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The Effect of Syndication and Securitization Loans on Financial Performance of State-Owned Banks: The Case of Turkey[i]

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ABSTRACT

The purpose of this study was to investigate the impact of received syndicated and securitization of loans by state-owned banks in Turkey's on their financial performance. In this study, the banking sector was limited and only state-owned banking sector was examined. The data of banking sector and syndication loans data are taken from the official website of the BRSA. In this study, Johansen Cointegration Test and VEC Granger Causality Tests were used as methods. As a result of the study;
it was seen that there was a cointegrated relationship between syndication/ securitization loans and the financial performance of the bank in the long term. It is concluded that in the short term syndication and securitization loans do not cause the financial performance of the bank and that there is a causal relationship in the long term.

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1. Introduction

It is inevitable for the importance of banks in the development of countries' economies. In this respect, a country with a developed banking sector will develop economically and financially. State-owned banks need to increase their market value by collecting more deposits, decreasing the ratio of non-performing loans / total loans, applying a correct dividend policy… etc. These play a role in the development of banks. Market value will be possible with the bank's optimal management / investment / dividend policy. In addition, the reliable image of the bank in the market will increase the market value of the bank. Syndication loans are loans given to organizations seeking funds under the leadership of a pioneering institution, by coming together of more than one creditor institution. In other words, syndication loans are loans that more than one organization gather and fund together rather than an institution (Apak, 1995: 70). Here, in terms of creditor financial institutions, they will try to diversify their risks as they come together and fund. Since it has many such advantages, it has many advantages both by the institutions that request credit and make the loan available.

Securitization loans are the collecting of assets (stocks, long term receivables, illiquid asset) in the portfolios of banks in a

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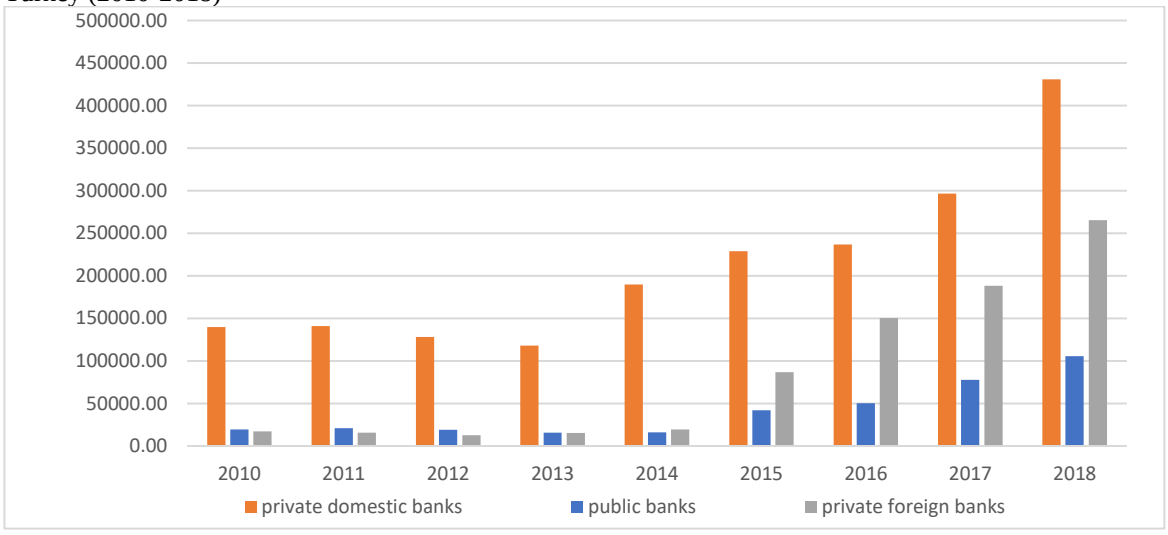
common pool and creating assets with high liquidity, by showing this asset as collateral and obtaining loans. The loans obtained are used for financing the investment and working capital needs of the enterprises (Güngören, 2011: 57-58).

Syndication and securitization loans also have competitive advantage, long-term financing and diversity of use for businesses in many aspects. Due to these advantages, it has been preferred by developed countries in recent years. For example, it is a loan type preferred by China after the 2008 crisis. The syndication and securitization loan amount used by China recently is around 150 billion dollars (Bloomberght, 2019).

