avustralia</i>	11892	6449	5443	13825	7528	6297	14767	8090	6677	16805	9300	7505
<i>Others</i>	59530	35023	24507	56882	33686	23196	58833	35439	23394	100585	62240	38345
<b>Total</b>	<b>6753621</b>	<b>3442448</b>	<b>3311173</b>	<b>7213708</b>	<b>3711325</b>	<b>3502383</b>	<b>8152968</b>	<b>4264511</b>	<b>3888457</b>	<b>10039080</b>	<b>5429425</b>	<b>4096655</b>

Source: *Statistics of Statistisches Bundesamt.*

As can be seen in the table 1, at the end of 2016, the foreign population of Germany increased by more than three million compared to the end of 2010. It is understood that a significant part of this increase is due to the population coming from EU member countries. It can be said that the negativities experienced in other EU countries have been the most important factor in this increase. In contrast, the

population of Turks in Germany followed a declining course. It seems that there are more Turks who returned to Germany than the Turks.

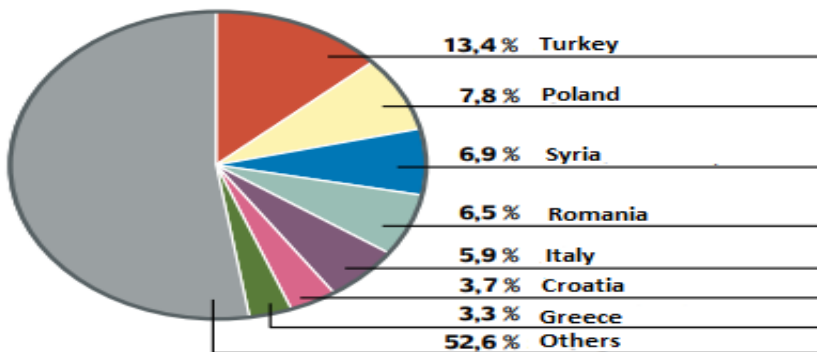
**Table: 2 - Foreigners in Germany by Place of Birth**

Country	Birthplace				
	Total	Germany	%	Other Countries	%
Turkey	1.474.223	405.071	27,5 %	1.069.152	72,5 %
Poland	862.006	45.671	5,3 %	816.335	94,7 %
Syria	757.321	70.284	9,3 %	687.037	90,7 %
Romania	713.783	41.452	5,8 %	672.331	94,2 %
Italy	645.367	156.411	24,2 %	488.956	75,8 %
Others	6.546.625	687.011	10,5 %	5.859.614	89,5 %
<b>Total</b>	<b>10.999.325</b>	<b>1.405.900</b>	<b>12,8 %</b>	<b>9.593.425</b>	<b>87,2 %</b>

Source: Bundesamt für Migration und Flüchtlinge (BAMF), Das Bundesamt in Zahlen 2018, 117, Nürnberg 2019.

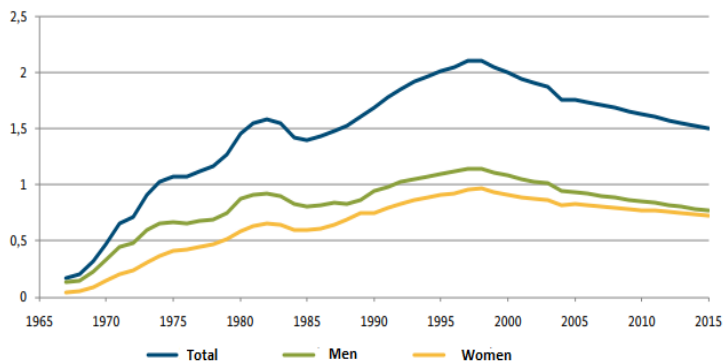
Table 2 shows the latest status of the immigrant population in Germany. Although the Turkish population in Germany tends to decline, it is still the largest immigrant group. Another feature of the Turks; A significant portion (27.5%) were born in Germany. The same is true for Italians. A small proportion of other immigrants were born in Germany. The reason for this is that the Italian and the Turks started to come to Germany half a century ago, while other immigrants arrived in the near future.

**Figure: 2 - Proportion of Foreign Population by Nation in Germany (31.03.2019)**



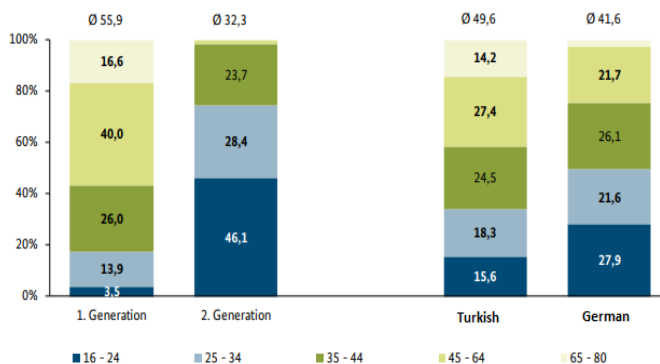
Source: BAMF (2019), 117.

When the distribution of the foreign population in Germany according to the latest statistics is examined, it is understood that Turks (13.4%), Poles (7.8%) and Syrians (6.9%) are the first three places respectively.

**Figure: 3 - Number of Persons of Turkish Nationality in Germany (millions)**

Source: Schührer, 15.

In 1971, with the Family Reunification Act, the population increased after this year due to the Turkish workers who started to take their wives and children to Germany. Therefore, there has been an increase in the number of Turkish women in Germany. To encourage their return to their countries of migrant workers issued a law in 1984, and some families have returned to Turkey. (Schührer, 2018: 15). This is also evident in the graph. The Turkish population in Germany, which followed an increasing trend until 2000, started to follow a declining course after this year and this situation continues to be the same today.

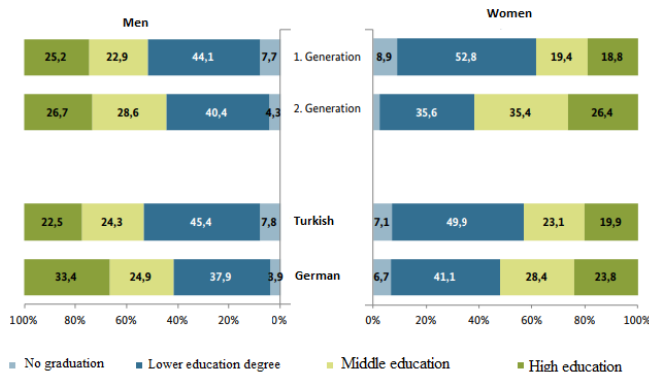
**Figure: 4 - Age Structure by Generation and Nationality (%)**

Source: Schührer, 21.

The figure 4 shows that the age distribution of the Turkish population in Germany varies significantly between the first and second generation. While 56.6% of the first generation is over 44 years old, 74.5% of the second generation consists of young population in the 16-34 age range. More

than half of the total Turkish population (51.9%) is between the ages of 35-64, that is, the productive population.

**Figure: 5 - Education Level by Gender and Nationality (%)**



Source: Schührer, 28.

It is understood that the education levels of both German and Turkish men are higher than that of women. However, in higher education there is a difference of more than 10% between German men and Turkish men, while there is a 4% difference between Turkish women and German women. It is understood that the educational status of Turkish women in Germany is similar to that of men.

### Turks in Economy of Germany

After a long period of time, it is possible to see the Turks in Germany actively in every aspect of daily life. The children and grandchildren of the first generation of working population now have people of Turkish origin in a wide range of areas, from adaptation to art to sports, from politics to economy, from entrepreneurship to local governments.

In Germany, more than 20% of immigrants are 65 years and over (OECD, 2018: 44). The first-generation immigrants from various countries such as Turkey in the 1960s no longer pursue their pensions do not return to their country in Germany.

**Table: 3 - Economic Values of Turkish Households in Germany**

Total of Turkish origin	3,2 billion
Average population per household	3,7
Total Turkish households	888,5
Average household income (Net / Monthly €)	1,980
Average savings per household (Net / Monthly €)	210
Total consumption expenditures per household (Net / Monthly €)	1,790
Annual net income per household	23.900
Total annual net household income (Year Total / Billion €)	19.478
Saving number of Turkish households (Year Total / Billion €)	2,05
Consumption expenditure of Turkish households (Year Total / Billion €)	20,9

Source: TAVAK (2017), *Avrupalı Türklere Yönelik Turizm Araştırması Sonuçları*, 5.

In the EU and the United States, more than 1/4 of low-skilled jobs are carried out by immigrants, while in Germany more than 40% (OECD: 65). Since immigrants have to work in largely low-skilled jobs, their wages will also be low.

TAVAK According to the results of the research conducted by the Foundation, the total economic value of Turks living in Germany is as high as 3.2 billion €. The family size, on the other hand, is like a nuclear family, but it is understood to be larger than the average of the Germans. It is concluded that an average of € 210 per month is saved per household, which amounts to € 2 billion per year. (TAVAK, 2017: 5).

### Conclusion

The current population of Germany is close to 83 million and more than 10% are composed of foreigners. It is estimated that this population is more than 20% with immigrant originated people and one of the four people are foreigners in some states. Among foreigners, Turks form the largest group. In the first years, the number of Turkish workers that was expressed with thousands have reached to one hundred thousand over the years because of taking their families, the number of Turks in Germany gets close to three million in the current situation. Furthermore, more than half of this population were born in Germany.

Turks that have a dynamic, productive and young population became important for future policies of Germany. Nowadays, about 20% of population of Germany consist of older people who are over 65 age. Among Germans, the size of household is shrinking, child and young population is decreasing and need of foreign workforce is also becoming constant. Although there has been an increase in the number of immigrants from countries like Poland, Romania and Bulgaria in recent years, Turks maintains to take place in the first among foreigners. The Turkish population of Germany that never sever their strong bonds with Turkey, is accepted as significant power in Europe. Turkish people which involves in the production not only in food sector but also many fields. The workplaces that employs Germans and other foreigners are increasing day by day. The number of house owners increases in this process. Also, there is a significant number of Turkish population that generates, earns and giving tax.

The characteristics of population of four generations that live in Germany have some differences. The first generation that migrated in 1961 could not speak German language and was comparatively more uneducated and migrated at a young age by aiming to work, save money and come back. The second generation is children of guest workers. One part of them was born in Germany, one part of them is a group which was born in Turkey but later attended their family. This generation is a mixed population with different characteristics. One part of them had to learn German afterwards while other part of them can speak German well since they were born in Germany. The third and fourth generation includes their children and grandchildren. These generations that is more educated, can speak a language, and is unaware of the experiences of the first ones.

After the Turks in Germany became permanent residents there, the important legal regulations are held for them to protect their relations and social bonds Positive arrangements are held in many fields like staying longer of retired people in Turkey, driving their cars in our country, facilitating title deed transactions of possessions in Turkey, supporting to their retirement from Turkey, benefiting from health services easily. Besides, many projects are produced for strengthening bonds with Turkey and protecting cultural values, not forgetting Turkish language by young generation who was born and grew up there; and public institutions were established for making studies for these purposes.

## References

- Bundesamt für Migration und Flüchtlinge - BAMF (2019), *Das Bundesamt in Zahlen 2018*, Nürnberg.
- Çelik, L. (2012), “Ellinci Yılında Göçtürklerin Türkiye ve Almanya Açısından Önemi”, *Tarihin Peşinde Dergisi*, 2012, 7, 147-164.
- Destatis Statistisches Bundesamt (2019), *Migration und Integration, Bevölkerungsstand Statistisches*, <[https://www.destatis.de/EN/Press/2019/08/PE19\\_314\\_12511.html](https://www.destatis.de/EN/Press/2019/08/PE19_314_12511.html)>, 27.08.2019.
- OECD (2018), *Settling in 2018: Indicators of Immigrant Integration*.
- Schührer, S. (2018), *Türkeistämmige Personen in Deutschland*, Bundesamt für Migration und Flüchtlinge Nürnberg.
- Şen, F. (2017), *Avrupalı Türklere Yönelik Turizm Araştırması Sonuçları Raporu*, Türkiye-Avrupa Eğitim ve Bilimsel Araştırmalar Vakfı-TAVAK, İstanbul.
- Yıldırımoglu, H. (2005), “Uluslararası Emek Göçü, Almanya’ya Emek Göçü”, *Kamu-İş Dergisi*, 8(1), <<http://www.kamu-is.org.tr/pdf/817.pdf>>, 27.08.2019.

## The Role of Gender in the Cycle of Militarism, Security, and War

**Şeyda GÜDEK-GÖLÇEK** (<http://orcid.org/0000-0001-8753-2998>), Niğde  
Ömer Halisdemir University, Turkey; e-mail: [seydagudek@gmail.com](mailto:seydagudek@gmail.com)

### Abstract

Feminism, which looks at war -is one of the main fields of study of International Relations- and its related issues from a gender perspective, differ from the mainstream theories in this point. Feminist theorists focus on the individual and in particular on women, putting gender in the center as opposed to the state-centered approach of traditional theories. As a matter of fact, war and security and militarism directly connected with it are the areas where women are most marginalized and exposed to abuse. For this reason, feminist theories have tried to reveal the situation of women in militarist masculinity with a multidimensional security approach. Therefore, the study focuses on gender roles and the suppression of women in the fields of militarism, security, and war. In these areas, the role of women and how they are represented are tried to be understood by gender filter.

**Keywords** : Gender, Militarism, War.

**JEL Classification Codes** : K38.

### Introduction

Traditional theories have been robust until the post-positivist wave, which started to be effective in the discipline of International Relations in the 1980s. For this reason, the prevailing view of the discipline, issues, and problems are shaped according to these theories. With the influence of the discipline on a dramatic event such as World War I, these theories have focused on war, security, and related issues. However, with the post-positivist period, different approaches began to address these issues in divergent ways. Feminist theories, which have an essential place at this point, reconsidered the issues of war, security, and militarism from a gender perspective.

By mainstream approaches, war and related issues are not addressed as a social phenomenon but as a series of political and strategic events at the institutional level. Traditional theories, as Christina Sylvester states, work comfortably in the world of theoretical abstractions about states, systems, power balances, stakeholders, decision-makers, peace and war; and implicitly leave human to journalists, novels and memoirs, humanitarian employees, anthropologists, women workers, and social history (2012: 483-484). Wars are reduced to the absence of sovereign authority or to anarchy in the absence of a balance of power that provides mutual deterrence. The presumed anarchic structure of the system in this situation tolerates war.

Feminism opposes this abstractionist approach that deals with social issues as a technical category. Because of the isolation of the military structure, war, and security issues from the human, in theory, conceals the male-dominated structure in practice and the problems that women experience in these



areas. For this reason, the gender perspective is considered as an essential framework to reveal the situation of women in militarist masculinity.

### **Militarism, Security, and War from a Gender Perspective**

War, which is one of the main fields of study of the International Relations discipline and its related subjects, is also a priority for Feminism. Because these areas constitute a priority dimension of international relations in which women as a subject are excluded but as an object are exposed to serious abuse. Therefore, feminist theorists endeavor to reveal the marginalized position of women in these areas by trying to develop an alternative approach.

### **Feminist Security Approach**

Feminist theorists sharply criticized the classical understanding of security, which was heavily influenced by the discipline and primarily put forward by realistic approaches. According to this classical state-centered approach, the essential notion of security is to provide military and political security. However, post-positivist approaches, including Feminism, point to the social dimension of security related to identity. At this point, Feminism incorporates gender roles into the analysis of security (Hogensen & Rottem, 2004: 155-170).

