The contribution of participation banks on the development of the mixed banking system: case of the Turkish Republic

(1) (\*) Zouhair El AZZOUZI(2) Mhamed HAMICHE

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(1) AbdelmalekEsaadi university, Faculty of the Legal, Economic and Social Sciences, Tangier, Morocco, G-mail: [mohammedzouhair0@gmail.com](mailto:mohammedzouhair0@gmail.com), GSM: +212650464374

(2)AbdelmalekEsaadi university, Faculty of the Legal, Economic and Social Sciences, Tetouan, Morocco, G-mail:[Hamiche2020@gmail.com](mailto:Hamiche2020@gmail.com), GSM: +212667251711

(\*) Corresponding Author

**Abstract**

In this paper, we examine the impact of participation banks on the development of the hybrid banking system in the Turkish Republic, through an empirical study of independent variables that represent the development of participation banks such as allocated funds, raised funds and net profits, and the development of the mixed banking system that is represented by total assets and this is during the period of December 2011 to July 2018, it’s about 80 observations. First, we will start with the unit root test such as ADF, PP and KPSS tests to verify the stationarity of all variables, then we will apply the Johansen cointegration test for the long-term relationship to verify if there is a long-term co-integration relationship between the dependent variable and the independent ones. The results showed that all variables are stationary at the same level (2nd difference), so they are integrated in the same order (I1), while the Johansen test found that there are three long-term cointegration relationships between the variables involved. So, we concluded that participation banks contribute in the long term to the development of the mixed banking system of the Turkish Republic.

**Keywords**: Participation banks, mixed banking system, Turkey, unit root test, cointegration test.

**JEL Classification :**D39, E49, F69, F69, G21.