Syndicated loans are made available by taking into account factors such as the economic conditions of the country, debt restructuring, fund demand, changes in the exchange rate, financial status of the institutions that will provide loans. These loans are made available by taking into account factors such as the effect of these loans on institutions, intermediary institutions, risk, competition, political and political developments, and inflation (Duran, 2007: 28).

Turkey syndication of banks according to the ownership structure of which they extend credit and securitization the annual amounts in Chart 1 is located as follows:

Chart 1. According To The Syndicated Banks They Use and Ownership Structure Annual Credit Securitization Amount In Turkey (2010-2018)

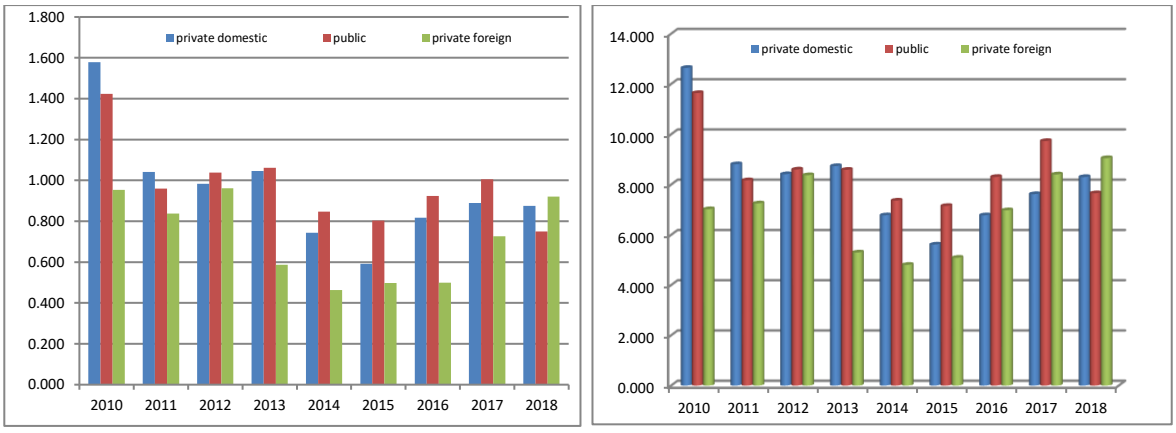


Source: The Banks Association of Turkey, 2020

When examining Figure 1, the period of 2010-2018 syndicated bank in Turkey they use the loan amount according to the ownership structure and the securitization except for 2013 shows that there is an overall upward trend. This case, the banks have increased its image and credibility in the market, Turkey shows that the advent of the banking sector. When the ownership structure is analyzed, it is seen that private domestic banks use more syndication and securitization loans, and there is much difference between them compared to other bank types. Considering the increase rates, it is seen that there has been a significant increase in the syndication and securitization loan amounts used by private foreign banks after 2014.

The changes in 2010-2018 on ROA and ROE of banks, which are the dependent variables of the study, are shown in Chart 2:

Chart 2. Annual Change in ROA and ROE Data of Banks (2010-2018)



Source: The Banks Association of Turkey, 2020

When Chart 2 is analyzed, there is a general downward trend in return on assets and equity between 2010 and 2015, according to the ownership type of banks. However, after 2015, there is a steady increase except for state-owned banks. Decreasing is observed in ROA and ROE in state-owned banks in 2018. The reason for this can be shown as the reduction of interest rates below deposit rates in state-owned banks in order to boost real markets. In the paper were examined for effects syndication and securitization loans on financial performance of the state-owned banks in the period 2010-2018. Data are taken monthly from the official website of the Banking Supervision and Regulation Board (BRSA). The Johansen Cointegration Test and Granger Causality tests were used as methods.

2. Literature

There are some national and international studies on syndication and securitization loans in the literature. Some summaries of international studies made in the literature on this subject are given in the table below.