According to the feminist approach, there is a close link between personal life, especially female life, and security. Therefore, the perception of national security-based dominant state should be rejected, and it must be accepted that violence has a structural dimension, not just a physical one (Terriff, 1999: 86). According to this, there are two components of violence: The first is direct violence in wars or attacks, resulting in physical pain, such as death and injury. The second is structural violence resulting from economic, legal, and cultural discrimination, as well as situations such as hunger and illness. Accepting the structural dimension of violence is important because women are most affected by this dimension of violence (Blanchard, 2003: 1291-1296).

In line with that, Feminism also deals with security in many dimensions. Feminist approaches see security as avoiding all forms of violence, both physical and structural (Tickner, 1992: 66). It turns from the security of the state, nation, or international system to the security of society or individual (women).

### **Anti-Women's Relationship between Militarism and Masculinity**

Feminist theorists consider the military capacity as opposed to individuality, especially to the individuality of women, rather than to perceive as a security element in protecting the state from external threats. It is emphasized that the militant structure generally subordinates, excludes, renders her dependent on men and exposes her to state violence (Enloe, 1993: 119). Militarism is strengthened and sustained by the masculinity showing down womanhood. At this point, according to feminist theorists, the security state has two sides: One is the outer face fighting against enemies, and the other is the inward face, which tries to keep controlling the people under the protection as much as necessary (Young, 2003).

According to Cynthia Cockburn, it is not possible to consider wars apart from the themes of masculine dignity and honor, feminine fragility, and sacrifice (2010: 139-157). Masculinity does not only serve militarism perfectly, but it also needs war and militarization to realize itself and seeks them. Masculine discourses and images motivate militarism. In wars, the roles of masculinity and femininity

are emphasized in order to prevent soldiers from fearing, to increase their ability to fight and to make them fearless. Gender roles that meet toughness with masculinity on the battlefield help soldiers prove their “masculinity”. Thus, social roles in wars are tested and reproduced.

### **The Gendered Structure of the War**

Unlike mainstream theories, Feminism does not seek the cause of war in the balance of power or the anarchic structure of the system. War and forms of social relations that make war possible stem from militarist masculinity. Feminist theorists are more interested in the effects of civil war than the causes of war. However, in fact, women are not the side that is protected or fought for in wars, but rather the side that is abused by masculine logic.

Tickner said that although young men are said to engage in war to protect women and children, the number of women who died after the war is much higher than others (1997: 627). However, wars do not only affect women’s lives in the form of deterioration in their living conditions, injury, and death. In *Sex Among Allies* (1997), Katharine Moon reveals the relationship between military bases and women who have become sex slaves. As a most striking example of this, it is possible to give the sex farm network established by Japan during World War II. The Japanese soldiers enslaved the women in so-called “*comforting women*” from the areas they occupied to sex farms to provide motivation for the soldiers. Therefore, wars cause permanent psychological harm to women.

### **Representation of Women in Battlefields**

The battlefields contain various sexist images as well as physical and sexual violence. For example, the first atomic bombs thrown to Nagasaki and Hiroshima were male: *Fat Man* and *Little Boy*. Immediately after the atomic bombs were thrown, in the encrypted message providing information to Washington DC about the explosion is wrote that “*it is a boy*”. So, if the bomb attempt fails, it will probably be a girl. The name of the plane that left the atomic bomb on Hiroshima is *Enola Gay*, the name of the pilot’s mother. In the experience of the use of the bomb, it is seen that the atomic bomb, which is a powerful weapon capable of destroying a large area in a short period, is symbolized by the male and the aircraft, which is no more than a vehicle carrying it, is symbolized by a woman.

Similarly, in France, all of the regions where the atomic bomb was tested are given female names. In other words, these passive terrestrial areas are women. It is also another symbol that pilots stick to naked women posters before throwing conventional bombs at their pilots.

However, certain roles are given to specific women in wars, and the representation of women varies according to the sides. The women of the community from which the soldiers came are seen as devoted citizens who send their men to war as mothers, wives, and sisters. At the same time, these women make the sacrifice which needed for victory and takes part in the economy as the “*reserve army*”. In contrast, women in occupied societies are represented as objects of systemic rape as a strategy of intimidation (Enloe, 1014). In many conflicts, as in Bosnia, Rwanda, Sudan, and the Democratic Congo, rape has been used to break the will of the union’s fight against and demoralize the occupied people. It is also seen that women are directly targeted in the war for the same purpose. At this point, it is noteworthy that Israel targets Palestinian pregnant women.

## Conclusion

Feminism rejects the male perspective, which accepts that inequality and violence are an extension of the state of nature by opposing the normalization of war. It is criticized that wars are seen as men's fight and seen as an event that is decided by men and their times are determined. The problem, however, is that the masculine way of thinking is dominant rather than the sex of decision-makers. For example, the dominant masculinity in the system could not be prevented even in the presence of leading women such as Margareth Thatcher, Condoleeza Rice, and Golda Meir, who pioneered war decisions. Therefore, the main problem is that masculine logic subordinates' women and uses them in their interests.

## References

- Blanchard, E.M. (2003), "Gender, International Relations and Development of Feminist Security Theory", *Sign: Journal of Women in Culture and Society*, 28(4), 1289-1298.
- Cockburn, C. (2010), "Gender Relations as Causal in Militarization and War", *International Feminist Journal of Politics*, 12(2), 139-157.
- Enloe, C. (1993), *The Morning After: Sexual Politics at the End of the Cold War*, Berkeley: University of California Press.
- Enloe, C. (2014), *Bananas, Beaches and Bases: Making Feminist Sense of International Politics*, Berkeley: University of California Press.
- Hoogensen, G. & S.V. Rottem (2004), "Gender Identity and the Subject of Security", *Security Dialogue*, 35(2), 155-171.
- Moon, K. (1997), *Sex Among Allies*, New York: Columbia University Press.
- Sylvester, C. (2012), "War Experiences/War Practices/War Theory", *Millennium Journal of International Studies*, 40(3), 483-503.
- Terriff, T. et al. (1999), *Security Studies Today*, Cambridge: Polity Press.
- Tickner, J.A. (1992), *Gender and International Relations: Feminist Perspectives on Achieving Global Security*, New York: Columbia University Press.
- Tickner, J.A. (1997), "You Just Don't Understand: Troubled Engagements between Feminist and IR Theorists", *International Studies Quarterly*, 41(4), 611-632.
- Young, I.M. (2003), "The Logic of Masculinist Protection on the Current Security State", *Signs: Journal of Women in Culture and Society*, 29(1), 17-18.

## **Feminist Criticism on the Basic Concepts and Theories of International Relations: The Representation Problem of Women**

**Şeyda GÜDEK-GÖLÇEK** (<http://orcid.org/0000-0001-8753-2998>), Niğde  
Ömer Halisdemir University, Turkey; e-mail: [seydagudek@gmail.com](mailto:seydagudek@gmail.com)

### **Abstract**

Feminism, which entered the discipline of International Relations with critical theories in the 1980s, accepts gender as an analytical point of view and leads the discussion of the assumptions that mainstream approaches accepted given. The implicit gender hierarchy of these approaches, which have a weight in the discipline, causes the discipline to have masculinity. Feminist theorists, therefore, problematize the hidden or secondary position of women in the discipline. At this point, one of the first points of attention is how women are represented in the discipline. In this study which focused on the representation of women, it was concluded that there are three ways of representation. Firstly, the woman is identified with the “homeland” and portrayed as a terrestrial area that needs protection. In the second relationship of representation, it is seen that the danger is feminized, or the enemy is tried to be insulted with feminine characteristics. Finally, it is determined that all aspects of the international arena are de-genderization, that is, masculinity is hidden under objectivity and women are not represented.

**Keywords** : Feminism, Representation, Discipline of International Relations.

**JEL Classification Codes** : F51.

### **Introduction**

The main starting point of feminism base on the question “Where is the woman?”. Where is the woman, her experiences and point of view, except for associated with the role of motherhood and sexuality? Feminism, which emerged on this quest, opposes the distorted form of socialization that constitutes the basis of the restriction and domination of women and produces patriarchy. This stance led to a challenging history for feminist theorists. There is a tradition of telling the history of the feminist movement in three waves in which experienced transformations in the process. Although the first wave began in the late 19th century, Feminism’s entry into the discipline of International Relations was only possible with the third wave that began in the 1980s (Tickner & Sjoberg, 2007: 186). Third-wave Feminism’s efforts to uncover the masculine forms of administration and relations that have spread all over the social circle have allowed this movement to penetrate International Relations.

Feminist theory in the discipline of International Relations problematizes founding dichotomies. While traditional theories take state or international actors into account at the institutional level as analysis unit, Feminist International Relations theories try to reveal the network of relations, individual, daily life and experiences that make up those institutions (True, 2005: 215). These mainstream approaches see the international system as Tickner states, a structure of states where no children are born, and no one dies” (1999: 46). This institutional perspective, which is isolated from

society and more specifically, the individual, do not take into account actors within the state and in particular women (Harding, 1991: 123). For this reason, Feminist theorists take their analysis from the institutional level to the private field and examine the individual (woman) with the idea that “individual/subjective is political” and also use gender as an analytical perspective (Enloe, 2014). One of the first issues that emerged as a result of this is the problematic representation of women in the discipline.

### **Forms of Women’s Representation in International Relations**

Feminism criticizes the discipline of International Relations for being implicitly masculine and hierarchical. According to the basis of criticism, in this structure, the woman either has two negative representations or the representation is reduced to a private sphere (Viotti & Kauppi, 2012: 363). The traditional theories of discipline maintain this hierarchical structure by showing their study objectively. This inequality becomes clear about the representation of women on the theoretical basis of the discipline.

### **The feminization of Passivated Terrestrial Area**

The representation of women is first seen as a piece of land that must be protected, in other words, homeland. Especially in the Anglo-Saxon literature, the concept of homeland is frequently explained with feminine expressions. For example, in the painting “Motherland” by French painter William-Adolphe Bouguere, the idea of homeland is idealized with loving, fertile, and maternal women. With this expression, the territorial area of the power/homeland is likened to the feminine image that needs to be protected; the authority to protect and use the same terrestrial area is identified with the state and women are excluded from this task.

In contrast, however, the state is equipped with masculine features. The state is often cited as the source of a legitimate order in a particular territorial area that can monopolize organized violence. Therefore, the passive aspect of this terrestrial area which needs of protection and opens to annexation is female; however, the aspect that represents the characteristics of using force and being an actor to protect it is represented as a man.

In this relation of representation, the function of traditional theories stems from the fact that the legitimacy of the nation-state constitutes the consent dimension. Mainstream theories reduce the plurality of the social to a theoretical singularity under the name of objectivity, but the consent is not the same for these two genders. According to the essential starting point of social contract theories, in theory, the sovereign state protects its citizens against external threats and ensure their security. On the other hand, citizens transfer their sovereignty to the state and thus accept the superiority of the state and respect its control ability and monopoly of violence. In this way, the independence of the sovereign state is recognized as legitimate by the international system and a specific territorial area can be called “objectivity”. However, the “objectivity” created here consists of a masculine and hierarchical construction between the two genders.

### **The Theme of Feminine Hazard and Women as an Enemy**

The other noteworthy representation of women in the discipline of International Relations is the portrait of the enemy that defeated, humiliated, and lost power. Weakness and lack of power cause the problem of not being an actor with experience and influence. For example, Niccolò Machiavelli, one

of the essential predecessors of realist approaches, seeks danger living with the “capricious goddess Fortuna” in the desert. Machiavelli’s feminization of “dangerous” areas outside the territory of the country (Machiavelli, 2014), draws attention as a metaphorical meaning used to legitimize expansionist state policies and justify the high level of defense spending.

However, this feminine territorial area whose sovereignty is questioned, and which is not strong opens up for annexation or intervention. These failed, and weak states which are not actors cannot act rationally and create a security gap. However, any external interference in a sovereign and powerful state is out of law and doctrine.

### **The Problem of Lack of Women’s Representation**

The last problem with the representation of women stems from the fact that it is not represented or is ignored, women. Accordingly, international processes and events are presented objectively by de-genderization. The only problem, however, is not only the lack of representation of women but also the concealment of the existing masculine hierarchy. In fact, the hidden assumption of mainstream theories is that masculinity is suitable for the public and political sphere; women are ideal for private and domestic areas. This approach is seen more prominently in the realist theory, which is the most criticized by the state-centeredness, but still dominates the discipline (Tickner, 1997: 611-632). For example, Machiavelli’s famous work, *Prince*, in which he depicted the characteristics of the ruler, represents a man. Thomas Hobbes’s *Leviathan* portrays the male as the sex that governs foreign policy, holds power, and regulates the state (Tickner, 1999: 44; Peterson, 2000: 21). Similarly, the work of *Man, the State and War* by Kenneth Waltz, the founder of Neorealism, confirms the male-dominated view.

### **Conclusion**

Despite the problematic nature of International Relations, traditional theories of discipline, especially realist theories, ignore gender and ask no questions about gender. On the contrary, the assumption that human nature, which is the basis of anarchy, is bad, used by Hobbes and Hans Morgenthau, representatives of the realist approach, is based on male experiences. These approaches show masculinity positively by describing them with concepts such as logic, knowledge, scientific identity, power, autonomy, self-sufficiency, and independence. However, on the contrary, femininity is accepted with features of to be non-rational, lack of analytical point of view, weakness and sensuality. Therefore, women and their experiences are ignored throughout the discipline.

Feminism states that traditional approaches are not universal because they are based solely on male experiences and are not objective because they exclude women from the field of study. For these reasons, feminist theorists strive to make room for women’s experiences in the field of international relations and to rebuild their representation. Therefore, it is aimed to re-analyze international political, military, economic, cultural and ideological processes, concepts, and theories in the context of gender. Indeed, as Fred Halliday pointed out, there is a sloth stem from the academic separation of International Relations from other social sciences, limiting it with the developments in these areas, centering the state as the primary actor, and foregrounding to the “high policy” areas such as foreign policy, security and international economy (1991: 159).

## References

- Enloe, C. (2014), *Bananas, Beaches and Bases: Making Feminist Sense of International Politics*, Berkeley: University of California Press.
- Halliday, F. (1991), "Hidden from International Relations: Women and the International Arena", in: R. Grant & K. Newland (eds.), *Gender and International Relations*, Bloomington: Open University Press and Indiana University Press.
- Harding, S. (1991), *Whose Science? Whose Knowledge? Thinking from Women's Lives*, New York: Cornell University Press.
- Machiavelli, N. (2014), *The Prince*, California: Createspace Independent Publishing.
- Peterson, V.S. (2000), "Rereading Public and Private: The Dichotomy that is not One", *SAIS Review*, 20(2), 11-29.
- Tickner, J.A. & L. Sjoberg (2007), "Feminism", in: T. Dunne et al. (eds.), *International Relations Theories: Discipline and Diversity*, Oxford: Oxford University Press.
- Tickner, J.A. (1997), "You Just Don't Understand: Troubled Engagements between Feminist and IR Theorists", *International Studies Quarterly*, 41(4), 611-632.
- Tickner, J.A. (1999), "Searching for Princess? Feminist Perspective in International Relations", *Harvard International Review*, 21(4), 44-48.
- True, J. (2005), "Feminism", in: S. Burchill et al. (eds.), *Theories of International Relations*, New York: Palgrave Macmillan.
- Viotti, P.R. & M.V. Kauppi (2012), *International Relations Theory*, Boston: Pearson Education.

**24 October 2019 Thursday**

**Session: VIII-A / 16.00-17.30**

## **COUNTRY ANALYSIS**

Room: *GASTON*

Chair: **Bogdan KLEPACKI**

- Determination of the Safety Stock Level and Reorder Point in Hospitals with Probabilistic Inventory Model: A Public Hospital Implementation

**Çağdaş Erkan AKYÜREK & Orhan PARILDAR**

- An Analysis on the Structural Change of Intertemporal Production in the Real Estate Sector in Turkey

**İlkay GÜLER & Aziz KONUKMAN**

- Developing Country MNEs' Contribution to Regional Economic Development: A Preliminary Study and Proposed Model on ASELSAN Inc.

