

The Privatizations made in Turkey between 1980-2020 and their Applications on the Socio-economic Structure of Turkey

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Abstract

This research aims to evaluate The privatizations made in Turkey between 1980-2020 and their applications on the socio-economic structure of Turkey. Data provided by the Central Bank of the Republic of Türkiye and the World Bank Country Reports Türkiye report were used as the data set. Although there is a negative relationship between privatization revenues and urbanization, women's employment, growth, inflation, exchange rate and industrial production; and a positive relationship between health expenditures, GNP and employment, these relationships are not statistically significant ($p>0.05$). The effect of privatization revenues on urbanization, female unemployment, health expenditures, GINI and education data is not statistically significant ($p>0.05$). Privatization revenues after 1980 did not have a statistically significant effect on growth, inflation, GNP, employment, exchange rate and industrial production ($p>0.05$). Although privatizations are actions that are stated to aim to contribute economically and socially, the results show that this is not fully reflected.

JEL classification numbers: A10, R30, R31.

Keywords: Privatization, Social structure, Economic structure, Turkey.

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1. Introduction

Privatization, defined as the full or partial transfer of state assets to the private sector, is an economic policy instrument used to address the negative effects of the economic crises that occurred in the 1970s [1-3]. In this context, the objective of privatization is to reduce the share of the public sector in the economy and to create economic liberalization [4,5]. In this way, the goal is to achieve the dominance of a market economy based on competition, production efficiency and to free public finances from the financial burden.

Since 1980 and later, there has been a trend towards liberal policies in our country. In this context, especially 1994 was an important year in terms of the course of privatization in Turkey and Law No. 4046 was passed [6-8]. The Presidency of Privatization Administration and the Supreme Privatization Council were established. Privatization transactions have further intensified since 2003.

This study examines the impact of privatization practices on the socio-economic structure of the Turkish economy. In this regard, the aim of the study is to empirically assess whether privatization practices in the Turkish economy, where the efficiency and effectiveness of the privatizations carried out, have an impact on the social and economic structure of our country as predicted in the theoretical framework. This study first discusses the conceptual framework of privatization and then presents the developments in the field of privatization in the Turkish economy since 1980. Then, it tries to empirically test the impact of privatization practices on the socio-economic structure in Turkey.

2. Literature Review

In their study on the Turkish economy, Kuştepelı and Gülcan (2002) examined the influence of the government on the privatization efforts in our country. They regressed real growth, inflation, exchange rate, unemployment, budget deficit, public debt, interest rates, public and private sector investment on privatization revenues. As a result, it was shown that budget deficit has a negative effect on privatization and the effect of public debt is uncertain [9]. Oskay and Kubar (2008) explained the reason for the privatization of state-owned banks in Turkey in their study and discussed the impact of the corresponding privatizations on the banking sector and the economy investigated the opinions of the staff working in Electricity Generation Corporation about privatization and how the privatization process will affect the employees. In this regard, a survey entitled “The Impact of Privatization Process on Employee Motivation” was conducted with 544 participants in four business directorates of Turkish Electricity Corporation in Kahramanmaraş. The obtained data were analyzed using SPSS software package and it was found that privatization practices had a negative impact on employee motivation [10]. Ozata (2013) empirically tested the relationship between privatization revenues and growth and external debt in Turkey from 1985 to 2012. The study found no relationship between privatization revenues and economic growth [11].

3. Methods

3.1 Model of the Research

The research was designed in a mixed model including descriptive and relational screening models. Simple linear regression model was used as the econometric model in the research.

3.2 Data Set

Data provided by the Central Bank of the Republic of Türkiye and the World Bank Country Reports Türkiye report were used as the data set. The dependent and independent variables are as follows:

Dependent Variables:

Social Variables-World Bank Country Reports

- Schooling -Literacy rate, youth total (% of people ages 15-24)
- Urbanization-Urban population growth (annual %)
- Female employment-Unemployment, female (% of female labor force) (modeled ILO estimate)
- Marriage rates-Women who were first married by age 18 (% of women ages 20-24)
- Health expenditure-Domestic private health expenditure per capita, PPP (current international \$)

Economic Variables-World Bank Country Reports

- Growth-GDP per capita growth (annual %)
- Inflation-Inflation, GDP deflator (annual %)
- GNP-GDP per capita (current US\$)
- Employment-Unemployment, total (% of total labor force) (national estimate)
- Foreign exchange rate-Official exchange rate (LCU per US\$, period average)
- Industrial production-Manufacturing, value added (annual % growth)

3.3 Statistical Methods

In the analysis of the data, Augmented Dickey Fuller test was used for unit root tests, Kolmogorov Smirnov test was used for normality analysis. Pearson's moments correlation and Generalized Linear Model (Logit) analyses were used for relational screening.