Author/Year	Purpose of the Studies	Method	Results
Gasbarro et.al. 2004	To determine the change in the stock prices of the banks that received syndicated loans and announced it.	Event Study	Announcements regarding syndicated loans affect share prices positively and significantly, the effects of the announcements regarding syndicated loans with fixed repayment reached a negative and significant result.
Fery et.al. 2003	To determine how the share prices of selected banks in Australia are affected by announced and unannounced syndicated loans.	Event Study	It is seen that the announced loan agreements have a positive effect on the prices of banks' share. It has been observed that undisclosed loan agreements do not have a significant effect on share prices.
Armstrong, 2003	To examine the general structure and change of syndicated loans used in North America.	Event Study	They concluded that syndicated loans offer the potential for a wider spread of credit risk that should be constructive for financial stability in the country.
Kleimeier and Megginson, 2000	To compare the financial characteristics of the project finance (PF) loan sample with syndicated loans (SC)	Panel Regression	They concluded that PF loans have fixed interest rates and high costs, can be used by some sectors and are smaller than FC.

Nandy and Shao, 2010	To examine the impact of syndicated loans on corporate investments.	Panel Regression	They concluded that institutional investors earn more when they get syndicated loans, therefore they prefer syndication loans, and institutional investors invest in high-risk assets due to the risk-return relationship.
Chui et.al. 2010	To examine the developments in syndicated loan markets during the financial crisis.	Panel Regression	They concluded that the balance sheet restrictions of international banks played an important role in the collapse of the syndicated loan, and the recent developments in the syndicated loan markets were indicative of the structural changes in the credit markets.
Altunbaş et.al. 2010	To investigate the financial factors behind syndicated loans and compare them to the bonds companies can issue.	Single and Multiple Logistic Regression	The syndicated loan is preferred by companies with high profitability and less growth, syndicated loan selection is positively associated with a fixed level according to the size of a firm, financial leverage, profitability and total assets, but when considered as loan options, these two alternative markets are used It was concluded that the motivation of the firms was similar.
Godlewski and Weill, 2008	To investigate the determinants of the loan syndication decision in 50 developing countries.	Panel Regression	They conclude that the development of financial markets has a negative effect on the syndicated loan decision, and that the differences between countries in the expansion of syndicated loans can be explained by the differences in institutions between countries.

Some national study summaries made in the literature on this subject are as follows:

Author/ Year	**Purpose of the Studies**	**Method**	**Results**
Sakarya and Sezgin,2015	To determine how the statements made by banks traded on BIST and who have taken syndicated loans about these agreements affect stock returns.	Event Study	It was observed that the statements of banks regarding syndicated loan agreements had a positive effect on stock returns and they concluded that the market was not effective even in semi-strong form.
Çukur, Eryiğit and Duran, 2008	To analyze the effects of syndication and securitization loans on the stock exchange and the banks receiving the loan.	Event Study	A high rate of abnormal return or cumulative abnormal return in syndicated loans could not be detected in the analysis made with consolidated data on a bank basis.
Sarıgül, 2015	To determine the effects of state-owned announcements made by banks whose shares are traded on BIST for syndicated loans on stock returns.	Event Study, T-test	In the period analyzed, the announcements of banks' purchase or purchase of syndicated loans do not provide an abnormal return on the stock returns of banks.
Kutlu, Demirci and Güner, 2012	To investigate the general structure and effects of syndicated loans as an alternative and financing alternative in risk management.	Literature Review	Increase the volume of syndicated loans by banks to increase their long-term debt in the capital structure, they concluded that the syndicated loan to make positive contributions to Turkey's financial markets.

Pişkin, 2016	Between the years 2003-2012 to determine the variables that affect spreads in the syndicated loan used by banks using a syndicated loan in Turkey.	Regression	They concluded that especially macroeconomic variables are effective in determining syndicated loan spreads, the ratio of syndicated loans and foreign borrowing in banks' debt structure is low, contract terms and syndication institutions do not affect the spread.
Demirhan, 2010	Costs Representative explored the impact of the financial structures decided on the profitability of the banking sector banks in Turkey to test the hypothesis.	Panel Regression	Domestic and foreign banks in Turkey that different capital structure ratios, with in particular the share of total liabilities to equity of financial structure ratios and ROE reached the conclusion that there is a positive relationship between both ROE.

There are a number of studies in the literature where syndication loans are evaluated both by the demanders and the country. Some of these studies (Pişkin, 2016; Armstrong, 2003) examined the effect and general structure on syndicated loan spreads. However, some studies (Gasbarro et al., 2004; Fery et al., 2003; Sakarya and Sezgin, 2015; Sarıgül, 2015) mostly examined the effect of syndicated loans on the shares of the company that uses the loan. And as a result of the searches in the literature, it has been observed that syndicated loans generally affect the users positively (Kutlu et al.,2012; Sakarya and Sezgin, 2015; Gasbarro et al., 2004).