**Nazlı Gönül KOCAMAN**

- Determinants of Economic Growth: The Case of Turkey (1975-2017)

**Ahmet KAMACI & Oya KURT**





## An Analysis on the Structural Change of Intertemporal Production in the Real Estate Sector in Turkey

**İlkay GÜLER** (<https://orcid.org/0000-0003-1289-6652>), Ankara Hacı Bayram Veli University, Turkey; e-mail: [ilkayguler2010@gmail.com](mailto:ilkayguler2010@gmail.com)

**Aziz KONUKMAN** (<https://orcid.org/0000-0003-0269-3245>), Ankara Hacı Bayram Veli University, Turkey; e-mail: [azizkonukman@gmail.com](mailto:azizkonukman@gmail.com)

### Acknowledgement

This study is derived from the doctoral thesis of the author İlkay Güler under the supervision of Prof.Dr. Aziz Konukman, titled “The Status of the Real Estate Sector in Turkey Based on the Important Coefficients Approach” (2019), Gazi University, Institute of Social Sciences, Department of Economics.

### Abstract

Real estate, also known as immovable properties, are stationary goods that are impossible to move from one place to another without damaging the essence of them. In the literature, the real estate sector is classified into five groups: housing, commercial real estate, industrial real estate, agricultural real estate and special purpose real estate. Within the scope of the “Theory of Hierarchy of Needs” proposed by Maslow, a person should first meet their basic physiological needs like eating food, drinking water and sheltering. The fact that basic physiological needs are important factors that are required for a person to survive shows that the need for shelter will never disappear. While people cannot always resort to real estate as an investment tool, they always have the desire to meet their accommodation needs regardless of their income level. Therefore, the real estate sector is a sector that has continuity. Real estate investments have many economic advantages such as increases in their real value, leasing, having a stable rate of return, utilization of their leverage power, and showing less volatility than securities income, in addition to their physical feature that meets the basic need of housing. The economic properties of the real estate market exhibit some differences when compared to other markets and the economic characteristics may be listed as the following; there are large costs to enter the market. Therefore, although there are no restrictions against entry-exit, it is relatively difficult. The real estate market has a heterogeneous structure. It is an investment instrument with low marketability and liquidity. A higher purchasing power is needed in comparison to other investment instruments. Real estate markets cannot organize themselves. The state is needed to establish some rules and make regulations regarding real estate property and transfer of property. It has no mobility. The fact that people do not frequently buy and sell property and they are unfamiliar with procedures leads to asymmetric information. Real estate provides its owner with usage utility. It is an investment instrument that can be protected by insurance. A residence, which is at the top among the types of real estate, is a financial property instrument that is the most invested in by individuals and a financial capacity. It takes time to convert a residence into cash. The characteristic of a real estate investment is based on the unique physical characteristics of its land. It reveals economic growth and new opportunities and encourages residence demand. Increased income leads to residence demand. There

is advertisement in the real estate market, but this increases costs. The real estate sector, which is getting economically more important every day, attracts the attention of entrepreneurs that have the skills of catching profitable opportunities, do not avoid taking risks and can act proactively, as the sector is seen as a tool of accommodation and investment. The idea of founding a business in the sector is attractive for entrepreneurs, and it is seen benefiting. According to NACE REV 2 economic activity classification, TURKSTAT defines the real estate sector as real estate services within the framework of activities such as buying and selling one's own real estate, renting or operating one's own or leased real estate based on a fee or contract basis.

**Keywords** : Real Estate Sector, Structural Change of Production, Inter-Sectoral Linkage.

**JEL Classification Codes** : O10, O20.

### Introduction and Background

The backward and forward linkages of the sectors are of great importance. However, it is of great importance whether the production structure has changed over time. Through input-output models; the determination and calculation of the inter-sectoral relationship has developed in both directions within the framework of Leontief's basic work and Hirschman's unbalanced development model (Hirschman, 1958; Leontief, 1946). In order to compare production techniques for two different time periods, similarity test is applied in inter-time production. The formula used by Chenery and Watanabe to compare production styles based on country pairs is developed and used to compare inter-production styles. (Chenery & Watanabe, 1958: 499-500; Altan, 1996: 73-74).

In the calculation, direct input coefficients are compared. Chenery and Watanabe stated that the similarity between the countries would increase as the coefficients obtained from Leontief affinity test decreased. (Chenery & Watanabe, 1958: 499-500). In our study, we use the same criteria for coefficients obtained from time to time. However, Chenery and Watanabe ilee Leontief did not specify a threshold. In this study, both Spearman correlation coefficient and Pearson correlation coefficient are calculated to eliminate this weakness.

### Objectives

The aim of the study is to calculate the change in the intertemporal production structure of the real estate sector with the Spearman, Pearson correlation coefficient and to compare the results obtained from the Leontief affinity test.

### Data and Methodology

Intertemporal structural similarity analysis is applied. In the analysis, the input-output tables of the year 2002 and the most recent input-output tables that are of 2012 are used. In this way, the structural changes between 2002 and 2012 can be compared. To investigate the similarity between the rankings of partial direct backward linkages of the real estate sector between 2002-2012. Spearman correlation coefficient was calculated while Pearson correlation coefficient was calculated in order to determine whether there is a similarity between partial direct backward linkage correlation coefficients.

The formula used by Chenery and Watanabe:

$$\gamma_j^{\alpha\beta} = \frac{\sum |a_{ij}^{\alpha} - a_{ij}^{\beta}|}{\frac{1}{2} \sum (a_{ij}^{\alpha} + a_{ij}^{\beta})}$$

When  $t$  and  $t + 1$  (two different times) are substituted for  $\alpha$  and  $\beta$  (two different countries) in the formula, the formula is shown as follows:

$$P_j = \frac{\sum_{i=1}^n |a_{ij}^{t+1} - a_{ij}^t|}{1/2 \sum_{i=1}^n (a_{ij}^{t+1} + a_{ij}^t)}$$

In the calculation, the similarity between times is investigated. Direct input coefficients are compared. He stated that as the coefficients obtained from Leontief affinity test decrease, the similarity between countries will increase. (Chenery & Watanabe, 1958: 499-500; Altan, 1996: 73-74). In our study, we use the same criteria for coefficients obtained from time to time. In 2002 and 2012, the average coefficient of change of 62 sectors was 17,2739 as a result of Leontief similarity test. The structural similarity test of the real estate sector in time production is 17,3096. Since it has a coefficient close to the average, it can be stated that there is no significant change in the input coefficients and that the input components used in production do not differ.

### Spearman Correlation Coefficient

With the Spearman correlation test, the values of the partial direct backward linkage coefficients of the real estate sector for the years 2002 and 2012 are compared according to their magnitudes.

**Table: 1 - 2002 and 2012 Partial Direct Backlink Rankings<sup>1</sup>**

Sector Code	Sector Name	2002	2012
A01	Products of agriculture	15	29
A02	Products of forestry	43	36
A03	Fish and other fishing products	51	62
B	Mining and quarrying	26	8
C10-C12	Food, beverages and tobacco products	14	52
C13-C15	Textiles, wearing apparel, leather	12	35
C16	Wood and of products	39	33
C17	Paper and paper products	27	39
C18	Printing and recording services	35	47
C19	Coke and refined petroleum	9	13
C20	Chemicals and chemical products	5	9
C21	Basic pharmaceutical products	21	56
C22	Rubber and plastic products	3	6
C23	Other non-metallic mineral products	1	1
C24	Basic metals	22	24
C25	Fabricated metal products	8	12
C26	Computer, electronic and optical	37	54
C27	Electrical equipment	13	11
C28	Machinery and equipment n.e.c.	17	17

<sup>1</sup> Sector names, abbreviated in all tables (Güler, 2019).

C29	Motor vehicles, trailers	36	49
C30	Other transport equipment	54	50
C31_C32	Furniture and other manufactured	38	31
C33	Repair and installation services	55	23
D35	Electricity, gas, steam	20	4
E36	Natural water; water treatment	25	18
E37-E39	Sewerage services; sewage sludge	16	14
F	Constructions and construction work	2	2
G45	Wholesale and retail trade	29	40
G46	Wholesale trade services	7	10
G47	Retail trade services	6	16
H49	Land transport services	4	15
H50	Water transport services	31	37
H51	Air transport services	42	42
H52	Warehousing and support	18	21
H53	Postal and courier services	50	44
I	Accommodation and food	30	28
J58	Publishing services	41	34
J59_J60	Motion picture, video	46	51
J61	Telecommunications services	32	27
J62_J63	Computer programming, consultancy	45	38
K64	Financial services, except	10	7
K65	Insurance, reinsurance and pension	34	22
K66	Services auxiliary to financial	47	26
<b>L68B</b>	Real estate services	<b>11</b>	<b>5</b>
M69_M70	Legal and accounting	23	20
M71	Architectural and engineering services	33	19
M72	Scientific research and development	40	60
M73	Advertising and market research	28	25
M74_M75	Other professional, scientific	53	30
N77	Rental and leasing services	49	32
N78	Employment services	57	48
N79	Travel agency, tour operator	24	57
N80-N82	Security and investigation services	19	3
O84	Public administration and defence	62	46
P85	Education services	48	41
Q86	Human health services	56	61
Q87_Q88	Residential care services	61	59
R90-R92	Creative, arts, entertainment	58	45
R93	Sporting services and amusement	60	55
S94	Services furnished by membership	44	53
S95	Repair services of computers	52	43
S96	Other personal services	59	58

When the partial direct backlinks of the real estate sector in 2002 and 2012 are evaluated; While it ranks 11th in providing input from real estate sector in 2002, it ranks 5th in providing input from its own sector in 2012. However, what is important is not the place in the ranking, but the value obtained according to the results of the Spearman test. Through this test, it is seen whether the relative shares of the input components of the production technology have changed statistically and whether there is a structural change. Calculation formula:

$$r_s = 1 - \frac{\frac{n}{6} \sum \frac{(d_k^2)}{I}}{n(n^2 - 1)}$$

$r_s$ : Spearman Correlation Coefficient,  $n$ : number of sectors,  $d_k$ : refers to the differences between the rankings of sectors in 2002-2012 (Farlie, 1960: 312).

**Table: 2 - Qualification for Spearman Correlation Coefficient<sup>1</sup>**

Spearman Correlation Coefficient	Qualification
0.00-0.19	No relationship or negligible low relationship
0.20-0.39	Weak relationship
0.40-0.69	Intermediate relationship
0.70-0.89	Strong relationship
0.90-1.00	Very strong relationship

(Alpar, 2014: 351)

**Table: 3 - Spearman Correlation of the Real Estate Sector Ranks between 2002 and 2012**

Spearman Correlation	
$r_s$	0.7260
$p$	(0.0001)
$n$	62

The Spearman correlation coefficient for the real estate sector for 2002-2012 was calculated as 0.7260. The statistical significance of this coefficient is greater than 99% and the  $p$  value is less than 0.01 (LeBlanc, 2004: 296). It is seen that there is a strong and statistically significant relationship between the results obtained between the two periods. Therefore, it is observed that there is no significant structural change in the production structure of the real estate sector.

### Pearson Correlation Coefficient

Pearson correlation coefficient takes into account values and shows the strength and direction of linear relationship between two variables. (LeBlanc, 2004: 292).

**Table: 4 - Real Estate Sector 2002 and 2012 Partial Direct Backward Link Values**

Sector Code	Sector Name	2002	2012
A01	Products of agriculture	0,0045	0,0003
A02	Products of forestry	0,0003	0,0001
A03	Fish and other fishing products	0,0002	0,0000
B	Mining and quarrying	0,0021	0,0107
C10-C12	Food, beverages and tobacco products	0,0050	0,0000
C13-C15	Textiles, wearing apparel, leather	0,0053	0,0001
C16	Wood and of products	0,0005	0,0002
C17	Paper and paper products	0,0021	0,0001
C18	Printing and recording services	0,0008	0,0000
C19	Coke and refined petroleum	0,0063	0,0048
C20	Chemicals and chemical products	0,0101	0,0096
C21	Basic pharmaceutical products	0,0037	0,0000
C22	Rubber and plastic products	0,0137	0,0130
C23	Other non-metallic mineral products	0,0308	0,0208
C24	Basic metals	0,0034	0,0005
C25	Fabricated metal products	0,0072	0,0059
C26	Computer, electronic and optical	0,0007	0,0000
C27	Electrical equipment	0,0051	0,0064
C28	Machinery and equipment n.e.c.	0,0042	0,0027
C29	Motor vehicles, trailers	0,0008	0,0000
C30	Other transport equipment	0,0002	0,0000
C31_C32	Furniture and other manufactured	0,0007	0,0002
C33	Repair and installation services	0,0002	0,0005
D35	Electricity, gas, steam	0,0039	0,0137

<sup>1</sup> The qualification set out in Table 2 should not be considered very precise but is used to make intuitive decisions about the strength of the relationship.

E36	Natural water; water treatment	0,0028	0,0025
E37-E39	Sewerage services; sewage sludge	0,0044	0,0045
F	Constructions and construction work	0,0194	0,0189
G45	Wholesale and retail trade	0,0016	0,0000
G46	Wholesale trade services	0,0080	0,0094
G47	Retail trade services	0,0082	0,0032
H49	Land transport services	0,0111	0,0038
H50	Water transport services	0,0014	0,0001
H51	Air transport services	0,0004	0,0000
H52	Warehousing and support	0,0041	0,0007
H53	Postal and courier services	0,0002	0,0000
I	Accommodation and food	0,0015	0,0004
J58	Publishing services	0,0004	0,0002
J59_J60	Motion picture, video	0,0002	0,0000
J61	Telecommunications services	0,0014	0,0004
J62_J63	Computer programming, consultancy	0,0003	0,0001
K64	Financial services, except	0,0062	0,0121
K65	Insurance, reinsurance and pension	0,0011	0,0007
K66	Services auxiliary to financial	0,0002	0,0004
L68B	Real estate services	0,0061	0,0132
M69_M70	Legal and accounting	0,0033	0,0009
M71	Architectural and engineering services	0,0012	0,0022
M72	Scientific research and development	0,0004	0,0000
M73	Advertising and market research	0,0020	0,0005
M74_M75	Other professional, scientific	0,0002	0,0003
N77	Rental and leasing services	0,0002	0,0002
N78	Employment services	0,0001	0,0000
N79	Travel agency, tour operator	0,0033	0,0000
N80-N82	Security and investigation services	0,0040	0,0142
O84	Public administration and defence	0,0000	0,0000
P85	Education services	0,0002	0,0000
Q86	Human health services	0,0002	0,0000
Q87_Q88	Residential care services	0,0000	0,0000
R90-R92	Creative, arts, entertainment	0,0000	0,0000
R93	Sporting services and amusement	0,0000	0,0000
S94	Services furnished by membership	0,0003	0,0000
S95	Repair services of computers	0,0002	0,0000
S96	Other personal services	0,0000	0,0000

The qualification in Table 2 is valid in Pearson (Alpar, 2014: 351-356).

Pearson correlation coefficients were calculated by using partial direct backward values (coefficients) of 2002 and 2012. Calculation formula:

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{[n\sum x^2 - (\sum x)^2][n\sum y^2 - (\sum y)^2]}}$$

r: Pearson correlation coefficients, n: number of sector,  $\sum xy$ : Sum of matched values for 2002 and 2012,  $\sum x$ : Total values of 2002,  $\sum y$ : Total values of 2012,  $\sum x^2$ : Sum of squares of values for 2002,  $\sum y^2$ : Sum of squares of values for 2012 (Sharma, 2005: 49).