4. Results

Privatization revenues from 1990 to the present range from a minimum of 84 million USD to a maximum of 58,334,000,000 USD, with an average of around 3,626,210,000 USD. The extreme values of other research variables do not have as wide a range of changes as the privatization data (Table 1).

Table 1: Introductory statistics for the time series used in the research

	Mean	Standard Deviation	Median	Minimum	Maximum
Privatization revenue (million USD)	3626.21	9973.85	919.50	84.00	58334.00
Urbanization, %	2.28	.47	2.26	1.52	4.12
Female employment, %	10.31	2.88	10.09	5.58	16.43
Health expenditure, % GNP	205.32	42.44	210.54	138.41	266.71
Growth, %	3.31	4.50	4.50	-7.14	10.43
Inflation, %	37.81	36.30	16.51	5.45	143.64
GNP, USD	7175.97	3595.33	8003.81	2240.61	12578.19
Employment, %	9.80	1.95	10.23	6.50	14.03
Exchange rate, TL	2.29	3.30	1.43	.00	16.55
Industrial production, %	5.54	6.97	5.92	-8.96	20.23

Although there is a negative relationship between privatization revenues and urbanization, women's employment, growth, inflation, exchange rate and industrial production; and a positive relationship between health expenditures, GNP and employment, these relationships are not statistically significant ($p > 0.05$) (Table 2).

Table 2: Pearson's moments correlation analysis results for the relationships between privatization revenues and social and economic indicators

Privatization revenue	r	p
Urbanization	-0.131	0.467
Female employment	-0.006	0.975
Health expenditure	0.184	0.424
Growth	-0.092	0.609
Inflation	-0.246	0.167
GNP	0.307	0.082
Employment	0.138	0.442
Exchange rate	-0.072	0.691
Industrial production	-0.089	0.622

According to the regression analysis results, the effect of privatization revenues on urbanization, female unemployment, health expenditures, GINI and education data is not statistically significant ($p>0.05$) (Table 3).

Table 3: The effects of privatization on social indicators

[illegible]

5. Discussion

This study examined the relationship between the privatization practices carried out in Turkey between 1980 and 2020 and the socio-economic structure of the country, and analyzed the possible impact of the revenues generated by privatization on economic and social indicators. In this context, the relationship between the two main hypotheses and sub-hypotheses and the privatized state-owned economic enterprises for the period considered in the study was examined.

Privatization has significant effects on every sector, especially banks, since it is related to capital [12-16]. In the EU and Türkiye, harmonization processes include a series of social and economic variables [17]. In this process, Turkish privatizations have come to the fore. On the other hand, about \$62 billion came from privatization revenues generated in Turkey between 2003 and 2013. Instead of reducing the total debt during this period, the state increased it by 54% (\$298 billion as of 2013) (Kanca, 2016). The obtained results show that as the amount of money coming into the state treasury due to privatization increased, there was no significant increase in socio-economic indicators.

Although privatization studies have been conducted in the literature, there is a lack of studies that include relationships with socio-economic effects. On the other hand, there are studies that reveal the relationship between privatization revenues and economic growth, the relationship between privatization revenues and budget deficit and public debt, and the relationship between privatization revenues and economic crises. According to the results obtained during the study, the relationship between privatization revenues and the size of socio-economic effects was not statistically significant and positive.

6. Conclusion

Privatization practices may vary depending on the socio-economic conditions of countries. The aim of the study is to examine the impact of privatization revenues on social and economic indicators in the Turkish economy. The results of the Kolmogorov-Smirnov test for the normal distribution of a number of studies and the Augmented Dickey-Fuller (ADF) test for the unit root test were determined. It can be seen that privatization practices, which are supported by many literary studies that have shown that they are very important for states, are directly related to the economic structure of countries. In addition, this relationship was assessed not only in a relational context with correlation analysis, but also according to the results of regression analysis.

Furthermore, statism in Turkey was caused by backwardness, the absence of a national bourgeoisie and the goal of creating a classless society, rather than by ideological preferences. Due to historical, economic and social reasons, GEPs are not organizations created for profit. In other words, GEPs were created with a pragmatic approach rather than an ideological goal.

According to neoclassical economists, privatization alone cannot bring about efficiency, and they argue that this can only happen under competitive conditions.

The form of ownership of a business is not directly related to its efficiency. What is important from the point of view of efficiency is the creation of competitive conditions in the market. Monopolistic or oligopolistic enterprises are observed in a market where there is no competition. This situation excludes the efficiency of use and distribution of resources. If the degree of monopolization increases as a result of privatization, consumers will face higher prices. However, when one of the most important goals of privatization, which is to distribute capital to the base, is not achieved, the inequality of income distribution increases even more.

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