This paper also investigated the effect of syndication and securitization loans on the financial performance of state-owned banks. The data of the banking sector and the data of syndicated loans have been taken from the official website of the BRSA. In the study, Johansen Cointegration Test and VEC Granger Causality tests were applied as methods.

3. Methodology

In this paper, syndication and securitization loans used by state-owned banks for the period 2010-2018. These data are the ratios of Net Profit (Loss) / Average Total Assets (%) (ROA-Return on Assets) and Net Profit (Loss) / Average Equity (%) (ROE-Return on Equity) for the Period and are used monthly. The dataset of loans, ROA and ROE ratios are taken from BRSA data bulletins. Since the loans variable contains a nominal value, the natural logarithm of the variable is taken. ROA and ROE series were included in the analysis after being adjusted from calendar and seasonality using the Census-X13 method. Eviews 9 econometric program was used in the study.

3.1. Purpose of The Study

The purpose of the study is to examine whether syndication and securitization loans used by state-owned banks in Turkey effects on their financial performance.

3.2. Variables

When examining the effects of syndication and securitization loans on the financial performance of state-owned banks in the study, the variables to be included in the analysis are as follows:

Table 1. Variables Used in the Study

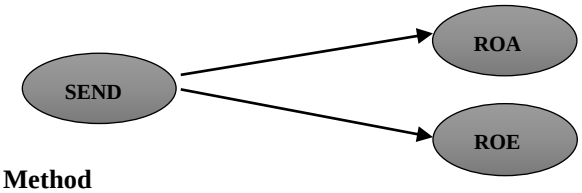
Abbreviation	Variables	Formulas
Dependent Variables		
ROA	Return Of Assets	Net Profit / Total Assets
ROE	Return Of Equity	Net Profit /Total Equity
Independent Variables		
SEND	Syndication and Securitization Loans	Syndication and securitization loan used by state-owned banks during periods

3.3. Model of the Study

In the study, it was investigated the effects of syndication and securitization loans used by state-owned banks in Turkey on their financial performance. Return Of Assets and Return Of Equity are considered as financial performance indicators.

$$\text{Model A: } ROA_t = \beta_0 + \beta_1 SEND_{i,t} + \varepsilon_t$$

Model B: $ROE_t = \beta_0 + \beta_1 SEND_{i,t} + \varepsilon_t$



3.4. Method

2010-2018 was accepted as the term in the study. The data are monthly and the time series analysis is used since the research is only for state-owned banks.

In the time series analysis, it was first examined whether there were problems of autocorrelation and variance in variables. Then, before starting the analysis, it was investigated whether the series are stationary or not, that is, whether they have unit roots. The unit roots of the variables were examined with the ADF Unit Root Test. Then, Johansen cointegration test was conducted to investigate the long-term cointegration relationship between variables. For this purpose, firstly the appropriate lag length has been determined. Finally, Granger causality test was applied to investigate whether dependent and independent variables cause each other.

Statistical causality is the obtaining of predictive values of a time series variable from past period values of itself or another associated time series variable (Işığıçok, 1994: 94). In the Granger sense, causality is expressed as an X variable is the information of another Y variable, while the information in both X and Y is given, if the Y variable is predicted only by the use of the past values of X, it is the cause in the Granger sense. In other words, if the knowledge of the past values of the X variable allows Y to be predicted more precisely, the X variable is the reason for the Y variable in the Granger sense (Takım, 2010:326).

4. Findings

Analysis findings regarding the models of the study are included under separate headings in this part.
Before the cointegration analysis stage, the stationarity of all series is checked first in order for the model to give meaningful results. Accordingly, ADF unit root test was applied in order to prevent spurious regression problem and to determine the degree of cointegration of variables.