**Table: 5 - The Pearson Correlation of the Values of the Real Estate Sector between 2002- 2012**

Pearson Correlation	
r	0,7930
p	(0,0001)
n	62

Pearson correlation coefficient value is less than 0.7930 and p value is less than 0,01. The statistical significance of this coefficient is greater than 99% (LeBlanc, 2004: 296). There is a strong and statistically significant relationship between the two periods compared.

### Conclusions

When Spearman correlation coefficient and Pearson correlation coefficient were calculated and compared with Leontief affinity test results (Güler, 2019: 138-146), Spearman correlation coefficient value is 0.7260, Pearson correlation coefficient value is 0.7930 and it is similar with Leontief affinity test results. Within the framework of the results, it can be stated that there is no significant change in the input coefficients of the real estate sector between the two periods and that the input components used in production do not differ significantly.

### References

- Altan, Ş. (1996), “Girdi-Çıktı Analizinde Girdi Katsayılarının Tahmininde Değişik Bir Yöntem ve Uygulaması”, *Doktora Tezi*, Gazi Üniversitesi Sosyal Bilimler Enstitüsü, Ankara.
- Avralıoğlu, Z. (1977), *İstatistik*, Ankara, Aksoy Matbaacılık.
- Chenery, H. & B. Watanabe (1958), “Tsunehiko; ‘International Comparison of the Structure of Production’”, *Econometrica*, 26(4), 487-521.
- Güler, İ. (2019). “Önemli Katsayılar Yaklaşımı Temelinde Türkiye’de Gayrimenkul Sektörünün Konumu”, *Doktora Tezi*, Gazi Üniversitesi Sosyal Bilimler Enstitüsü Ankara.
- Hirschman, A.O. (1958), *The Strategy of Economic Development*, New Haven and London, Yale University Press.
- LeBlanc, D. (2004), *Statistics: Concepts and Applications for Science*, United States of America: Jones and Bartlett Publishers.
- Leontief, V.W. (1946), “Exports, Imports, Domestic Output, and Employment”, *The Quarterly Journal of Economics*, (2), 171-193.
- Sharma, A.K. (2005), *Text Book of Correlations and Regression*, New Delhi: Discovery Publishing House.





## **Developing Country MNEs' Contribution to Regional Economic Development: A Preliminary Study and Proposed Model on ASELSAN Inc.**

*Nazlı Gönül KOCAMAN* (<https://orcid.org/0000-0003-0707-7492>), Ankara University, Turkey; e-mail: [nazlikocaman@yahoo.com](mailto:nazlikocaman@yahoo.com)

### **Abstract**

In the current global economic outlook, the difference between developed and developing countries remains significant, relying on a series of economic, social and environmental indicators. Insufficient human capital and industrial technology led to developing economies' reliance on Multinational Enterprises' (MNEs) Foreign Direct Investment (FDI). Conventional methods of evaluating MNEs' impact involve measuring direct, indirect and dynamic effects of FDI. This study offers a more comprehensive approach to the evaluation of MNEs' economic contribution by bridging the gap between economic and organizational development, using the case study approach. A model study is suggested to demonstrate the integrative framework's advantages. Preliminary findings are offered on the home base of the MNE for future comparisons.

**Keywords** : Economic Development, Multinational Enterprises, Globalization.

**JEL Classification Codes** : O19, F23, F02.

### **Introduction**

Literature on economic development and economic growth shows the two concepts being used interchangeably for a long period of time before economic development has gained its current status as an all encompassing and unifying field of research with a vast array of interdisciplinary implications. The modern theory of economic growth focused mainly on aggregate growth, structural transformation towards industrialization and international spread of economic activity (Kuznets, 1971). Arriving in the 21st century, advanced theories of economic development has come to include sustainable growth; structural changes in production; technological upgrading; social, political and institutional modernization; and widespread improvement in the human condition (Adelman, 2000). Various indicators involving health, education and redistribution, alongside with complex indices including these variables, have been employed by researchers to measure economic development (Grabowski et al., 2014: 25).

The role of Multinational Enterprises (MNEs) as a key component of economic development has been scrutinized extensively in the economic and international business literature. The industrialization of developing economies has relied heavily on MNEs' international activities in the form of Foreign Direct Investment (FDI) (Dunning & Lundan, 2008). Externalities (Marshall, 1920) of economic activity, knowledge spillovers in particular (Griliches, 1979, 1992), have also garnered attention widely among scholars of international business and regional economic development. The

internationalization of R&D has sparked controversy among researchers, as some remained cautious (Patel & Pavitt, 1991) while others have seen it as an opportunity for regional economies to cultivate an innovative environment for creating competitive advantage (Cantwell, 1989). Emerging economies' MNE activity (Ramamurti & Singh 2009) leading to knowledge transfers between developing economies remain relatively under-investigated.

In the current global economic outlook, the difference between developed and developing countries remains significant, relying on a series of economic, social and environmental indicators going well beyond trade. The divide between aforementioned economies persists on structural, infrastructural, fiscal, employment and digital levels. At the regional level, many country groups' ratio of GDP per capita to the GDP of the USA remains less than 20%. The absolute income gap between developing countries and regions and the USA remains wide and by certain measures keeps widening (UNCTAD, 2019a). R&D intensity in developing economies is lower than both the world average and that of developed economies in Europe and North America (UNCTAD, 2018).

Traditionally, Free Zones that focused on manufacturing for export were seen as drivers of regional economic growth. In the case of developing economies, the human capital and accumulation of industrial technology residing in local firms were insufficient to trigger further economic development. As implied by Solow's (1956) model of development, only technological change can secure steady economic development. Romer (1994) has improved this approach with the introduction of human capital offsetting the law of diminishing returns. MNEs are introduced to the equation in order to create synergy by bringing the lacking innovative and knowledge resources in developing economies' regional firm clusters. Turkish clusters are an example of this developmental trajectory, internationalization tendencies mostly restricted to export, having limited access to global resources (Dulupcu et al., 2015).

MNE activity in Special Economic Zones (SEZs) is expected to contribute to economic development in the host economy through various mechanisms, the most significant of which are the diffusion of know-how and its transfer to local firms and skills acquisition by local workers through training and strong inter-firm relationships between local entrepreneurs and foreign-owned enterprises. Knowledge transfer, local training and high- quality employment from the foreign affiliates is sought. For a lasting impact on economic development in the host economy, knowledge transfer must reach beyond the SEZ perimeter. Foreign investment in an SEZ is expected to create jobs more widely within the economy enhancing the competitiveness of local economic sectors and create business opportunities for local entrepreneurs outside the perimeter of the SEZ (Narula & Zhan, 2019).

Conventional methods of evaluating MNEs' economic impact follow FDI, measuring its direct, indirect and dynamic effects on economic development. Direct impact can be monitored through employment, output, enterprise, and balance of payments whereas the indirect impact of FDI may prevail as spillovers and linkages. Dynamic impact can be implicit in the competitive environment (Williams & Smith, 1998). Several criteria can be utilized in measuring MNE impact on technology and innovatory capacity such as R&D expenditures, training of scientists and engineers, patenting, royalties and license fees. Labor productivity, growth and export market share are also adopted as indirect indicators of spillovers in recent work focusing on productivity spillovers (Dunning & Lundan, 2008). As of 2019, MNEs' R&D-related greenfield investment projects are reported to be significant in number and growing. During the last five years, the number of announced R&D projects rose to 5,300, representing about 6% of all investment projects, from 4,000 projects in the previous five years. For pharmaceutical companies, R&D-related projects can account for as much as 17% of all greenfield

projects. Software and IT services follow, with about 15% of their greenfield projects related to R&D. The steep decline in recent FDI flows shows the lowest levels since the global financial crisis. Nevertheless, developing economies continue to attract FDI (UNCTAD, 2019b).

It is also possible to follow the value creation process of MNEs through products in the context of Global Value Chains (Gereffi, 1994, 2018) or Global Production Networks (Coe & Dicken & Hess, 2008). This brings about the discussion on the geography of production and development by trade once again and even more dramatically.

### **Regional Dynamics**

Following Kogut and Zander's (2003) view of the firm as a means to create, develop and transfer knowledge, the investigation and measurement of knowledge and technology transfers among firms can be conducted by examining either:

- Tacit knowledge transfers -the product-based approach- or,
- Discernible knowledge sharing activities such as licensing, MNEs providing management, technical and production training.

It is crucial to understand MNEs' role in developing organizations' human capital which involves providing the necessary tools in the form of experience using related technologies, marketing channels and finance allowing organizational actors to improve their competences, behavioral characteristics and cognitive skills. This contribution may also translate into entrepreneurial activity or organizational spin-offs (Eissa et al., 2015).

The impact of MNEs can further be explored by observing certain changes in the regulatory environment, implying the regional institutions' ability to capture the value from regional assets (Coe & Hess, 2008). The power asymmetry can be overcome by the interplay between the specific demands of the MNE and the host region's labor relations and industrial policy (Herod, 2011; Hollingsworth, 1999). Positive developmental outcomes depend on the bargaining process between the region's state, labor and business institutions and powerful multinationals.

Recent studies on MNE contribution to regional development imply asymmetrical growth between regions, non-linear spillover effects of FDI by MNEs and differentiating productivity performances by MNEs and their domestic counterparts.

Buckley et al. (2007) question the linearity of the relationship between inward FDI and spillover effects in the case of China. The study reveals significant effects for nationality of ownership on productivity spillovers. Inward FDI has shown to have a linear effect on spillovers depending on the nationality of foreign investors.

Chung et al. (2003) find that Japanese FDI in the US automotive industry improves productivity of US-based suppliers; which can be a result of either the collaboration between MNE subsidiaries and domestic firms or the increased competition between those firms. Benito et al. (2003) argue that FDI-induced effects in high value-added activities are maximized for the host economy when MNEs have a high degree of embeddedness in the host economy and with local suppliers. Gelübcke's (2013) investigation of parent country impact on the heterogeneity of various foreign affiliates operating in Germany shows that subsidiaries from different countries of origin have different business strategies, which can help explain the contribution of foreign firms to the local economy. Evidence from the UK

(Bournakis et al., 2018) shows that MNE subsidiaries are more R&D intensive and have a higher level of investment in intangibles than their domestic counterparts. MNEs have a stronger effect on regional productivity than Domestic Enterprises (DOMEs). However, when one controls for the origin of the MNEs, it is found that DOMEs can outperform MNEs from certain countries. It is submitted that regions that lag behind can absorb the intangible assets of DOMEs more readily; and that MNE strategies may not be always aligned to the needs of host regions.

Findings on the effect of MNE activity on regional development consistently show the need for a more thorough framework encompassing the complex web of interactions between local and foreign actors.

### **Conceptual Framework**

This study offers a more comprehensive approach to the evaluation of MNEs' economic contribution by bridging the gap between economic and organizational development, using the case study approach. This approach allows subjective and objective measures of impact to be taken into account simultaneously.

The "soft" measures of development brought in by MNEs can be borrowed from the globalization research on multinationals. The global make-up of an MNE can be outlined by searching for uniform patterns in the basic elements of an organization such as Strategy, Marketing, Organizational Structure, Human Capital, Culture and Management (Cavusgil, 2004). These patterns can then be tracked down in the host economies' organizational elements. While pattern uniformity may not suggest value creation, it is basically a structural aide to analyze the externalities created by the MNE and the transfer of such externalities. Embracing this approach presents the researcher with the opportunity to explore common indicators of developmental impact within an extended framework of organizational interaction. The Strategy aspect of the scale involves having a global vision, tapping into global resources, and global market participation. The Marketing aspect comprises of global brand, logo, advertisement and market research. The Organization Structure signifies the organization of value creating processes and consolidation of organizational functions. The Human Capital elements of the framework include information systems, learning, and global HR practices. The Cultural aspect points to diversity, independent decision-making, and corporate identity while the Management aspect incorporates supply chain management, control and coordination, and technological integration.

Using the globalization scale allows the study to focus on the subjective aspects of creating value within the organization, while more orthodox measures such as FDI, R&D expenditure and foreign employment are the basis for the objective aspects of the organization's contribution to economic development.

### **The Proposed Model and Previous Findings**

A model study is offered to demonstrate the integrative framework's advantages. The pilot study is based on ASELSAN Electronics Industries Inc.'s operations in Turkish Republics, namely ASELSAN Baku and Kazakhstan ASELSAN Engineering (KAE) LLP. ASELSAN is the largest defense electronics company in Turkey specializing in communication and information technologies, electronic warfare, weapon systems, air defense and missile systems, command and control systems, transportation, security, traffic, automation and medical systems. ASELSAN Baku is a wholly-owned subsidiary while KAE LLP is a joint venture of Kazakhstan Engineering JSC and ASELSAN Inc.

respectively controlling 50% and 49% of the company's outstanding shares. A case log for each host company will form the basis for comparisons between companies and with the home MNE. Analyzing the expanded range of information with the assistance of the presented framework will shed light to the complex processes of value creation and development in regional economies. Comparative case analysis is the suggested methodology for the pilot study. The research model has the advantage of exploring a diverse range of connections and is fairly accessible for further refinement.

A preliminary study of ASELSAN including executive interviews and casework using secondary resources has shown that:

- (i) In terms of Global Strategy, ASELSAN has a global vision but relies on local resources for development, partially as a result of the limited scale of its activities in foreign markets.
- (ii) Regarding Global Marketing, ASELSAN has a unified brand and logo yet doesn't have global advertisement effort. Marketing research is prioritized and extensive regarding target sectors and markets.
- (iii) With respect to Organizational Structure, ASELSAN coordinates its international activities by separate departments but has a centralized management structure involving overall managerial decisions.
- (iv) Involving Global Human Capital, ASELSAN uses codified learning interfaces and uniform HR practices. The company puts a premium on its efforts in developing the human capital within the organization and in the national context, creating intellectual capital for the economy.
- (v) Pertaining to Global Culture, ASELSAN credits its corporate culture for embracing diverse cultures culminating in a common corporate culture encouraging initiative and independent decision making within authorized limits.
- (vi) Towards a Global Management, ASELSAN and its affiliates have certain limitations regarding common criteria and managerial interfaces and relies mostly on costs and revenues governing its international operations showing less interest in a consolidated managerial approach.

### **Conclusion**

The relatively under-researched area of developing country MNEs' contribution to regional development is enthralling as a consistent flow of FDI is directed towards developing country MNEs despite the current economic downturn on global investments. Whether this stream of investment is and will be translated into economic development diminishing the great divide between the richest and the poorest economies remains to be seen, although through a different lens than traditional indicators of economic performance. Current body of research on the globalization of multinationals has rendered a more layered approach, which can be instrumental in bridging the objective and subjective aspects as well as qualitative and quantitative measures of economic development. In the hopes of providing a powerful tool, this study endeavors to throw light into the complex mechanisms and interactions of economic development with the aid of an integrative perspective.

### **References**

- Cantwell, J. (1989), *Technological Innovation and Multinational Corporations*, Oxford: Basil Blackwell.
- Dunning, J.H. & S.M. Lundan (2008), *Multinational Enterprises and the Global Economy*, Reading: Addison-Wesley Publishing Company.