Table 2. ADF Unit Root Test

Variable	Level		1. Difference	
	t-statistics (p-value)		t-statistics (p-value)	
	Constant	Constant Trend	Constant	Constant Trend
ROA	-2.948 **(0.0437)** C. Value %1= -3.500	-3.727 **(0.025)** C. Value %1= -4.046	-10.865 **(0.000)** C. Value %1= -3.493	-10.813 **(0.000)** C. Value %1= -4.046
ROE	-2.375 **(0.151)** C. Value %1= -3.500	-2.358 **(0.398)** C. Value %1= -4.057	-11.920 **(0.000)** C. Value %1= -3.493	-11.862 **(0.000)** C. Value %1= -4.046
LNSEND	-0.181 **(0.936)** C. Value %1= -3.492	-1.995 **(0.596)** C. Value %1= -4.046	-10.239 **(0.000)** C. Value %1= -3.493	-10.231 **(0.000)** C. Value %1= -4.046

According to the ADF unit root test results shown in Table 2; It was determined that all variables have a unit root at 1% significance level in their constant and constant trend components, and it is stationary in the first difference. At the level, p-values shown in parentheses are meaningless at 1% significance level, as p values in parentheses are greater than 0,01. The series become stationary at their first difference I(1).

In the next step of the research, Johansen cointegration method is used for estimating the long-term cointegrated relationship for all variables that become stationary I (1) at the first difference. For this purpose, an unconstrained VAR model has been established. It is necessary to determine the optimum lag length for the significance of the results of the estimated VAR

model. In order to determine the appropriate delay length, a VAR model is usually estimated in which variables are included with level values and the lag length is selected by considering criteria such as AIC, SIC and HQ (AsteriouandHall, 2007: 322). Before starting the Johansen test, it is decided according to Pantula (1989) principle which deterministic components should be found in the cointegration equation (long-term relationship) and VAR model (short-term relationship) regarding the VECM by finding the appropriate lag length (Demirci, 2017: 50).

The meanwhile, the most appropriate lag length for the VAR model estimated for Model A and Model B are determined as 1 for Model A and 3 for Model B. In order for the determined 1 and 3 lag lengths to give correct results in VAR analysis, the stability of the parameters is ensured; error terms should have lag length without autocorrelation and variance problems. The most optimal lag length for these tests was determined as 6 for Model A and 3 for Model B. It is shown in Table 5 that the model estimated with 6 and 3 lag lengthsin Model A and Model B, respectively, does not have autocorrelation and variance problems.

Table 3. Heteroscedasticity, Autocorrelation Tests

	Model A				Model B			
	Autocorrelation		Heteroscedasticity		Autocorrelation		Heteroscedasticity	
Lag Length	LM-stat	p-value	Chi square	p- value	LM-stat	p- value	Chi square	p- value
1	14.041	0.121	500.071	0.148	5.223	0.265	47.555	0.098
2	9.547	0.388			0.967	0.126		
3	6.658	0.673			4.524	0.339		
4	2.205	0.988			4.572	0.334		
5	5.359	0.802			5.751	0.218		
6	3.558	0.938			2.524	0.640		
7	5.798	0.760			6.645	0.155		
8	4.053	0.908			2.586	0.629		
9	1.487	0.997			1.535	0.820		
10	5.709	0.769			1.506	0.825		
11	7.198	0.617			5.357	0.252		
12	21.211	0.112			48.026	0.124		

In Table 5, p values greater than 0.01 indicate that there is no autocorrelation and variance problem between variables. Inverse roots are viewed in Figure 1 and Figure 2 for parameter stability:

Figure 1. Roots of AR Characteristic Polynomials for Model A

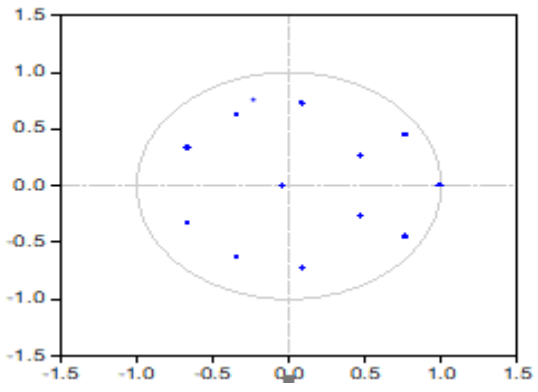
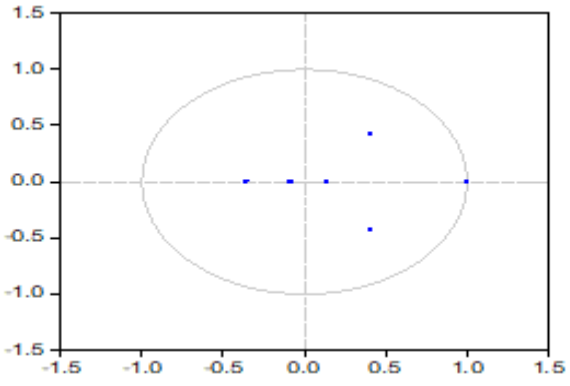


Figure 2. Roots of AR Characteristic Polynomials for Model B



Since the inverse roots of the AR characteristic polynomial are located in the unit circle, the lag VAR models for Model A and Model B also provide the stability condition.