- Gereffi, G. (2018), *Global Value Chains and Development: Redefining the Contours of 21<sup>st</sup> Century Capitalism (Development Trajectories in Global Value Chains)*, Cambridge: Cambridge University Press.
- Marshall, A. (1920), *Principles of Economics*, London: Macmillan.
- Benito, G. & B. Groggaard & R. Narula (2003), "Environmental Influences on MNC Subsidiary Roles: Economic Integration and the Nordic Countries", *Journal of International Business Studies*, 34, 443-456.
- Bournakis, I. & M. Papanastasiou & C. Pitelis (2018), "The Impact of Multinational and Domestic Enterprises on Regional Productivity: Evidence from the UK", *Regional Studies*, 1-12.
- Buckley, P.J. & J. Clegg & C. Wang (2007), "Is the relationship between inward FDI and spillover effects linear? An empirical examination of the case of China", *Journal of International Business Studies*, 38(3), 447-459.
- Cavusgil, S.T. & S. Yeniyurt & J.D. Townsend (2004), "The Framework of a Global Company: A Conceptualization and Preliminary Validation", *Industrial Marketing Management*, 55(8), 711-716.
- Chung, W. & W. Mitchell & B. Yeung (2003), "Foreign Direct Investment and Host Country Productivity: the American Automotive Component Industry in the 1980s", *Journal of International Business Studies*, 34(2), 199-218.
- Coe, N. & P. Dicken & M. Hess (2008), "Global Production Networks: Realizing the Potential", *Journal of Economic Geography*, 8, 271-295.
- Gelübcke, J.P.W. (2013), "The Performance of Foreign Affiliates in German Manufacturing: Evidence from a New Database", *Review of World Economics*, 149(1), 151-182.
- Griliches, Z. (1979), "Issues in Assessing the Contribution of Research and Development to Productivity Growth", *The Bell Journal of Economics*, 10(1), 92-116.
- Griliches, Z. (1992), "The Search for R&D Spillovers", *Scandinavian Journal of Economics*, 94, 29-47.
- Kogut, B. & U. Zander (2003), "Knowledge of the Firm and the Evolutionary Theory of the Multinational Corporation", *Journal of International Business Studies*, 34, 516-529.
- Narula, R. & J.X. Zhan (2019), "Using Special Economic Zones to Facilitate Development: Policy Implications", *Transnational Corporations*, 26(2), 1-26.
- Patel, P. & K. Pavitt (1991), "Large Firms in the Production of the World Technology: An Important Case of Non-Globalisation", *Journal of International Business Studies*, 22(1), 1-21.
- Romer, P.M. (1994), "The Origins of Endogenous Growth", *The Journal of Economic Perspectives*, 8(1), 3-22.
- Solow, R. (1956), "A Contribution to the Theory of Economic Growth", *The Quarterly Journal of Economics*, 70, 65-94.
- Adelman, I. (2000), "Fallacies in Development Theory and their Implications for Policy", in: G.M. Meier & J.E. Stiglitz (eds.), *Frontiers of Development Economics: The Future in Perspective*, Washington D.C.: World Bank/Oxford University Press.
- Dulupçu, M. & M. Karaöz & O. Sungur & H. Ünlü (2015), "Cluster(ing) Policies in Turkey: The Impact of Internationalization or the Imitation of Internationals", in: R. Baptista & J. Leitão (eds.), *Entrepreneurship, Human Capital, and Regional Development Labor Networks, Knowledge Flows, and Industry Growth*, Switzerland: Springer International Publishing.
- Eissa, A. & G. Maribel & P. İñaki (2015), "The Role of Employee's Human Capital and the Work Environment on the Creation of Organizational Spin-Offs: Evidence from Spain", in: R. Baptista & J. Leitão (eds.), *Entrepreneurship, Human Capital, and Regional Development, Labor Networks, Knowledge Flows, and Industry Growth*, Switzerland: Springer International Publishing.
- Grabowski, R. & S. Self & M.P. Shields (eds.) (2014), *Economic Development: A Regional, Institutional, and Historical Approach*, Abingdon: Routledge.
- Gereffi, G. (1994), "The Organisation of Buyer-Driven Global Commodity Chains: How U.S. Retailers Shape Overseas Production Networks", in: G. Gereffi & M. Korzeniewicz (eds.), *Commodity Clains and Global Capitalism*, Westport: Praeger.

- Herod, A. (2011), "Labor and Local and Regional Development", in: A. Pike & A. Rodriguez-Pose & J. Tomaney (eds.), *Local and Regional Development*, Abingdon: Routledge.
- Hollingsworth, C.K. (1999), "Multinational Enterprise Investment and Industrial Policy", in: K. Cowling (ed.), *Industrial Policy in Europe: Theoretical Perspectives and Practical Proposals*, Abingdon: Routledge.
- Ramamurti, R. & J. Singh (eds.) (2009), *Emerging Multinationals in Emerging Markets*, Cambridge: Cambridge University Press.
- Williams D.A. & D.J. Smith (1998), "The Entry Mode Decisions of Multinational Enterprises and Regional Economic Development", in: S. Hill & B. Morgan (eds.), *Inward Investment, Business Finance and Regional Development*, London: Palgrave Macmillan.
- Kuznets, S. (1971), "Modern Economic Growth: Findings and Reflections", *Prize Lecture to the Memory of Alfred Nobel*, <<https://www.nobelprize.org/prizes/economic-sciences/1971/kuznets/lecture/>>, 28.08.2019.
- UNCTAD (2018), "Harnessing Frontier Technologies for Sustainable Development", *Technology and Innovation Report*, <[https://unctad.org/en/PublicationsLibrary/tir2018\\_en.pdf](https://unctad.org/en/PublicationsLibrary/tir2018_en.pdf)>, 28.08.2019.
- UNCTAD (2019a), "From Development to Differentiation: Just How Much has the World Changed?", *UNCTAD Research Paper No. 33.*, <[https://unctad.org/en/PublicationsLibrary/ser-rp-2019d5\\_en.pdf](https://unctad.org/en/PublicationsLibrary/ser-rp-2019d5_en.pdf)>, 28.08.2019.
- UNCTAD (2019b), "Special Economic Zones", *World Investment Report*, <[https://unctad.org/en/PublicationsLibrary/wir2019\\_overview\\_en.pdf](https://unctad.org/en/PublicationsLibrary/wir2019_overview_en.pdf)>, 28.08.2019.





**24 October 2019 Thursday**

**Session: VIII-B / 16.00-17.30**

## **PUBLIC ECONOMICS & PUBLIC FINANCE**

Room: *TIN TIN*

Chair: **Aleksandra PERKOWSKA**

- Tax Audit in Azerbaijan  
**Konul AZİZOVA & Hakan AY**
- Agressive Tax Planning: Structure, Practise Samples and Discussion  
**Ahmet Burçin YERELİ & Gökhan ÇOBANOĞULLARI**
- Global Transformation in Taxation: Wealth Taxes in the World and Turkey  
**Ahmet Burçin YERELİ & Ali Gökhan GÖLÇEK & Altuğ Murat KÖKTAŞ**
- Tax Liabilities on The Workforce: A Comparison Between Turkey and OECD Countries  
**Ali Gökhan GÖLÇEK & Işıl Şirin SELÇUK & Altuğ Murat KÖKTAŞ**



## The Tax Audit in Azerbaijan

**Konul AZIZOVA** (<https://orcid.org/0000-0001-8925-8283>), *Bank of Baku*  
“Open Joint Stock Company”, Azerbaijan; e-mail: [azizovakonul3@gmail.com](mailto:azizovakonul3@gmail.com)

**Hakan AY** (<http://orcid.org/0000-0001-7140-2750>), *Dokuz Eylül University*,  
Turkey; e-mail: [hakan.ay@deu.edu.tr](mailto:hakan.ay@deu.edu.tr)

### Abstract

Taxes are the main sources of the formation of the State Budgets and their collection largely depends on the discipline of taxpayers. Tax offices realize tax auditings to ensure the complete and in time collection of taxations. Creation of the independent audit services based on new, progressive economic principles which one was new in Azerbaijan, has developed out of necessity of the age. Depending on the “internal regulation of the chamber of accounts” confirmed by the law no 269 dated on 5 March in 2002, the Republic of Azerbaijan prepares methodical instructions, audit standards, reporting and information forms and the other normative-methodical documents conformant with INTOSAI. Tax offices, which are structural subdivisions of the Ministry of Taxes of the Republic of Azerbaijan realize mobile and formal auditings to the taxpayers determined by the ministry depending on the Tax Law of the Republic of Azerbaijan. Auditors carry out tax audits, make recommendations to increase the effectiveness of mobile and cameral tax audits; the full and timely transfer of taxes by mobile and cameral tax controls to the budget constitutes the operations of the audit department.

**Keywords** : Tax Auditing, Normative-Methodical Documents, Mobile and Formal Auditing.

**JEL Classification Codes** : H25, H26, H29.

### Introduction

Due to the market economy in Azerbaijan, the development of entrepreneurship, the emergence of various types of property, the integration of the country into the world community, the important changes in management required the methodology of the audit and the rebuilding of the system for its implementation. In this case, an alternative institution to state control was developed as an integral part of the infrastructure of the market economy. Tax audit is one of the functions of public administration, which is a single control system for taxpayers' financial and economic activities, taxpayers, compliance with tax legislation and the creation of state budget revenues. In accordance with the legislation, the tax control is carried out by the Ministry of Tax of the Republic of Azerbaijan, the State Customs Committee and the local municipal tax authorities on the calculation of the full and timely payment of the state tax. Tax and customs, as well as other legal regulations within the competence of the inspection system, tax and customs authorities and officers' laws and regulations. Tax audit is a control system on the collection of taxes by the single and state tax authorities in full and in time, in accordance with the tax legislation. Its main objective is to provide tax revenues to the budget and to ensure the economic security of the state in general. The effectiveness of taxation controls depends directly on institutional-methodological factors. The basic principles of tax audit are expected to fulfill the duties facing tax audit. The most important of these principles is legality. The other important

principal is a comprehensive and complete tax audit. Regardless of the amount of tax included in the budget, all tax types and exceptionally all taxpayers should be checked. On the other hand, the audit is a clear example of the reforms carried out in Azerbaijan. Establishing market relations in the national economy and the emergence of institutions that characterize the market economy require independent auditing.

The audit and inspection work in the former USSR, including Azerbaijan, was part of the management system for decades and had no real Soviet and Azerbaijani controls. Of course, due to objective necessity, separate elements of the field of activity, records and analysis have always been found in the USSR and Azerbaijan. The idea of an auditor in Russia and Azerbaijan, including the end of the sixteenth century and the beginning of the twentieth century, was formed. In the same period, the auditors were called lawyers. The auditors were able to work in both the clerk and the court clerk and in the prosecutor's offices. Then, the following three institutions were tried to conduct independent financial control in Russia:

- Prior Accountant Institute (1871);
- Institute of accountants (1909);
- Institute of state accountants (1928).

On 31 July 1991, the Council of Ministers of the Republic of Azerbaijan accepted the decision to establish an Auditor Center to the Ministry of Finance of the Republic of Azerbaijan. The resolution stated that there is a need for many joint-stock companies, leasing collectives and cooperatives in the republic in connection for the implementation of economic reform. In addition, it is not possible to use surveillance services when state enterprises are under the administration of ministries and units. In order to improve the control - inspection business, to ensure the protection of all ownership forms and to prevent misuse, the Council of Ministers of the Republic of Azerbaijan has accepted the ministry's proposal for the establishment of the Auditing Center by the Ministry of Finance and confirmed Regulation on the Auditor Center. In accordance with the regulations, The Auditor Center of the Ministry of Finance of the Republic of Azerbaijan had to provide inspections and inspections on the basis of orders of ministries and head offices, enterprises, administrations and institutions, cooperative orders and also by the request of law enforcement agencies, to give methodical and practical help for the development of the operating mechanism. For the purpose of improving the scope in the territory of the Republic of Azerbaijan different types of property, a License Commission was established at a Ministry of Finance within the framework of the 157 Decision of the Council of Ministers of the Republic of Azerbaijan dated 27 March 1992 in order to expand the scope of the audit institutions and auditors. In 1994, the Law on the Service of the Auditor of the Republic of Azerbaijan was accepted. The National Assembly of the Republic of Azerbaijan 1995 - 20 July - in order to enact the law of the Republic of Azerbaijan on the "Service of the Auditor" in 20 July, it was decided to provide the establishment of the Control Chamber of the Republic of Azerbaijan in order to ensure the execution of the decision of the Republic of Azerbaijan dated 16 September 1994. Later, the National Assembly approved the Regulation of the "Chamber of Auditors of the Republic of Azerbaijan" by a resolution of 19 September 1995.

Tax control uses a variety of enterprise formats to make it more efficient. Tax audit system (mobile, cameral) is considered to be important elements of the center. Tax audits provide direct control over the precise and accurate calculation of taxes. The tax reporting and the credibility of the tax controls two phases of compliance with the legislation: when the accounting (financial) reports and tax returns

are included in the tax authorities (cameral audit) and by checking the initial accounting records directly in the enterprises (mobile tax review).

The mobile tax audit may be the next and unusual as specified in Article 38. 1 of the Tax Code. The next mobile tax audit is not conducted more than once a year. The next mobile tax audit is determined by the selection method based on risk models for tax audits. The unusual tax inspection shall be determined in accordance with the requirements of Article 38. 3 of the Tax Code. If the taxpayer does not accept the results of the mobile tax audit, re-audit may be appointed in accordance with the rule prescribed by the Tax Code. The following taxpayers participate in the mobile tax inspections by the Ministry of Taxation, the Tax Inspection Chamber:

- Foreign investment (joint ventures)
- Bank and other financial credit institutions
- In the Lombardy
- Insurance companies
- Mutual funds

The tax inspection shall be carried out by the Ministry of Tax at the embassies, permanent representatives and consulates of the Republic of Azerbaijan. The above-mentioned persons do not apply to the Ministry of Taxes of the Nakhchivan Autonomous Republic. The regulation prepared for the results of the mobile tax inspections carried out by the local tax institutions may be regulated by the Ministry of Taxes when the information is found to be inaccurate and incorrect, or if the taxpayer does not accept the results of the audit. If the tax returns do not expire in the tax administration, this period shall not be subject to tax inspection. The tax inspection period is regulated by the Civil Code and the Tax Law of the Republic of Azerbaijan. If the last day of the deadline falls on an unemployed day, it will be counted on the day when the next business day ends. The tax audit cannot last more than 30 days. In exceptional cases, for example, if a mobile tax inspection cannot be completed, the validity period can be up to 90 days. The inspection must be made on the taxpayer's working day and during working hours.

The cameral tax inspection is a form of tax audits carried out by tax authorities. The tax reports submitted by the taxpayers in the tax offices without the inspection of the public tax inspection shall be carried out by the tax calculations and payments of the taxpayer activities in the tax office. Cameral tax audit shall be carried out within 30 days from the date of submission of the documents which are based on tax calculation and payment to the tax office of the taxpayer. If a contradiction or error is detected between the taxpayer and the information contained in the declaration made, the tax administration may request additional information, documents from the taxpayer. When the calculations are misrepresented in the tax return (less or more taxes) during the tax return, the tax administration shall be notified to the taxpayer in the form established by the relevant administrative authority within 5 days. The notification shall specify the reasons for the calculation and the taxpayer's right to complain under Article 62 of the Tax Code. Taxpayers who are obliged to provide tax return in accordance with the tax provision and other legal regulations shall submit their tax returns in consultation with the Ministry of Finance of Azerbaijan to the tax office as approved by the Ministry of Taxes within the period specified in the Tax Law. Tax reports may be submitted by taxpayers in person or otherwise (including transfer to a communication organization).

Audit service in the Republic of Azerbaijan is provided by independent auditors and audit institutions in accordance with the legislation. Independent auditors are persons who have obtained the

right to provide inspection services in the territory of the Republic of Azerbaijan under the license granted by the Inspection Department of the Republic of Azerbaijan. In the Republic of Azerbaijan, obtaining the right to free auditors is required:

- to be a citizen of the Republic of Azerbaijan,
- have at least 3 years of work experience in the areas of accounting, finance, economics and law specialization and higher education specialization,
- to give free auditor exam,
- persons who are imprisoned for a crime and who are not detained cannot be auditors.

The license is rejected in the following cases:

- the proposed documents are not presented;
- when the documents submitted by the applicant are missing or misrepresented;
- not comply with the requirements of the legislation for the audit activities;
- the applicant's previous audit license was applied for the period during which the activity was suspended at the discretion of the licensing institution;
- in other cases, provided for in the legislation.

Functions completed by the Chamber of audit:

- Regulation of auditing services in the Republic of Azerbaijan,
- Giving license to independent auditors and organizations including the limits of the Republic of Azerbaijan,
- Auditing the independent auditors and audit organizations.

The Chamber of Auditors of the Republic of Azerbaijan, the auditing profession in fulfilling the primary responsibilities of the public sector and developing audit. In the field of the fulfillment of the key responsibilities of the country, it has gone a step further in the protection of the interests of the state's interests, economic actors and auditors in solving the main issues of the audit activities with a single method. The Code of Ethics was developed and submitted to the Auditors. According to the current rules, all legal and natural persons licensed to perform inspections in the country are considered members of the Audit Room. At the end of 2004, the auditors received 59 legal and 234 audit licenses from the Audit Room. There are 61 independent auditors and 55 auditor organizations in Azerbaijan. 35 basic and 3 auxiliary national audit models were prepared in accordance with the provisions of the legislation of the Republic of Azerbaijan.

## References

- Abbasov, I.M. (1996), "Peculiarities of Economic Analysis in Foreign Countries", *Sabah*, Baku.
- Abbasov, I.M. (1999), "Theoretical and Practical Problems of Audit", *Elm*, Baku.
- Abbasov, I.M. (1999), *Theoretical and Practical Control Problems*, Baku.
- Alesgerov, A.K. (2004), "The Economy of Azerbaijan", *Science*, Baku.
- Azerbaijan "Bilik" Enlightenment Society (1996), *An Accounting Plan For An Accounting Business And Instructions For Its Application*, Baku.
- Baghirova, D.A. (1999), "Tax Audit", *Education*.

- Baghirova, D.A. (2006), "Tax Control", *Textbook B*.
- Chamber of Accounts of the Republic of Azerbaijan (2003), *Audit Standards*, Mars-Print Publishing House, Baku.
- Hajiyev, R. & S.M. Sebzaliyev (2003), *Basics of Audit*, Azerbaijan State Economics University Publishing House, Baku, 2003.
- Mammadov, F.A. & A.F. Musayev & M.M. Sadigov & Y.A. Kalbiyev & Z.H. Rzayev (2006), *Taxes and Taxation*, Baku.
- Novruzov, V.Q. (2001), *Audit*, Baku.
- Rzayev, G.R. (2006), "Tax Accounting and Auditing", *Textbook*, Baku.
- Rzayev, Q.R. (2000), *International Accounting and Auditing*, Baku.
- Rzayev, Q.R. (2002), *Accounting Principles and Methodological Principles of Internal Audit*, Baku.
- Sabzaliev, S.M. (2003), "Financial Reports: Formation and Improvement Problems", *Science*, Baku.
- Sadikov, A.A. & T.A. Sadıqov (2003), "Tax Accounting", *Textbook*.





## Global Transformation in Taxation: Wealth Taxes in the World and Turkey

**Ahmet Burçin YERELİ** (<http://orcid.org/0000-0002-8746-6756>), Hacettepe University, Turkey; e-mail: [aby@hacettepe.edu.tr](mailto:aby@hacettepe.edu.tr)

**Ali Gökhan GÖLÇEK** (<http://orcid.org/0000-0002-7948-7688>), Niğde Ömer Halisdemir University, Turkey; e-mail: [aligokhangolcek@ohu.edu.tr](mailto:aligokhangolcek@ohu.edu.tr)

**Altuğ Murat KÖKTAS** (<http://orcid.org/0000-0002-0911-2143>), Necmettin Erbakan University, Turkey; e-mail: [altugmkoktas@gmail.com](mailto:altugmkoktas@gmail.com)

### Abstract

Taxes are the most critical income item at the point of public finance. Indirect and direct tax discrimination is a classification of taxpayers who are exposed to taxation. Furthermore, in terms of determining the payment power of the taxes; income, consumption, and wealth. The theme of the study is the taxation of wealth and wealth, which is a static concept. In essence, all taxes are collected by the taxpayer's income. Because the individual accumulates wealth by saving their income and, on the other hand, individuals spend with their incomes. In this respect, wealth tax differs from other tax types in structure. Besides, the purpose of putting wealth taxes is social, not financial. For this reason, wealth taxation is also being discussed and discussed at a point of social justice. As it is known, wealth taxes are taken in our country as Motor Vehicles Tax, Property Tax, and Inheritance and Gift Tax. First of all, the concept of wealth and wealth tax will be explained, and the situation in Turkey will be explained. In the second part, examples of wealth taxes in the world will be examined, and positive and negative opinions and applicability will be tried to be analyzed about the "global wealth tax". As a result, today, taxation focuses on wealth.

**Keywords** : Wealth, Wealth Taxes, Turkey, France, Inheritance, and Gift Tax.

**JEL Classification Codes** : D31, H20, H71, K34.

### Introduction

The state has the authority to tax under legal algebra for the financing of public needs. The basis of this authority lies in the power of sovereignty (Nadaroğlu, 2000: 230). In other words, on the basis of the sovereign power, the state collects tax by force and unrequitedly (Erginay, 1990: 30; Öncel et al., 2012: 33; Uluatam, 2009: 257). As it is known, taxes are considered as the most important of modern state revenues. In general it is possible to define the tax as follows: Is a compulsory financial obligation -taken as mandatory and had not a direct promise of provision-, which is taken directly by the state or by some other public legal entity based on delegated authority, from individuals or legal entities, or even from some institutions that do not even have a legal entity.

In the study, firstly wealth taxes are described in general, and its applications in Turkey is examined. Inheritance and Gift Tax, which is widely debated in our country and is continuously on the agenda with abolition, will form the core of this section. In the second part, the practical examples of

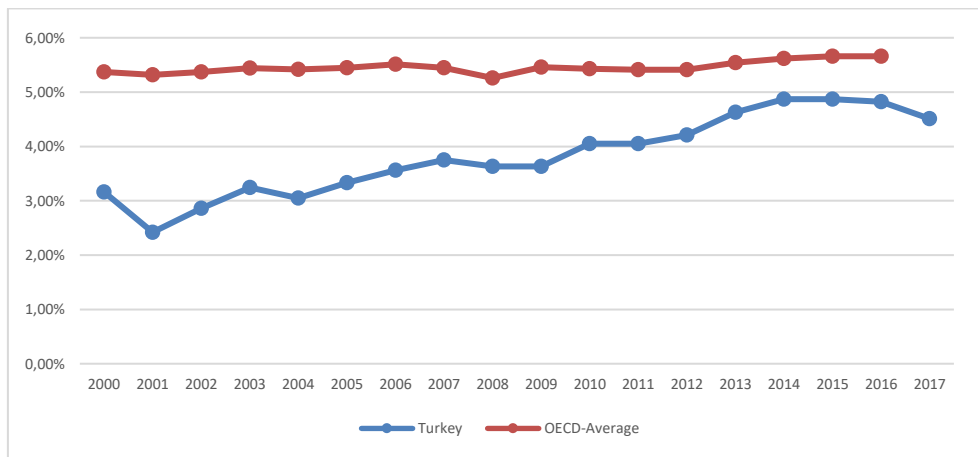
the wealth taxes, which are seen as a result of the transformation between taxes in recent years and whose weight is felt, is discussed with the help of statistical data and projections. Then, the global wealth tax, which came up with Thomas Piketty's *Capital* (2013), is discussed specifically in France and supportive and critical views about global wealth tax are tried to be put forward. Finally, due to the justice criteria in taxation, the situation analysis is made by considering the positive and negative aspects of wealth taxes.

### Wealth Taxes: Conceptual Framework and Situation in Turkey

Wealth is a broader concept than capital because the conditions such as participation in production and income generation in the capital are not sought in the element of wealth. For example, although a precious painting or fur is an element of wealth, it is not capital because it is not an economic element. In essence, wealth consists of accumulated income (Nadaroğlu, 2000: 337).

The notion of wealth began to gain importance with the existence of private property. When Robert Jacques Turgot (1727-1781) was elected as finance minister in France, his first attempt was to reform the tax system by taxing wealthy landowners (Kishtainy, 2012). After this reform initiative in 1776, the aristocrats reacted to Turgot's idea, and he was removed from power (Kishtainy, 2012). As it is seen, wealth is a sensitive phenomenon on individuals due to its structure.

**Graphic: 1 - Share of Wealth Taxes in Total Tax Revenues (%)**



Resource: OECD Data 2018, <<https://data.oecd.org/tax/tax-on-property.htm>>, 27.08.2019.

In Graphic 1, which takes place in Turkey and the OECD average, it is seen that the ratio of wealth tax in total tax revenues. In Turkey, the share of tax on wealth in total tax revenues as of 2000-2017 years was below the OECD average. The share of wealth taxes has continuously increased since 2004. In Turkey, while taxes on the wealth created 4.63% of total tax revenue in 2013, the OECD average was realized as 5.54%. While in Turkey this rate was 4.87% next year, while the OECD average remained at 5.62% level. The share of taxes on wealth in total tax revenue in the OECD did not change much over the years examined and was generally around 5.5%.

Wealth, although a static concept, refers to the stock status of assets (Öncel et al, 2012: 355). Wealth taxes are imposed to ensure tax justice. Also, taxes on wealth are nowadays used as a control mechanism (Tuncer, 1963: 157-158).

There are two types of taxes in wealth tax that have been of great importance in the past and applied in almost every country. These are Real Estate Tax and Inheritance and Gift Tax (Nadaroğlu, 2000: 354). “*Servet vergisi*” is used in Turkish, is “property tax” in English, and is “*Imôt sur la fortune*” in French. Although the exact words are not wealth, they mean real estate (Tuncer, 1963: 158-159). Therefore, the Motor Vehicles Tax is not included in the scope of the study, and it is evaluated in a briefly only within tax revenue. The subject of the study is Real Estate Tax and Inheritance and Gift Tax.

### **Real Estate Tax**

The real estate tax has been discussed synchronously with the transition to established life in history and the emergence of private property. In the process of people moving from nomadic life to settled life, the taxation of land has also come to the agenda, as their primary business is farming and therefore land. The existence of real estate tax, which is known as one of the oldest taxes in history going back to Rome (Nadaroglu, 2000: 354), continued from the past to the present. The tax, which was previously taken based on ability to pay theory, is charged now because of its income generation and customary tax.

Real Estate Tax Law No. 1319 in Turkey consists of two main parts. The first part is organized under Building Tax, and the other is under Land Tax. Buildings located within the borders of Turkey, creating the subject of building tax (Real Estate Tax Law, Article 1), while land and parcels according to the Property Tax Law is subject to land tax. The land parceled by the municipality within the municipal boundaries is considered as land. However, it is determined by the President’s decision whether the unpolluted land within or outside the municipal boundaries shall be counted as land according to this Law (Real Estate Tax Law, Article 12).

At the point of real estate taxpayers; the owner of the building, if there is the owner of usufruct right, if there is no both, those who can use the building as the owner is building taxpayer. Land taxpayers are the owner of the land, if there is the owner of usufruct right if there is no both, those who can use the land as the owner.

The building tax rate in Turkey is 1 per thousand for residences and is 2 per thousand for other buildings. This ratio is determined as 2 per thousand for residences and 4 per thousand for other buildings, within the boundaries of the metropolitan municipality. The rate of land tax is 1 per thousand. This ratio is determined as 3 per thousand for the plots. As with building taxes, this rate is 2 per thousand for land and 6 per thousand for a plot within the metropolitan municipality boundaries.

Low levels of real estate tax rates are also a problem in terms of revenue generated. Tax revenues from property tax are evaluated within the scope of Local Governments Consolidated Budget Revenues.

**Table 1 - Real Estate Tax Revenues (2014-2018)**

	2014	2015	2016	2017	2018
Building Tax	3.563.560	4.232.363	4.893.059	5.050.759	6.475.820
Land Tax	1.367.201	1.584.322	1.759.226	1.682.413	2.134.820
Plot Tax	62.269	65.145	76.967	75.718	92.747

Source: *Local Governments Consolidated Budget Revenues*, <<https://www.muhasabat.hmb.gov.tr/>>, 27.08.2019.

It is observed that the real estate taxes collected by the municipalities have increased continuously in the last three years. It can be said that the tax rates have not changed but that the taxable residence and land have increased over the years. In 2014, the total amount collected within the scope of the real estate tax was TL 4.993.030, and this figure increased by 74.3% in 2018 and reached TL 8.703.387.

### Inheritance and Gift Tax

Inheritance and gift tax, which constitute the focus of the study, are essentially two separate taxes. Inheritance tax is known as the tax that is taken from the deceased's assets by dividing into heirs or as a whole. The gift tax is applied to the transfers of assets acquired during the life of a person (Joulfaian, 1998: 4). From a historical perspective, inheritance and gift tax, a system dating back to the 7<sup>th</sup> century BC, fundamentally taxes the elements of wealth obtained unrequited.

If a person possesses some elements of wealth through inheritance, there is inheritance tax, but if a person acquires wealth through donation or some other means, there is a gift tax. Turkey in inheritance and gift taxes, a progressive tariff is applied.

All kinds of unconditional acquisitions are included in the scope of inheritance and gift tax. Accordingly, with the acquisition through inheritance, for example; other forms of acquisition such as donations, bonuses, lotteries are subject to tax.

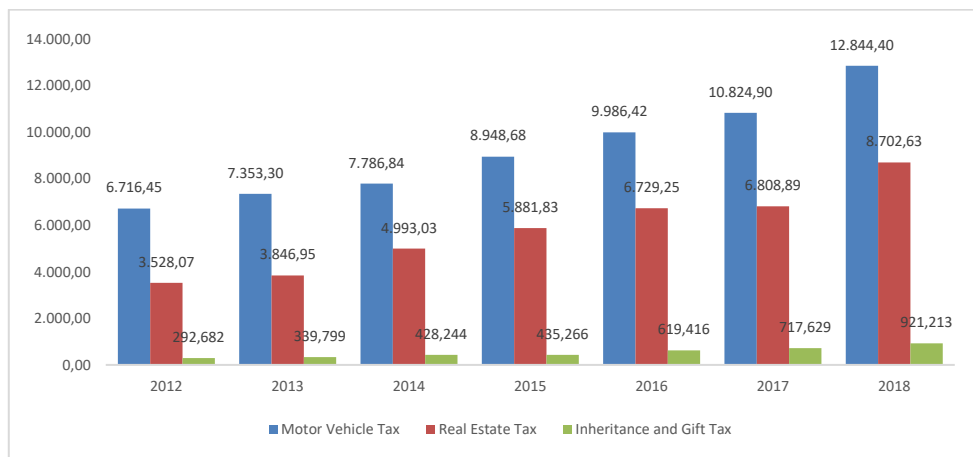
As can be seen, the inheritance tax was introduced in order to prevent all kinds of unrequited transfers of wealth from being subject to tax (Yereli & Uçar, 2014: 63-64). With this tax, it is aimed to prevent tax evasion and to tax all kinds of unrequited transfers outside the inheritance (Karakoç, 1990: 6). However, the position of inheritance and gift tax within the budget is at extremely low levels, contrary to its attributed importance.