Pantula principle has been used to determine the deterministic components to be included in the cointegration equation of

VECM and VAR model. Model 2 (constant in cointegration equation, no trend; VAR model has constant and no trend), Model 3 (cointegration equation has constant, no trend; VAR model has constant, trend) and Model 4 (cointegration equation has constant and trend; VAR model has fixed, no trend) estimated and the results are as in Table 6:

Table 4. Appropriate Model Selection According to Pantula Principle

Ho	Model 2 Critic Value	Model 3 Critic Value	Model 4 Critic Value
Model A			
r = 0	71.606 (25.078)	66.797 (19.937)	72.993 (23.004)
Maximum r = 1	4.871 (12.760)	0.501 (6.634)	5.743 (10.818)
Model B			
r = 0	85.499 (20.261)	23.764 (19.937)	35.143 (23.004)
Maximum r = 1	4.500 (12.760)	0.003 (6.634)	8.034 (10.818)

The first model in which the null hypothesis, which states that there is no cointegration according to the Pantula principle, cannot be rejected, is chosen as the appropriate model. Since the trace statistics in Model 2 is lower than the critical value for both Model A and Model B at 1% significance level (4.871 <12.760; 4.500 <12.70), H0 was accepted for the first time and the appropriate model was determined to be Model 2 for both models.

The results of the Johansen cointegration test using Model 2 are as follows:

Table 5. Johansen Cointegration Test Results

Ho	Maximum Eigenvalue Test		
	Test Statistics	%5 Critic Value	p-value
Model A			
Ho: r= 0	67.621	20.161	**0.000*** **
Ho: Maximum r= 1	5.455	12.760	0.788
Model B			
Ho: r= 0	80.424	18.520	**0.000*** **
Ho: Maximum r= 1	0.518	6.604	0.471

Johansen Cointegration test results are shown in Table 7. The H_0 hypothesis (r = 0), which assumes that there is no cointegration vector for the maximum eigenvalue test, is rejected. H_0 hypothesis (r = 1), which assumes that there is at most one cointegration vector, is accepted at the level of 1%. Accordingly, there is a single cointegration vector at the level of 1% among the variables. According to the results obtained from the Johansen cointegration test, it was determined that there is a long-term relationship between the series. In other words, there is a real relationship between variables in the long run. The first difference is that there is a long-term stationary linear relationship between the stationary **ROA** and **SEND** series and the **ROE** and **SEND** series.

When the cointegration equation is normalized to be ROA and ROE dependent variables; long-term equations are as follows:

$$ROA = -0.1622SEND + 1.945 \quad (1)$$

S.E. : (0.076) (0.597)

$$ROE = -0.2737SEND + 1.379 \quad (2)$$

S.E. : (0.149) (1.717)

In the cointegration equation 1, although the coefficient of SEND variable is statistically significant, a negative relationship was found between ROA and SEND in the long run.

In the cointegration equation 2, although the coefficient of the SEND variable is statistically significant, a negative relationship was found between ROE and SEND in the long run. Since the models in question are based on dynamic integrations, the coefficients are not interpreted as magnitudes (Johansen and Juselius, 1990).