**Table 2: Inheritance and Gift Tax Revenues (2014-2017)**

Years	2014	2015	2016	2017	2018
Revenues (Thousand TL)	428.244	435.266	619.416	717.629	921.213

Source: *Collection of General Budget Revenues*, <<https://www.muhasabat.hmb.gov.tr/>>, 27.08.2019.

The share of inheritance and gift tax is meager among other wealth taxes in the Turkish tax system. Table 2 shows the collection figures of inheritance and gift tax for the last four years. Accordingly, although there has been a continuous increase in the mentioned years, the total tax revenue is quite low. However, especially after 2016, tax revenues related to inheritance and inheritance tax increased considerably. In this context, Graphic 2, which includes the collection of amounts of wealth taxes, better summarize the situation.

**Graphic: 2 - Wealth Taxes Revenues by Years (2012-2018)**

Inheritance tax on inheritance is actually a property tax. It is for this reason that the implementation of the tax is widely discussed throughout the world. Inheritance and gift tax in Turkey has been applied since 1926, and in this process, only sweeping changes were made with the new Law enacted in 1959. In today's conditions, it seems inevitable to go to a new regulation in order to eliminate the problems arising in the implementation of the Law and to make it useful. In this way, it can be expected that improvements will be reflected in the collection revenue over time. (Kılıçaslan, 2011: 344).

### Wealth Taxes in the World

Wealth inequality is one of the most apparent problems in Europe and global politics. At this point, the fair distribution of income and wealth has been among the controversial areas since the first time the economy emerged. At this point, the size or measure of taxes on wealth is essential.

The wealth element in the world is gradually shifting and accumulating in financial markets. Financial assets must be recorded and coordinated the work of a global tax on capital. At present, most governments do not tax the stockpiles of taxpayers. Taxes are only the returns of these riches (Zucman, 2015).

People around the world try a number of ways in order to ensure that their wealth is not taxed. One of them is to bring their current wealth to countries where tax is not levied on wealth. Known as tax havens in the literature, these places have been widely spoken and attracted attention in recent years. In a study conducted in 2013, it was found that 8% of the world's total wealth is in tax havens (Zucman, 2015).

**Table: 3 - The Number of Millionaires by Country (2017-2018)**

<b>Main gains</b>				<b>Main losses</b>			
<b>Adults (thousand) with wealth above USD 1 m</b>				<b>Adults (thousand) with wealth above USD 1 m</b>			
<b>Country</b>	<b>2017</b>	<b>2018</b>	<b>Change</b>	<b>Country</b>	<b>2017</b>	<b>2018</b>	<b>Change</b>
United State	16,472	17,350	878	Brazil	190	154	-36
France	1,888	2,147	259	Australia	1,320	1,288	-32
Germany	1,929	2,183	254	Sweden	368	348	-20
United Kingdom	2,189	2,433	244	Turkey	96	79	-17
Italy	1,161	1,362	201	Argentina	29	21	-8
China	3,294	3,480	186	Mexico	115	109	-6
<b>World</b>	<b>39,845</b>	<b>42,155</b>	<b>2,310</b>	<b>World</b>	<b>39,845</b>	<b>42,155</b>	<b>2,310</b>

*Source: Credit Suisse Global Wealth Databook, 2018.*

It is shown that movements of millionaires in countries as a result of cyclical situations. According to the 2016 Global Wealth Report data, Japan and America became the most preferred country of millionaires from 2015 to 2016. The reason for this can be considered as the stability of the financial markets in these countries. In 2016, however, the country most abandoned by millionaires was the United Kingdom, known as “the never sunset country”. Under the influence of the Brexit incident, the owners of wealth did not want to stay in the country, which turned into a fragile structure and preferred safer countries. Under the influence of the Brexit incident, the owners of wealth did not want to stay in the country, which turned into a fragile structure and preferred safer countries. In addition, Brazil, Australia, Sweden, Turkey, Argentina, and Mexico were the countries that left millionaires the most in 2018.

According to the wealth calculations published by institutions such as Insee in France and FED in the USA, in the light of the above estimate (8%) about 5 trillion 800 billion euros of the world total household financial wealth, which was 73 trillion euros as of the end of 2013, in the tax havens. In recognition of the size of the amount, Greece’s foreign debt, which is one of the most indebted countries in the European Debt Crisis, was only 230 billion euros that year (Zucman, 2015). For this reason, wealth taxes, in some countries, is tried to be under controlled by coming back on the agenda.

In the study, France is of particular importance, as the most tax evasion and loss occur in France. It is known that the tax loss in question has reached the level of 17 billion euros as of 2013 (Zucman, 2015). For this reason, the focus of the tax reforms, which were widely spoken in the world public opinion and were carried out at the request of François Hollande, who won the Presidency in 2012, was the taxes on wealth. A 75% wealth tax, which was first considered applicable to all individuals in the reform, which closely concerns the wealthy owners of the country, especially the highest income groups, was amended and enacted as a result of the French Constitutional Court’s finding it unconstitutional (BBC, 2013). With the amendment, the wealth tax for two years covered the salaries paid in 2013 and 2014 and was applied to those who received salaries of more than 1 million euros.

Hollande’s insistence on wealth tax, in light of the wealth escaping from the country and together with France’s public debt is more accurate to evaluate. Because if there had been no tax loss of those as mentioned above 17 billion euros, France’s public debt in 2013-2014 would have been only 70%, not 94% of GDP (Zucman, 2015). However, this situation did not change the collection of expected revenue in French finances. As a result of intense public pressures and the renowned actors and wealthy leaving the country and passing their wealth to different countries, the expected results could not be achieved. For example, the famous French actor Gerard Depardieu left the country in protest against the tax (BBC, 2013) and settled in Belgium where there was no wealth tax.

The situation in France has begun to converge with the practice in other European countries. Emmanuel Macron, who won the presidency, revised it by lowering the rate of wealth tax and set a

fixed rate on capital gains (Financial Times, 2017). French economist Thomas Piketty describes Macron's move as a historical mistake. Because, as known, Piketty in "21. Century Capital," published in 2013, argues that the inequality in income and wealth is continually increasing and that the way to prevent it is possible with a globally increasing ratio tax on individuals' wealth.

Piketty explains this view as follows: "The ideal solution can be an increasing ratio wealth tax to be applied globally. Beginners pay less, while those who make billions should pay more. While this can help to control inequality, steps can be easier to climb. It can also put the dynamics of wealth at the global level under public scrutiny. Financial transparency and lack of secure wealth statistics are among the major problems of modern democracies" (Piketty, 2013).

However, Piketty also offers alternatives to a global wealth tax. For example, the rich oligarchy can be fought by its methods, such as capital control and criminal sanctions in China and Russia. It is clear that Piketty's global wealth tax also has some difficulties. For example, an increasing ratio wealth tax to be imposed globally requires international coordination. It is unclear which structure will control this tax. Piketty sets the path for each country within its own country, but a control mechanism is required. Alternatively, co-operation with tax haven countries where wealth owners have escaped and sanctions may be imposed on countries refusing to do so.

### **Concluding Remarks**

Due to wealth elements in the hands of certain sides through inheritance, these sides have both higher saving power and higher consumption power compared to other segments. In order to ensure social justice, the state should not neglect to receive tax on gifts through inheritance.

With the taxation of wealth, the tax revenue collected by the state is not lost and is redistributed to community members. The state prunes inefficient wealth by taking taxes on wealth and increases the welfare of society through its national wealth by using its tax revenue in productive works. In countries where capitalism and free competition prevail, capital-based earnings are more likely than non-capital-based earnings. In these countries, the vast wealth of individuals through inheritance creates a situation against those who are deprived of these opportunities. Transfer of wealth should be taxed to eliminate this adverse situation. Nevertheless, wealth taxes play an important role in the fight against the informal economy. Because all the elements of wealth are included in the declaration of wealth, there are no unrecorded elements of wealth.

On the other hand, wealth taxes cause double taxation. That is, individuals pay taxes on these incomes while earning their income. If wealth is expressed as the accumulation of income, the re-taxation of the accumulated income results in double taxation.

### **References**

- BBC (2013), *France's 75% tax rate gains approval by top court*, <<https://www.bbc.com/news/business-25541739>>, 27.08.2019.
- Credit-Suisse (2018), *Global Wealth Report 2018*, <<https://www.credit-suisse.com/media/assets/corporate/docs/about-us/research/publications/global-wealth-report-2018-en.pdf>>, 27.08.2019.
- Davies, J. & R. Lluberas & A. Shorrocks (2016), *Credit Suisse Global Wealth Databook*, <<https://www.credit-suisse.com/corporate/en/articles/news-and-expertise/the-global-wealth-report-2016-201611.html>>, 27.08.2019.



- Erginay, A. (1990), *Türk Vergi Hukuku*, Ankara: Savaş.
- Financial Times (2017), *French parliament adopts wealth-tax cut*, <<https://www.ft.com/content/d80662ee-08a5-390d-bcb8-2b888918e2b9>>, 27.08.2019.
- Joulfaian, D. (1998), *The Federal Estate and Gift Tax: Description, Profile of Taxpayers and Economic Consequences*, Washington: Office of Tax Analysis, <<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.696.7919&rep=rep1&type=pdf>>, 27.08.2019.
- Karakoç, Y. (1990), *Türk Miras Hukuku Açısında Veraset ve İntikal Vergisi*, Ankara: Ankara University Press.
- Kılıçaslan, H. (2011), “Veraset Vergisini Kaldırmak: Kayıt İşı Ekonomi Bağlamında Bir Değerlendirme ve Yeni Bir Düzenleme Önerisi”, *Maliye Dergisi*, 161, 337-346.
- Kishtainy, N. (2012), *The Economics Book*, London: DK.
- Ministry of Treasury and Finance (2019), *Local Governments Consolidated Budget Revenues*, <<https://www.muhasabat.hmb.gov.tr/>>, 27.08.2019.
- Nadaroğlu, H. (2000), *Kamu Maliyesi Teorisi*, İstanbul: Beta.
- OECD (2018), *OECD Data 2018*, <<https://data.oecd.org/tax/tax-on-property.htm>>, 27.08.2019.
- Öncel, M. & A. Kumrulu & N. Çağan (2012), *Vergi Hukuku*, Ankara: Turhan.
- Piketty, T. (2013), *Capital in the Twenty-First Century*, Harvard: Harvard University Press.
- Tuncer, S. (1963), “Servet Vergileri”, *Maliye Enstitüsü Konferansları 1961*, 157-178, <<http://dergipark.gov.tr/download/article-file/7642>>, 27.08.2019.
- Uluatam, Ö. (2009), *Kamu Maliyesi*, Ankara: İmaj.
- Yereli, A.B. & O. Uçar (2014), “Inheritance and Gift Tax Application in Turkish Tax System”, *Tax Journal of Azerbaijan*, Ministry of Taxes of the Republic of Azerbaijan, Special Issue, 59-76.
- Zucman, G. (2015), *The Hidden Wealth of Nations: The Scourge of Tax Havens*, Chicago: University of Chicago Press.



## Tax Liabilities on the Workforce: A Comparison between Turkey and OECD Countries

**Ali Gökhan GÖLÇEK** (<http://orcid.org/0000-0002-7948-7688>), Niğde Ömer Halisdemir University, Turkey; e-mail: [aligokhangolcek@ohu.edu.tr](mailto:aligokhangolcek@ohu.edu.tr)

**İşıl Şirin SELÇUK** (<http://orcid.org/0000-0001-9559-1349>), Bolu Abant İzzet Baysal University, Turkey; e-mail: [isilselcuk@gmail.com](mailto:isilselcuk@gmail.com)

**Altuğ Murat KÖKTAS** (<http://orcid.org/0000-0002-0911-2143>), Necmettin Erbakan University, Turkey; e-mail: [altugmkoktas@gmail.com](mailto:altugmkoktas@gmail.com)

### Abstract

One of the frequently criticized issues in the Turkish tax system is the existence of a tax burden on employment. As it is known, according to the tax laws, the wages -which are one of the components of the income and when it said employment, it confronts us- has a significant place especially in the working process of the working world. The sum of all taxes and similar financial obligations on employment is called tax wedge. Income tax and social security cuts locate within the tax wedge. Besides, the burdens of tax on the employment-generating economic units and the spending and treatment tax that the employees have to bear while wasting their wages have an indirect effect on the employment. Tax responsibilities on the labor force constitute the subject of the study. In this context, a comparison was made between Turkey and the OECD countries at the point of the tax wedge, and the problems caused by tax wedge were determined. In conclusion, in the light of the findings that presented has been trying to put forward solutions.

**Keywords** : Labor, Tax Wedge, Turkey, OECD.

**JEL Classification Codes** : H21, H24.

### Introduction

Wages, which are one of the elements of income according to tax laws, have a significant place, especially in the working process of the world of work. The results of policies developed and implemented on wages can be highly effective in determining and regulating the level of employment. In many countries, legal regulations on this issue occur in the form of reductions in wages or subsidies to wages. Policies developed for employee wages are becoming increasingly important today. The most important reasons for this are the general crises in the economies and the unemployment problem which has an increasing tendency in most countries. In addition to the macroeconomic stability and recovery in public finances, income-increasing measures, which are frequently used in times of crisis, have been replaced by tax cuts and demands for reducing the tax burden on employment have been discussed more intensively. The reason for this is that despite the positive developments in the growth, the desired improvement in the field of employment cannot be achieved and there is a heavy tax burden on individuals.

In the context of production factors, the question of how the tax burden on wages, which is the return of labor power, capital, and profit on capitals return, should be distributed fairly to society remains a matter of debate in the economic and financial field as it was in the past. Taking into account that the wage and tax structure on wage naturally affects the relative prices of goods, the position of capital and other production factors, the state's income structure and the distribution of national income, it is not easy to solve the problem. In simple terms, since a tax on production factors changes relative prices, this situation determines the employee decisions of enterprises affected by the tax systems (Connolly & Munro, 1999). In other words, the taxation of wages affects the employee costs incurred by employers and the net disposable income achieved by employees, and this mainly determines the supply and demand decisions of labor markets.

### **Tax Wedge**

Labor has three dimensions that can be expressed as a factor of production, a human resource, and a primary source of income (Fleisher & Kniesner, 1980). The business relationship between the employee and the employer is based on a legal basis. This relationship can become functional by establishing either according to a contract of employment (service) or according to the rules of status law. With the establishment of such a relationship, a debt relationship reveals between the parties. This legal relationship between the parties of the business relationship brings along with the employee's dependence on the employer. In this context, it is called the labor market where labor supply and demand are faced, and wages, which are the price of labor, and other working conditions are determined. The concept of the labor market has been widely discussed, since the view that it degrades labor is dominant. (Ehrenberg & Smith, 2014). As it is known, goods and services are bought and sold in the markets, and the workforce cannot be bought or sold due to its structure. Therefore, the issue of taxation of labor from past to present has been widely discussed.

There are three basic methods in theory and practice in obtaining tax in proportion to financial power. The first is the principle of increasing ratio taxation, the second is the minimum living allowance, and the third is the principle of separation. However, tax cuts, exemptions, and exceptions applied for social purposes are also used to ensure justice in taxation. Since an individual whose income is barely sufficient to maintain its physiological existence cannot have tax payment power, the exclusion of the individual from the tax liability (Nadaroğlu, 1996: 310-315) is a requirement of the state's existence.

Taxation of labor or wage income is one of the important techniques for accessing the ability to pay in terms of tax justice. Based on the assumption that income generated by labor needs protection compared to capital income; the principle of separation is called to be taxed on labor income at a lower rate compared to income on wealth and capital (Akdoğan, 2011:252). In the economic doctrine, it has been suggested that labor income is weaker than capital income due to the quality difference between labor income and capital income and it is accepted that tax rates should be differentiated according to the source and quality of income (Şener, 2010: 251; Akdoğan, 2011: 252).

In Turkey, social security contributions, unemployment insurance fund, the employee share, income tax, and stamp tax are the primary financial obligations on wages. A financial obligation is taken from both the employee and the employer on the minimum wage, and the cost of the minimum wage to the employer is 3.006,12 TL according to 2019 data. The total cost to employer was 1.332,45 TL for 2014 and 2.088,56 TL according to 2017 minimum wage data. In the current tariff of income,

however, wage income and other income are in different tax brackets at the same tariff. This is a reflection of the separation principle.

On the other hand, the most important application to reduce the tax burden on the minimum wage is the As Minimum Living Allowance, which is implemented instead of “Tax Wage Reduction” and is available to those who have been earning labor income since 2008. However, another financial obligation is social security contributions. Unemployment insurance fund cuts, which are used as automatic stabilizers of public expenditures and used to reduce social risks during periods of unemployment, are another financial obligation. Unemployment insurance applications in Turkey, have started to be implemented towards the end of the 1990s and against unemployment addition to the severance pay with the 1999 reform was launched as a new social and economic assurance mechanism.

The stoppage at source method is mainly used in the taxation of wages, and in some cases, the taxation of those who earn wage income by giving a declaration is adopted (Aydın, 2013: 82). In this method, the employer shall deduct the income tax raised from his salary from his source before paying his employee’s salary to the employee or officer and pays it to the tax office on behalf of the employee as a taxpayer (Ünsal, 2006: 105). Therefore, the deduction made by the taxpayer means the last taxation.

The difference between the total cost of the employee to the employer and the net wage received by the employee is known as “tax wedge” in the literature. While the tax wedge adversely affects economic targets related to employment and the informal economy, it can also prevent the distribution of income groups and the equality target in the distribution (Aytaç, 2015: 136). Tax wedge, showing the ratio of total tax and insurance premium deductions to labor cost, shows the financial burden on employment in Turkey is too heavy (Yereli & Karadeniz, 2004; Tunç, 2007: 54). Above all, the high tax wedge leads to the growth of the informal economy and adversely affects competition and thus, domestic investments.

### **Tax Wedge in OECD Countries: Comparison with Turkey**

When deductions in the wage of employees in OECD countries examined also seen similar practices to those in Turkey. The similarity of the applications is important in making comparisons.

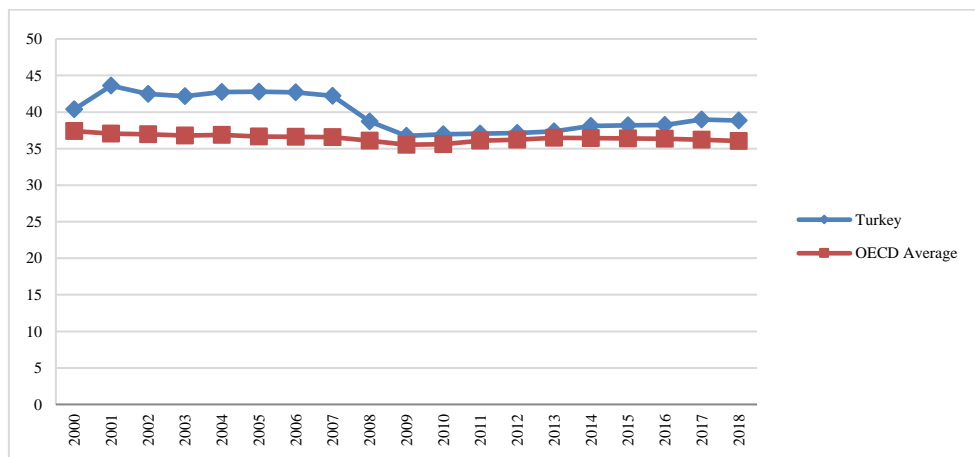
In recent years, a number of practices have been introduced, especially in order to ease the tax burden of the wage sector. Similar to the minimum living allowance in Turkey, an application which called as “green check” was put into effect to financial facilities for employees in Denmark (Aydın, 2013: 82). Total liabilities of the employees in OECD countries, just as in Turkey, is the sum of personal income tax and social security cuts.

**Table: 1 - Income Tax Plus Employee and Employer Social Security Contributions (%) (2018)**

Countries	Total Tax Wedge	Income Tax	Employee	Social Security Contributions	
				Employer	
Switzerland	22.2	10.5	5.9	5.9	
Germany	49.5	16.0	17.3	16.2	
Belgium	52.7	20.3	11.0	21.3	
Luxembourg	38.2	15.1	10.8	12.3	
Austria	47.6	11.6	14.0	22.1	
Netherlands	37.7	15.6	11.6	10.4	
Iceland	33.2	26.6	0.3	6.3	
France	47.6	12.3	8.8	26.5	
Sweden	43.1	13.8	5.3	23.9	
Ireland	32.7	19.3	3.6	9.8	
Norway	35.8	17.1	7.3	11.5	
Australia	28.9	23.3	0.0	5.6	
United Kingdom	30.9	12.6	8.5	9.8	
Korea	23.0	5.8	7.7	9.5	
Denmark	35.7	35.8	0.0	0.0	
Finland	42.3	16.6	8.1	17.6	
Japan	32.6	6.8	12.5	13.3	
Italy	47.9	16.7	7.2	24.0	
United States	29.6	14.9	7.1	7.6	
Spain	39.4	11.5	4.9	23.0	
Canada	30.7	14.1	6.6	10.0	
Greece	40.9	8.1	12.8	20.0	
Israel	22.4	9.5	7.6	5.3	
New Zealand	18.4	18.4	0.0	0.0	
Czech Republic	43.7	10.2	8.2	25.4	
Slovenia	43.3	10.3	19.0	13.9	
Estonia	36.5	10.0	1.2	25.3	
Portugal	40.7	12.6	8.9	19.2	
Poland	35.8	6.3	15.3	17.4	
Hungary	45.0	12.4	15.3	17.4	
<b>Turkey</b>	<b>38.9</b>	<b>11.2</b>	<b>12.8</b>	<b>14.9</b>	
Slovak Republic	41.7	8.0	10.3	23.5	
Lithuania	40.6	10.0	6.9	23.8	
Latvia	42.3	14.0	8.9	19.4	
Chile	7.0	0.0	7.0	0.0	
Mexico	19.7	7.9	1.2	10.5	
<b>OECD Average</b>	<b>36.1</b>	<b>13.5</b>	<b>8.2</b>	<b>14.4</b>	

Source: *OECD Tax Wages 2018*.

As can be seen, the financial obligations on wages vary between countries proportionally. The remarkable point in the table is the high employer share in social security cuts. The financial obligations under the responsibility of the employees are quite low in these countries. In this context, it is seen that there is an application in terms of labor protections in the mentioned countries.

**Graph: 1 - Tax Wedge in Turkey (%) (2000-2018)**

Source: *OECD Tax Statistics, 2019*.

When the Graphic is examined, it is seen that Turkey's tax wedge ratio has always watched over the OECD average. OECD average has remained stable at around 36% since 2001. In Turkey in 2000 was 40.3%, this rate increased to around 42% in 2005. Although it reached 38.9% in 2018, it is still above the OECD average. In the light of the information provided, in 2018, when compared to other countries, income tax and employer social insurance premiums are in OECD averages in Turkey, but employees' social security premiums are higher compared to other countries.

### Conclusion

The height of the tax wedge causes the employer to shift production to the informal area. This leads to both unregistered works of employees and thus exclusion from social security, as well as the loss of taxation by the state. In recent years, the tax wedge tends to fall. It is possible to evaluate this trend as a positive development. The tax wedge rate, which had the highest value, with 43.6% in 2001, has seen the lowest rate of 37% in 2007-2008. In 2018, it was around 38.9%.

On the other hand, easing the tax wedge had a positive impact on workforce participation rates. However, it is rightly criticized for the high financial obligations on employment, which is seen as one of the main reasons for informal employment. As is known, the Turkish social security system is a system that works with a high rate of premiums. In our country, an amount close to the net wage received by the employee is paid to the related public institutions as insurance premium, income tax, and stamp tax. For this reason, employees turn to informality in order to avoid a heavy financial burden.

Lowering the tax wedge will alleviate the tax burden and become an important element in preventing informality. As a result, with the establishment of a fair tax system and the spread of the tax to the base, the tax wedge on the employees and the employer will be alleviated.

## References

- Akdoğan, A. (2011), *Kamu Maliyesi*, Ankara, Gazi Kitabevi.
- Aydın, S. (2013), “OECD Ülkelerinde Çalışanların Sosyal Güvenlik Kesintileri ve Vergisel Yükümlülükleri”, *ÇSGB Çalışma Dünyası Dergisi*, 1(1), 90-93.
- Aytaç, D. (2015), “Maliye Politikasında Amaç-Araç Uyumu: Ücret Vergileri ve Artan Oranlı Tarife Uygulaması Açısından Bir İnceleme”, *Anadolu Üniversitesi Sosyal Bilimler Dergisi*, 15(1), 135-148.
- Connolly, S. & A. Munro (1999), *Economic of the Public Sector*, England: Pearson.
- Ehrenberg, G. & R.G. Smith (2014), *Modern Labor Economics: Theory and Public Policy*, Massachusetts: Routledge.
- Fleisher, B. & T. Kneisner (1980), *Labor Economics: Theory, Evidence, and Policy*, New Jersey: Prentice-Hall.
- Nadaroğlu, H. (1996), *Kamu Maliyesi*, İstanbul: Beta Yayınları.
- OECD (2018), *Tax Wages 2018*, <<https://www.oecd.org/tax/taxing-wages-20725124.htm>>, 23.07.2019.
- OECD (2019), *Tax Statistics Database 2019*, <<https://www.oecd.org/tax/tax-policy/tax-database/tax-database-update-note.pdf>>, 23.07.2019.
- Şener, O. (2010), *Teori ve Uygulamada Kamu Ekonomisi*, İstanbul: Beta Yayınları.
- Tunç, M. (2007), *Kayıt Dışı İstihdamla Mücadelede Geliştirilen Stratejiler Uygulanan Politikalar ve Gelişmiş Ülke Örnekleri*, Ankara: ISKUR.
- Ünsal, H. (2006), *Vergi Hukuku ve Türk Vergi Sistemi*, Ankara: Nobel.
- Yereli, A.B. & O. Karadeniz (2004), *Kayıt Dışı İstihdam*, Odak Yayınevi, Ankara.



## Contributors

Deniz ACUNER	Üsküdar University	Turkey
Melek AKDOĞAN-GEDİK	Çukurova University	Turkey
Semra AKTAŞ-POLAT	İstanbul Medeniyet University	Turkey
Çağdaş Erkan AKYÜREK	Ankara University	Turkey
Serpil ALTINIRMAK	Anadolu University	Turkey
Mohamad Dayyan AYOUBI	Manisa Celal Bayar University	Turkey
Konul AZIZOVA	Bank of Baku "Open Joint Stock Company"	Azerbaijan
Mehmet BAŞ	Ankara Hacı Bayram Veli University	Turkey
Hoşeng BÜLBÜL	Marmara University	Turkey
Mehmet Fatih ÇAPANOĞLU	Hacettepe University	Turkey
Zeynep ÇOPUR	Hacettepe University	Turkey
Tolga DEMİRBAŞ	Bursa Uludağ University	Turkey
Oğuzhan DEMİRHAN	Social Security Institution	Turkey
Hakan DULKADİROĞLU	Ankara Yıldırım Beyazıt University	Turkey
Gintarė EDINTAITĖ	Kaunas University of Technology	Lithuania
Esmā ERDOĞAN	Çukurova University	Turkey
Serkan ERKAM	Hacettepe University	Turkey
Esmā Görkem ERSOY	İstanbul Esenyurt University	Turkey
Aslıhan ERSOY-BOZCUK	Akdeniz University	Turkey
Sedef EYLEMER	İzmir Kâtip Çelebi University	Turkey
Haluk GERİKOĞLU	Konya Food & Agriculture University	Turkey
Adnan GERÇEK	Bursa Uludağ University	Turkey
Aleksandra GÓRECKA	Warsaw University of Life Sciences	Poland
Ali Gökhan GÖLÇEK	Niğde Ömer Halisdemir University	Turkey
Şeyda GÜDEK-GÖLÇEK	Niğde Ömer Halisdemir University	Turkey
İlkay GÜLER	Ankara Hacı Bayram Veli University	Turkey
Tuğay GÜNEL	Çukurova University	Turkey
İsmail GÜNEŞ	Çukurova University	Turkey
Vuslat GÜNEŞ	Bursa Uludağ University	Turkey
Murtaza HASANOĞLU	The Academy of Public Administration	Azerbaijan
Sabahattin Tuğrul İMER	Gazi University	Turkey
Hasan İSLATİNCE	Anadolu University	Turkey
Nuray İSLATİNCE	Anadolu University	Turkey
Gorm JACOBSEN	University of Agder	Norway
Ahmet KAMACI	Bartın University	Turkey
Özge KARAEĞE	İzmir Kâtip Çelebi University	Turkey
Serol KARALAR	Trakya University	Turkey
Onur KAYA	Eskişehir Technical University	Turkey
Sayed Khusrrow KHUSROWI	Alborz University	Afghanistan
Esra Nazmiye KILCI	İstanbul Arel University	Turkey
Mithat KIYAK	İstanbul Okan University	Turkey
Dorota KMIEĆ	Warsaw University of Life Sciences	Poland
Bogdan KLEPACKI	Warsaw University of Life Sciences	Poland
Nazlı Gönül KOCAMAN	Ankara University	Turkey
Altuğ Murat KÖKTAŞ	Necmettin Erbakan University	Turkey
Hande KUL-GELAL	Piri Reis University	Turkey
Wiktor MASZKOWSKI	Warsaw University of Life Sciences	Poland
Özge MUTLU-KAYA	Anadolu University	Turkey
Bismark Akuoko NKETIA	Strategic Africa Trading	Republic of South Africa
Büşra ÖĞÜTÇÜ	Bursa Uludağ University	Turkey

Nuran ÖZTÜRK-BAŞPINAR	Anadolu University	Turkey
Aleksandra PERKOWSKA	Warsaw University of Life Sciences	Poland
Cristiano PERUGINI	Università degli Studi di Perugia	Italy
Serkan POLAT	İstanbul Medeniyet University	Turkey
Sharaf REHMAN	University of Texas Rio Grande Valley	U.S.A.
Mustafa SAKAL	Dokuz Eylül University	Turkey
Işıl Şirin SELÇUK	Bolu Abant İzzet Baysal University	Turkey
Ayşen SİVRİKAYA	Hacettepe University	Turkey
Çiğdem ŞAHİN	Niğde Ömer Halisdemir University	Turkey
Orkun ŞEN	Anadolu University	Turkey
İpek TEKİN	Çukurova University	Turkey
Cevat TOSUN	Hitit University	Turkey
Selda UCA	Kocaeli University	Turkey
Işıl USTA-KARA	Trakya University	Turkey
Erdinç ÜNAL	İstanbul Okan University	Turkey
Andrey VERSHITSKY	Vernadsky Crimean Federal University of State	Republic of Crimea
Gülbiye YENİMAHALLELİ-YAŞAR	Ankara University	Turkey
Şenol YAPRAK	Turkish National Police Academy	Turkey
Ahmet Burçin YERELİ	Hacettepe University	Turkey