The series are stationary in the first difference and the short-term and long-term causality relationship between variables that are found to be cointegrated according to the results of the Johansen Cointegration test can be investigated by VEC Granger Causality test. Table 8 contains the results of the VEC Granger Causality Test:

Table 6. Results of VEC Causality Test and Error Correction Tests

Dependent Var.	Independent Variables	

	Short term causation Chi-square (p-value)		**Long term causation Coef. [t stat**
Model A	ΔROA	ΔSEND	ECT(-1)
ΔROA	-	5.743 (0.331)	-0.866 [5.816]
ΔSEND	6.089 (0.229)	-	-0.003 [0.073]
Model B	ΔROE	ΔSEND	ECT(-1)
ΔROE	-	7.079 (0.069)*	-0.752 [5.853]
ΔSEND	2.088 (0.554)	-	0.007 [0.279]

Note: *t statistics values are for %1: 2.56; for %5: 1.96 and for %10: 1.64.*

In the short term, interpretation can be made by looking at the k-square test statistic and the p-value for this statistic in the causality study in the direction of dependent variables, one of the independent variables. Significance of the coefficients for independent variables indicates the presence of short-term causality between variables, while significant coefficients of ECM (-1) terms indicate the presence of long-term effects. While interpreting the causality test, the course is followed from independent variables to dependent variables.

In this context, according to the findings in Table 8; For Model A; At the first stage, from the SEND variable shown as the independent variable to the ROA variable shown as the dependent variable, a causality relationship was not determined at the 1% significance level in the short term. On the other hand, at the 1% significance level, a causality relationship could not be determined in the short term from the ΔROA variable, which was shown as the independent variable, to the SEND variable, which was shown as the dependent variable.

For Model B, a causality relationship at the 10% significance level was determined from the ΔSEND variable, which was shown as the independent variable at the first stage, to the ΔROE variable, which was shown as the dependent variable. On the other hand, in the second stage, causality could not be determined in the alternative significance levels from the ΔROE variable, which was shown as the independent variable, to the ENDSEND variable, which was shown as the dependent variable.

In the long run, the significance of the coefficients of the error correction (ECT (-1)) term can be interpreted by looking at the t statistics value given in square brackets.

In this context, the t-statistic of the coefficient of the ECT (-1) term calculated for the variable ΔROA is significant at 1% level. In this case, a causality relationship can be determined from ΔSEND variable towards ΔROA variable in Model A and from ModelSEND variable towards ΔROE variable in Model B.

5. Conclusion

The strategic role and importance of banks is inevitable for countries to increase their economic development. While banks carry out many activities that the laws allow them in their activities, their main activity is to make those who demand the funds collected from depositors in return for the deposit interest rate, with loan interest. The difference between loan interest and deposit interest is also the main point of interest income of banks. Accordingly, if the banks do not leave the deposits they collect, or more generally the funds idle, it is expected that this will have an effect on the profitability of the banks as the funds collected by the banks increase.

Syndication loans are when more than one financial institution comes together and allocates funds collected in a pool under the leadership of a leading country to an institution requesting funds. Securitization loans, on the other hand, are loans that businesses use by showing the assets on their balance sheets as collateral. Syndicated loans are lower cost and long term loans. For this purpose, considering the risk-cost relationship, the risk of organizations using syndicated loans is expected to be low.

The syndication use of state-owned banks in Turkey were investigated in this study and that there is an effect on the performance of the securitization of bank loans. In the study, Johansen Cointegration test and VEC Granger causality test were used as methods.

In the results of paper; there is a cointegrated relationship between syndicated loans and securitization loans, which are the

dependent variables in the long run, and return on assets and equity of public banks. As a result of the VEC Granger Causality test, syndicated loans and securitization loans did not change the return on assets and equity of public banks in the short term. It is an expected result that long-term syndicated loans and securitization loans do not affect the financial performance of public banks. In the short term, return on equity causes return on assets at 1%, and return on assets causes return on equity at a significance level of 5%. This is due to the fact that ratios have common values in their formula. In the long run, there is a causality relationship from syndication loans and securitization loans and return on assets to return on equity.

As syndicated loans and securitization loans are long term in terms of maturity, the relationship and causality are expected to be long term. Optimally used syndicated loans and securitization loans will increase the profitability of banks. Since the profits of banks will be in the equity part of their balance sheets, it will affect both the net profit for the period in the share of the return on equity ratio and the equity amount in the denominator.

For this reason, syndication loans and securitization loans that provide prestige to banks, which are long-term in nature and suitable for banks in terms of cost, will increase the profitability of banks and increase their market value when they are taken and evaluated in the right investment channels. This will positively reflect on banks' stocks, especially when their shares are traded on the stock exchange. This results Gasbarro et al., 2004; Fery et al., 2003; Sakarya and Sezgin, 2015; Sarıgül are in line with the results of the 2015 studies.

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